CHANGING TRENDS IN FMCG INDUSTRY IN INDIA

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EXECUTIVE SUMMARY

This paper analyses and evaluates the existing and future profitability and financial performance of the FMCG industry, with a focus on India. HUL, ITC, Dabur, Godrej, and P&G are the five largest FMCG companies in India. We learn about their sales, product segmentation, profitability, flexibility, brand loyalty, and customer awareness. The report details all of the acquisitions and mergers that the corporation has made. The PEST analysis of the FMCG industry discusses the fundamental political, social, economic, and technological aspects of the industry. The PEST study aids the industry in overcoming potential obstacles. The method of data collection is done in terms of the net sail, Research and Development, Ad expenditure, Fund flow, and PBITM (profit before interest depreciation and tax margin). We have also analyzed the data with the help of hypothesis testing. As there are more than two companies, we have taken ANOVA test to compare the profitability of the respective FMCG Companies in India. We also compared India's FMCG analysis to those of other BRICS countries (Brazil, Russia, India, China, and South Africa). We also looked at the industry's overall future prospects and opportunities.

The report emphasizes the fact that entering the FMCG industry is relatively simple, but staying in the market is a significant challenge. In order to achieve sustainability, they must create a brand value in the minds of consumers. Furthermore, data analysis reveals that different FMCG companies have varying levels of profitability and brand value. Their net sales, operating profit, and PBIT also vary depending on the company and year. Among these five FMCG players, ITC is the market leader.

As we all know, a business begins and ends with its customers. Companies should concentrate on the requirements and desires of their customers and strive to give value-added services and goods. They should endeavour to set themselves out from the competition. In the FMCG industry, the only way to differentiate items is to build brand value among consumers.

The following are some of the recommendations discussed:
In order to increase the profitability of their business and to satisfy their customers as much as possible, they need take a varied approach to different products. They should now concentrate their efforts in the countryside. The key argument is that they will profit by targeting rural communities. Cities have been covered by FMCG companies.
Moreover, as the profitability of different FMCG industries varies, they need to focus on promotional activities in order to increase their sale. Other option is trying to increase their amount of sales in other countries that is by increasing export.

CHAPTER 1

1.1 INTRODUCTION

Consumer packaged goods (CPG) is another word for fast-moving consumer goods (FMCG). The meaning of this product can be deduced directly from the word FMCG. These things are sold in a short period of time and at comparatively low prices. Non-durable products, such as soft drinks, fast food/processed foods, pharmaceuticals, cosmetics, and a variety of other consumables, are excellent examples. To further define the phrase "non-durable," it refers to all goods that should be used within three years after purchase. FMCG has an extremely short shelf life as a result of this characteristic, which could be due to its high demand or its non-durable nature.

Although FMCG is sold in large quantities, the profit margin for producers is modest when compared to retailers. However, because the products are sold in big quantities, the overall profit will be sufficient to keep the business afloat.

The natures of FMCG are as follows:

- Low price
- Low involvement of buyers
- Repeated purchase
- Large quantities
- Easily Available
- High stock turnover

1.2 OVERVIEW OF INDUSTRY

FMCG companies are one of the most adaptable types of businesses. It stands out as the world's most important industry.

- **FMCG companies are known for their brand name:** Everyone in the world is familiar with the FMCG brand since they use it frequently. People are familiar with these brands from trips to the shop or from numerous sources of advice. Various FMCG brands can be found in every room of the house.

- **FMCG firms are flexible in nature:** There is never a dull moment in the FMCG industry because it changes with the times and the surroundings. The primary cause for its continuous evolution is changes in consumer demand, which creates a desire for consumers to purchase that product. It continues to create varied customer requirements. Another factor is that FMCG products move quickly from the moment they are purchased in the store to the time the shelves are empty.

- **FMCG companies put efforts in employee and customer retention:** Customer and staff loyalty determines the company's long-term viability. To be strong and profitable, FMCG relies on client retention. It also focuses on keeping its employees happy because a happy employee means a happy consumer.

- **FMCG firms are resistant to the recession:** No matter how much fluctuation is in the economy, FMCG firms are least affected. Consumers need to buy FMCG products, as these are the basic necessity and essential commodities for them.

- **FMCG industries focus on two "B ", Bigger and Better:** This industry is getting bigger as many brands are entering in the market and giving absolute competition. Moreover, FMCG companies always focus on innovative ideas and technology to provide better products to the customers.

- **FMCG ultimate objective is to deliver what the consumers want:** Customers' everyday needs and desires have been met by this industry. It prioritises the needs of the customer and does everything in its power to meet and exceed their expectations.

In context of the INDIA, the top 10 FMCG companies are as follows:

- Hindustan Unilever Ltd
- ITC Ltd
- Nestle India Ltd
- Britannia Industries ltd
- Godrej Consumer Products Ltd
- Patanjali Ayurved Limited
- Dabur India Ltd
- Marico Ltd
- Varun Beverages Ltd
- GlaxoSmithKline Consumer Healthcare Ltd

1.3 SCENARIO OF FMCG IN INDIA

India is one of the countries with the largest population in the world, and its GDP is expected to rise in the near future. As a result of this factor, India has been in the spotlight for many FMCG companies. However, from the 1950s to the 1980s, there were few investments in the FMCG industries because the purchasing power of the Indian people was extremely low, and the government of India was also supportive of small scale sectors. Hindustan Unilever Limited, formerly known as Hindustan Lever Limited, was the only company that was able to thrive in this environment. This multinational corporation had its manufacturing base in India.
HUL had been the main player till then. It was carrying out their business in a urbane manner. Consumers however were limited to few choices but the entry of Nirma detergent Powder ushered in a new era in the FMCG industry as a whole. This company took a "value for money" approach and made detergent

affordable to a wide range of people, drastically altering the Indian way of life. This paved the way for many FMCG firms in India.
FMCG was no longer viewed as luxury products that were just targeted for the elite class of people. It was regarded more as a day-to-day necessity for the masses in affordable price.

For many decades, there were many global FMCG companies in the country, but in the last ten years, many domestic FMCG companies have entered the market, including Godrej, Dabur, Nirma, Emami, CavinKare, and others.

In the current scenario, the FMCG sector is an important contributor to India's GDP and the fourth largest sector of the Indian economy. Toilet soaps, toothpaste, detergents, and shampoos, shaving products, shoe polish, packaged food items, and household products are the most commonly used items on the list. In this market about 2 trillion is covered by rural India in terms of its revenue.

The major FMCG market Industry in India mainly comprises of;

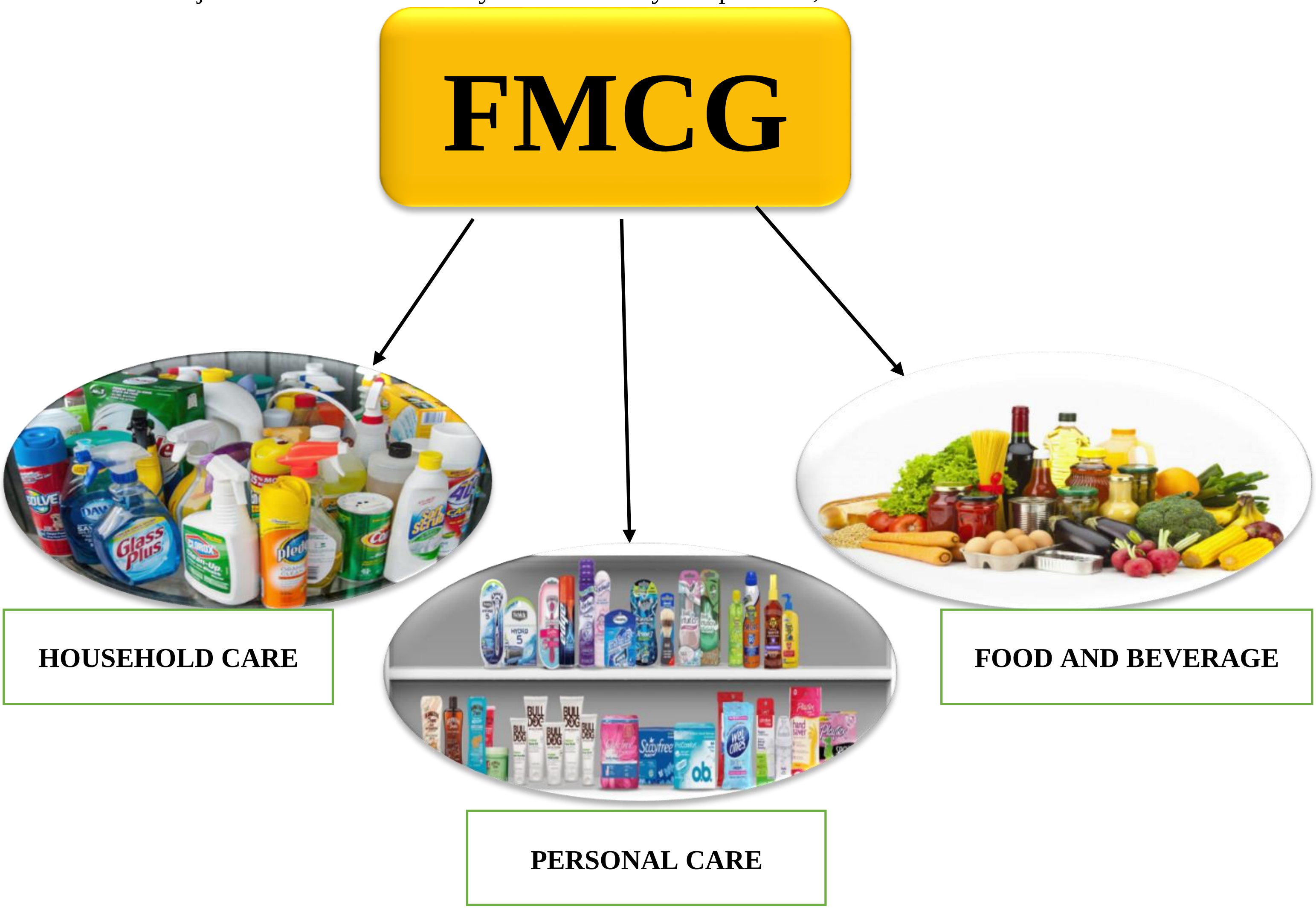

Figure 1: Product Segment

1.3.1 HOUSEHOLD CARE

The size of the Indian household care sector in 2015, with projections through 2020. According to the source, the market size was approximately five billion US dollars in 2015 and was expected to reach approximately 15 billion US dollars in 2020. Consumers in cities prefer washing powder and detergents to bars due to increased use of washing machines, purchasing power, and aggressive advertising. Consumers in rural areas, on the other hand, continue to use bars. In the case of detergents, small and unorganised players control the majority of the market. HUL's Vim bars lead the market in terms of customer satisfaction. It provides superior product and performance and constantly comes with new offering such as Anti-Germ Bar and Monthly Tub Pack.

1.3.2 PERSONAL CARE

The beauty and personal care market in India is expected to grow at an 8.1 percent CAGR to $32.7 billion by 2023, from $25.9 billion in 2020. There has almost certainly never been a better time in India to launch a direct-to-consumer (D2C) beauty and personal care brand. Hair care, skin care, colour cosmetics, bath/shower products, and fragrances are among the most popular products.

Different segments are experiencing different trends. The largest segment of these products is bar soap, with hair care products coming in second. Over the last five years, bar soaps have grown at a rate of 5% per year, while hair care products have grown at a rate of 9-10% per year.

- In the case of hair care, coconut oil holds 72% share in the India's hair oil market.
- The skin care market is in the initial stage in India. People are becoming more aware of it as there is change in lifestyle, rise in income, more choices and ease in availability.
- Oral care, which is also an essential aspect of personal care, can be divided into toothpaste, toothpowder, and toothbrushes, which account for 60%, 23%, and 17% of the market share, respectively.

1.3.3 FOOD AND BEVERAGE

In 2019, India's food and beverage business is expected to generate Rs. 30 lakh crores in revenue. The 'in-kitchen' section, which includes basics, spices and condiments, dairy, and other products, accounts for 70% of the food and beverage basket, or Rs. 21 lakh crores. The packaged food segment is expected to increase at a rate of 9% per year through 2030, when it will be worth $6 billion. In the next three years, the ready-to-drink tea and coffee industry is expected to be worth 2200 crore. The total soft drink that includes both carbonated beverages and juices segment is expected to touch USD 1 billion.

The following figure shows us the market segment of people in India in different category of FMCG products.

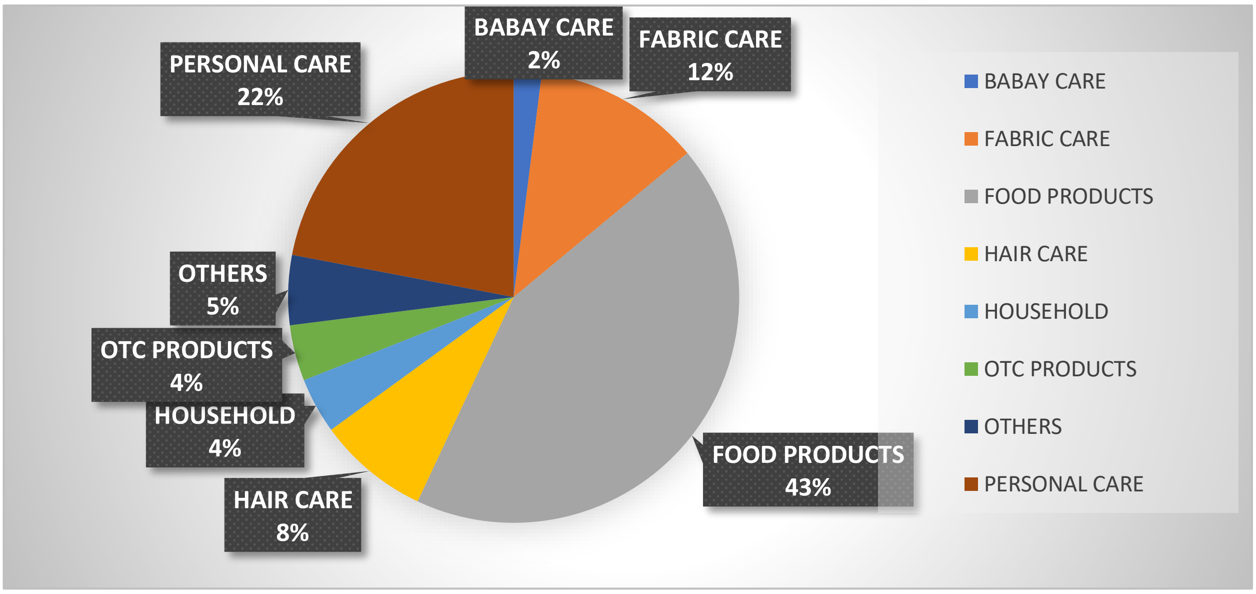

Figure 2: Market Segment of FMCG in India

According to 2013 data, food items account for the largest share of FMCG, followed by personal care, fabric care, hair care, homes, OTC products, and baby care. Many businesses use significant advertising, marketing, packaging, and low-cost strategies to influence their clients. This sector's growth is fueled by both rural and urban locations. Foreign FMCG companies are also interested in entering the Indian market because of the numerous growth potential.

The main factors or the drivers for the growth of FMCG sectors in India are;

- Per Capita Income
- Population growth
- Changing lifestyle
- Support from Foreign Direct Investment (FDI)
- Low labour cost and
- Availability of raw materials

The following figure shows the revenue growth pattern of overall FMCG Industry in India.

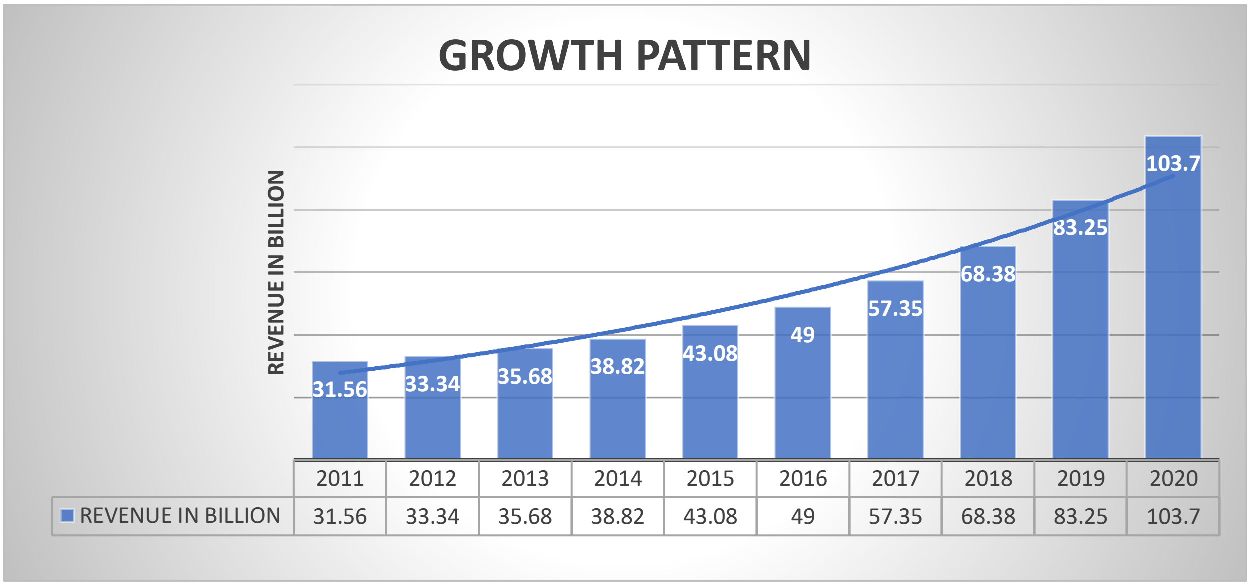

Figure 3: Growth Pattern of FMCG in India

FMCG revenue has increased steadily since 2011, rising from 31.56 billion to 33.34 billion. Revenue had increased to 103.70 billion by 2020. During the period 2011-2020, India's FMCG sector grew at a compound annual growth rate (CAGR) of 16.2 percent. With this revenue and growth pattern, the FMCG industry is ranked fourth in India. There are several causes for this, including changes in consumption patterns, lifestyle changes, and high purchasing power.

In India, there are plenty of FMCG companies. According to a Nielsen survey, MNCs own 62 of the top 100 brands,

1.4 ANALYSIS OF FMCG INDUSTRIES

We will be doing an industry analysis on 5 major FMCG companies of India.

i. Hindustan Unilever Limited
ii. ITC Limited
iii. Dabur India Limited
iv. Procter & Gamble
v. Godrej Consumer Products Limited

1.4.1 Reason for choosing these Industries

- These industries account for 70% of the overall FMCG market.
- Indian consumers are more aware of these businesses.
- These industries own the maximum amount of shares.
- Major of Indian people are using products from these brands.
- Promotion and Advertisement of these companies are hardcore of India.
- And most important these are MADE IN INDIA.

Let’s take a glimpse into the background of each FMCG companies that we are going to analyse upon.

1.4.2 Hindustan Unilever Limited

HUL stands for Hindustan Unilever Limited, a British-Dutch conglomerate based in Mumbai, India. Hindustan Unilever Ltd's products include foods, beverages, cleaning agents, personal care products, water purifiers, and consumer goods. HUL began as Lever Brothers in 1933 and was renamed Hindustan Lever Limited in 1956 with the merger of its constituent groups. The company was then renamed "Hindustan Unilever Limited" in June 2007.

In 2017-18, the Hindustan Unilever Limited portfolio featured 35 commodities labelled in 20 categories and employed 18,000 representatives, with offers totaling Rs. 34,619 crores. In December 2018, HUL announced the acquisition of Glaxo Smithkline's India division for $3.8 billion, resulting in a 1:4.39 all-value merger deal ratio.

It employs more than 16,500 workers in India and indirectly helps to assist the employment of more than 65,000 people.

According to Nielsen research two out of every three consumers in India use HUL products.

Furthermore, HUL operates over 2 million direct retail stores across India, with its products available in over 6.5 million outlets.

1.4.3 ITC Limited

ITC Ltd is a leading private sector company in India. Confectionery Information Technology Branded Apparel Personal Care Stationery Safety Matches and other FMCG items are among ITC's diverse offerings. ITC began as the Imperial Tobacco Company of India Limited in 1910, but later became I.T.C Ltd. Periods were omitted from the name in 2001. It is a conglomerate based in Kolkata, West Bengal, India.

1.4.4 Dabur India Limited

The name Dabur comes from the word "Daktar Burman." Dabur India was founded in the year 1884 by Dr.SK Burman, a physician. This company is the largest Ayurvedic medication maker in India. Fresenius SE, a German corporation, purchased a 73.27 percent ownership holding in Dabur in June 2008 for Rs.76.50 per share. Furthermore, the same firm purchased another 17.62 percent of the stock via an open letter at the same price.

Dr.SK Burman produced Ayurvedic medicine for various diseases such as malaria and cholera. In the Ayurvedic Specialities Divison of Dabur, there is more than 260 medicines treating various health related problems such as common cold to chronic paralysis.

1.4.5 Procter & Gamble

Soaps, cleansers, and other household items are made in the United States. Cincinnati, Ohio is the headquarters.

When William Procter, a British candlemaker, and James Gamble, an Irish soapmaker, joined their enterprises in Cincinnati in 1837, the corporation was born. The main ingredient in both products was animal fat, which was plentiful in Cincinnati's hog-butchering district. During the American Civil War, the company supplied soap and candles to the Union Army, and after the war, it sold even more of these items to the general public.

It was created in India in 1964 and presently serves over 650 million customers. Its headquarters is in Mumbai. It is a well-known brand not only in India but also around the world. P&G is a key player in the FMCG business, and its success may be attributed to great product offerings and technological innovation.

In India, P&G operates under three entities 1837

- Procter & Gamble Hygiene and Health Care Limited.
- Gillette India Limited.
- Procter & Gamble Home Products.

P&G provides jobs to more than 26,000 workers both directly and indirectly. In addition to this, it is dedicated to sustainable growth in India.

1.4.6 Godrej Consumer Products Limited

Godrej Consumer Products Ltd (GCPL) is one of India's most well-known Fast Moving Consumer Goods (FMCG) companies. It was established in 2001. The company's headquarters are located in Mumbai, Maharashtra. Household Insecticides, Soaps, Hair Colors, Liquid Detergents, and Air Fresheners are the company's five product segments. Malanpur in Madhya Pradesh, Baddi in Himachal Pradesh, Guwahati in Assam, and Namchi in Sikkim are among the company's manufacturing locations. Through a series of acquisitions throughout the years, the corporation has built a significant international footprint. In emerging markets, GCPL is one of the largest home pesticide and hair care companies. It is the market leader in India for home pesticides and the second largest in Indonesia.

Its subsidiaries are;

- Essence Consumer Care Products Pvt. Ltd
- Naturesse Consumer Care Products Pvt. Ltd
- Godrej Hygiene Products Ltd.
- Godrej Netherlands B.V.

It provides jobs to more than 1300 full time employees in India and moreover, it’s involved in many social awareness activities as well.

The products offered by selected company with respect to their sales are clearly given below

Company	Personal Care	Food& Beverages	Healthcare	Homecare
Hindustan Unilever Limited	Fair & lovely, Ponds, Lakme, Dove, Pears, Pepsodent, LUX, Clinic Plus, Axe, Aviance, Lifebuoy, Closeup, Sunsilk, ELLE18,			Comfort, Surf Excel, Rin, Vim, Wheel, Domex, Sunlight Color guard, Cif, New Magic

	Vaseline, Tresemme, Hamam. Clear, Rexona, Ayush, Liril, Breeze, Tigi, Sure, Toni&Guy			
ITC Ltd.	Vivel, Essenza Di Wills, Fiama Di Wills, Superia, Engage,	Sunfeast, Aashirvaad, Bingo, Kitchen of India,mint-o, candyman, Gumon		
Dabur India	Amla Oil, Vatika Shampoo, Vatika Oil, Babool Toothpaste, Red Toothpaste, Gulabari Range, Fem Range, Uveda Range	Real, Activ, Burrst, Homemade, Lemoneez, Capsico	Hajmola, Nature Care, Pudin Hara, Chyawanprash,	Sani Fresh Shine, Odonil, Odomos, Odopic
Procter & Gamble	Gillette, Head & Shoulders, Olay, Oral- B, Pampers, Pantene, Vicks, Wella, Whisper			Ambi Pur, Ariel, Duracell, Tide
Godrej Consumer Products Limited	No. 1 soap, Cinthol, Protekt, Mitu, Goorej Expert, Goorej renew, Goorej Nupur Henna			No. 1 soap, Cinthol, Protekt, Mitu, Goorej Expert, Goorej renew, Goorej Nupur Henna

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Table 1: Products offering of FMCG Players

The following shows the financial performance of the FMCG companies:

Company	Year Ended (in 2000)	Sales (in Crore)	EBITDA MARGIN (in Crore)	NPM (%)	ROA (%)	ROE(in Crore)	EPS	BVPS
	Mar-17	31890	6573	14.07	30.43	70.73	19.1	28.6
	Mar-18	34525	7845	15.16	30.53	77.56	22.2	30.9
HUL	Mar-19	38224	9301	15.79	33.78	82.24	25.8	33.4
	Mar-20	38785	10333	17.37	34.37	82.2	28.8	35
	Mar-21	45996	11837	17.29	11.67	16.8	34	202.9
Company	**Year Ended (in 2000)**	**Sales (in Crore)**	**EBITDA MARGIN (in Crore)**	**NPM (%)**	**ROA (%)**	**ROE(in Crore)**	**EPS**	**BVPS**
	Mar-17	40088.68	16563.95	25.44	18.81	23.45	8.4	38.45
	Mar-18	40254.67	17670.82	27.62	17.99	23.2	9.2	3.3
ITC LTD.	Mar-19	44432.67	19790.05	27.7	17.85	22.8	10.17	48.52
	Mar-20	45136.08	20917.91	33.17	20.11	24.82	12.31	53.41
	Mar-21	45111.81	18773.45	28.65	18.2	21.18	10.59	49.31
Company	**Year Ended (in 2000)**	**Sales (in Crore)**	**EBITDA MARGIN (in Crore)**	**NPM (%)**	**ROA (%)**	**ROE(in Crore)**	**EPS**	**BVPS**
	Mar-17	5369.84	15463	18.86	19.13	27.29	5.64	20.77
	Mar-18	5609.06	16250	19.17	18.44	25.36	6.06	24
DABUR INDIA LTD.	Mar-19	6273.19	17354	20.15	22.66	31.85	7.13	22.47
	Mar-20	6309.8	17871	18.54	19.18	25.58	6.6	25.89
	Mar-21	7184.73	20254	19.23	18.41	25.63	7.8	30.5
Company	**Year Ended (in 2000)**	**Sales (in billion) (in $)**	**EBITDA MARGIN (in Crore)**	**NPM (%)**	**ROA (%)**	**ROE(in Crore)**	**EPS**	**BVPS**
	June-17	65.1	17,353	18.64	37.3	82.24	5.59	162.08
	June-18	66.8	17254	15.25	26.28	46.5	3.67	248.15
PROCTER & GAMBLE	June-19	67.7	17336	14.22	25.68	46.1	1.43	280.06
	June-20	71	19405	14.42	23.68	37.4	4.96	356.7
	June-21	76.1	21327	18.23	39.92	91.25	5.5	220.05
Company	**Year Ended (in 2000)**	**Sales (in Crore)**	**EBITDA MARGIN (in Crore)**	**NPM (%)**	**ROA (%)**	**ROE(in Crore)**	**EPS**	**BVPS**
	Mar-17	4748.1	19244	17.85	13.75	19.38	12.44	128.41
	Mar-18	5261.02	21161	19	15.09	21.54	14.68	68.13
Godrej Consumer Products Limited	Mar-19	5679.31	21503	30.9	26.33	35.62	17.17	48.19
	Mar-20	5474.45	21560	21.55	16.99	23.01	11.54	50.16
	Mar-21	6254.33	24563	19.25	15.9	19.25	11.97	62.19

Table 2: Financial Performance of FMCG companies

CHAPTER 2

2.1 LITERATURE REVIEW

Financial analysis is the process of identifying financial strengths and weaknesses and establishing a link between balance sheet and profit and loss account items.

The financial analysis of a company refers to the examination and evaluation of financial statements. A financial statement is a collection of data arranged logically and consistently according to accounting processes. It's a method of communicating and comprehending various financial aspects of a company. It can represent a situation at a specific point in time, such as a balance sheet, or it can reflect a set of operations over a specific time period, such as an income statement. As a result, the term "financial statement" refers to both statements.

1. The position statement or balance sheet

2. The income statement or profit and loss account

For gaining the insight about the study a brief review of the literature is required for a researcher, reader and other scholars. Literature review of the cane be explained on the basis of the following.

2.1.1 Brand Equity

Every consumer has an opinion about the product. It is the commercial value of a product or service that influences the consumer's opinion about the brand name rather than the product or service itself. A corporation can increase brand equity for a product by making it memorable or easily recognisable, as well as superior in terms of quality and reliability. An industry's brand equity can be built through various marketing efforts or mass marketing operations. However, if customers are ready to pay more for a generic product than a branded product, the brand is considered to have negative brand equity. Various researchers have different viewpoints on brand equity.

Brand equity has four dimensions brand loyalty, brand awareness, brand associations, and perceived quality, each providing value to a firm in numerous ways. Once a brand identifies the value of brand equity, they can follow this roadmap to build and manage that potential value.

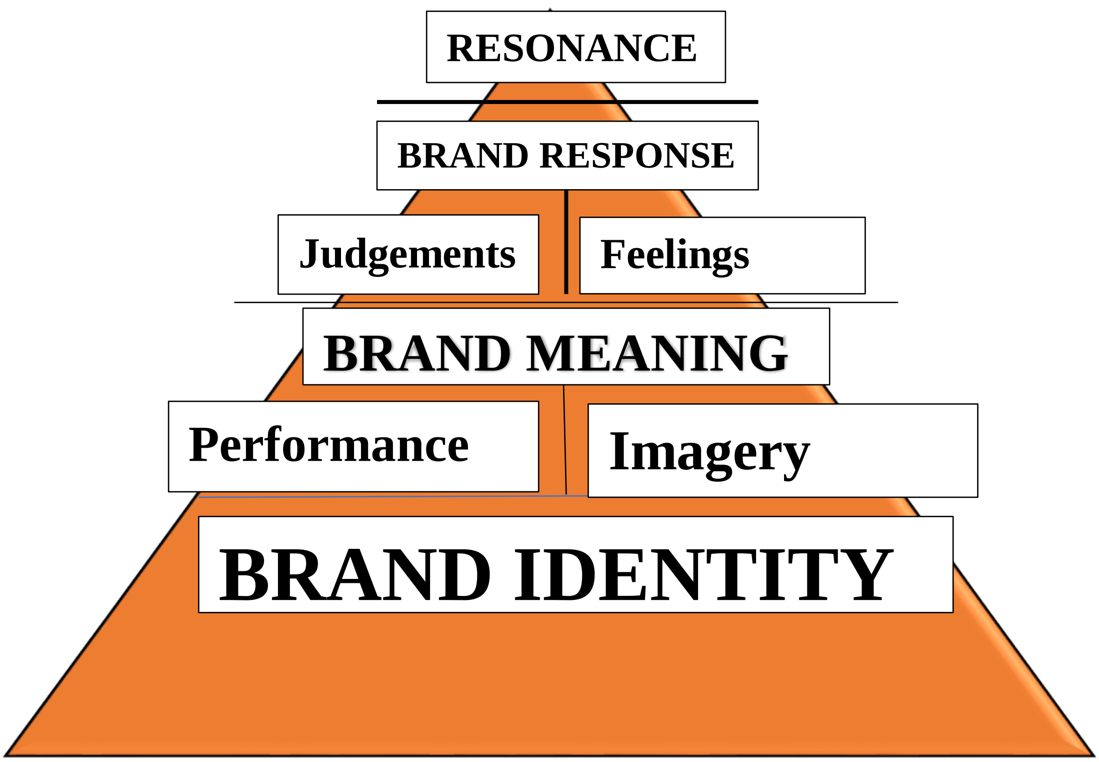
According to Farquhar, brand equity may be evaluated from three perspectives: first, from the standpoint of the firm, second, from the perspective of the trade, and third, from the perspective of the customer. According to another pair of academics, Srivastava and Shocker, the definition of brand equity is categorised in the other group of definitions, in which brand equity includes both financial and consumer viewpoints. Brand equity, according to both of them, is made up of brand strength and brand values. There are two reasons for evaluating brand equity, according to another researcher Keller in 1993. First, for accounting or merger purposes, to more precisely quantify the financial base motivation of the financial worth of the brand. Although a financial method may provide a brand with more specific information on the brand's value. For a brand manager it may not be useful to establish marketing strategies because financial approach is limited with the estimation of the brand values. Second: to improve marketing productivity motivation arises from strategy based motivation.

In 1995, researchers Lassar, Mittal, and Sharma examined the two viewpoints of brand equity: financial (described above by Simon and Sullivan 1993) and customer. Brand equity is viewed as a separate asset that can be sold independently to the consumer by proponents or adherents of financial perspectives. According to Simon and Sullivan in 1993, brand equity is defined as the incremental cash flow that accrues when a branded product is purchased over an unbranded product. Customer brand equity stresses the customer's mindset.

In 2001, another group of researchers, Capon, Berthon, Hulbert, and Pitt, proposed that there are two sorts of brand equity: original brand equity and consumer brand equity. The financial and customer perspectives on brand equity are both crucial to consider. The financial basis technique calculates the brand value based on the brand's net additional cash flow. The additional cash flow results in the customer's willingness to buy the respective brand more than its competitors, even if another brand is cheaper, because the customer is willing to pay more because of the benefits and the brand that creates belief in the customer's mind during the marketing of the respective brand.

2.1.2 Customer Based Brand Equity

For a particular brand to have value it must be valued by the customer . According to researcher Keller in the year 2003, the power of a particular or any brand lies in what the customer has learnt, felt, seen, and heard about the brand as a result of over time experience while using the product. Keller and Cobb-Walgren and Ruble stated in 1995 that "brand has no value for the customer" and that "alternative perspectives of brand equity are significant." Cobb-Walgren, a researcher, In 1995, he stated that value can only be established among investors, manufacturers, and retailers if value is created for the consumer. It's helpful to think about brand equity from the standpoint of the customer because it gives both particular rules for marketing techniques. Keller discovered in 1993 that the source of brand equity is all about consumer perception, so it is critical for a manager to assess and track brand equity in a more practical manner. The Keller model is a pyramid that shows organisations how to establish brand equity by starting with a strong base of brand identification and working their way up to the holy grail of brand equity, 'resonance,' where customers have a positive enough relationship with a brand to become champions for it. As the respective information offers a customer behaviour in strategic vision and the managers can develop different strategies accordingly. Dyson discovered in 1996 that a brand exists in the mind of a potential customer, and that it is entirely dependent on the customer's perception of that brand, which aids in assessing its worth.



2.1.3 Dimensions of Customer based Brand Equity

In the brand equity literature, there are two main frame workers that conceptualise based brand equity. Keller In 1993, brand equity was defined as the differential effect of brand knowledge on customer response to the marketing of the respective brand. How can customer-based brand equity be built, measured, and managed to gain a better understanding? Keller described the total conceptualization of brand knowledge in 1998. Brand knowledge is defined as a customer's perceptions of a specific brand that are reflected in their memory of the respective brand.

In the year 1991, Aaker proposed a definition of brand equity that was widely accepted and comprehensive at the time. Aaker (1991, 15) defines consumer brand equity as "a set of brand assets and liabilities linked to a brand, its name, and symbol that add to or subtract from the value provided by a product or service to a firm and/or that firm's customers." Keller (1993, 02) proposed an alternative concept of consumer-based brand equity (CBBE), which he defined as “the differential effect of brand knowledge on consumer response to the marketing of the brand”. Keller emphasised that brand equity should be measured in terms of brand awareness as well as the strength, favorability, and uniqueness of the brand associations that people remember. In the years 1991 and 1996, Aaker defined brand equity as the set of brand assets and liabilities that are associated with the brand, such as its name or symbols that add or subtract to the value provided by the respective product or service to the specific industry or firm by consumers. According to him, assets and liabilities are classified into five categories based on brand loyalty, brand name awareness, brand quality, brand association, and other proprietary brand assets. Other brand assets, according to Yoo and Bonthu in 2001, include patents, trademarks, and channel relationships. The fifth component of the other brand assets is not relevant to the consumer perceptions therefore the first four component should be accepted as the customer based brand equity.

The overall concept of customer-based brand equity can be visualised from two perspectives: consumer perceptions or cognitive approach, as well as consumer behaviour awareness, brand associations, and perceived quality. According to the definition given above by Kamakura and Russell in 1991, there are five important considerations to the definition of brand equity. Initially, brand equity refers to consumer perceptions rather than indicators. Second, he defines brand equity as the global value associated with a specific brand. Third he told that the global value is associated with the brand stem from brand name not only from the physical aspects of the brand. Forth brand equity is not absolute but it is relative to the competition. Finally according to him the brand equity have positive influence on the financial performance.

2.2 ACQUISITION AND MERGERS

Mergers and acquisitions (M&A) are transactions in which two companies combine in some way. Although the terms mergers and acquisitions (M&A) are used interchangeably, they have distinct legal meanings. A merger is the joining of two companies of similar size to form a new single entity. An acquisition, on the other hand, occurs when a larger company acquires a smaller company, absorbing the smaller company's business. M&A transactions can be friendly or hostile, depending on the target company's board of directors' approval.

Some of the important mergers and acquisition which happened in the FMCG industry are as fallows.

1. HUL acquisition and Mergers are as follows:

- • Hindustan Unilever Ltd, has acquired a further 75% stake in Bhavishya Alliance Child Nutrition Initiatives.
- HUL intends to acquire the remaining 74% stake in Aquagel Chemicals Pvt Ltd. HUL currently owns 26% of the company.

the buy would make Aquagel its wholly owned subsidiary. FMCG giant, Hindustan Unilever Ltd is acquiring another 75% stake in Bhavishya Alliance Child Nutrition Initiatives (Bhavishya Alliance), a Not for Profit Company.

2. ITC acquisition and Mergers are as follows:

- ITC Ltd have acquire Savlon and Shower to shower trademarks and other intellectual property from Johnson and Johnson Pte. Ltd.
- ITC Limited is also looking forward to acquire Century Textiles And Industries Ltd
- Espirit Hotels and ITC Hotels Limited have formed a joint venture. Looking forward to the construction of a luxury hotel in Hyderabad. ITC owns a 26 percent stake in the joint venture for Rs 45 crore.

- As it strives to become a billion-dollar company, ITC Infotech intends to acquire targets in North America and Europe.

3. Dabur India Ltd is on the looking for potential acquisition targets in both India and abroad, has purchased Turkey-based Hobi Kozmethik in 2010 and the US-based Namaste Group in 2011.

4. Godrej Consumer Products Limited (GCPL) is a consumer goods company headquartered in Mumbai, India. Godrej Consumer Product Ltd paid an estimated Rs 75-80 crores for Africa's Frika hair. This was Godrej's fifth acquisition in Africa since its entry into the continent.

CHAPTER 3

3.1 PEST ANALYSIS OF FMCG INDUSTRY

3.1.1 POLITICAL

Political stability:

Political stability is one of the most important factors that directly influence business growth. If political stability is higher, it leads to greater business perfection; on the other hand, if there is insecurity, business will suffer.

Taxation policy:

The government's tax policy will affect the price of inputs, which will in turn affect the prices of final products, and this will have a direct impact on product sales.

Government intervenes:

This identifies the level at which the government intervenes in the economy. If the government intervenes is more sometimes it helps the organization at large extent.

Subsidies:

Subsidies provided by the government to various organisations at various levels also assist them in growing at a faster rate and in reducing the amount of finance that must be funded from outside sources, as well as directly reducing the interest amount paid in favour of funds raised from outside sources.

Trading policies:

This section describes the policies governing the import and export of goods and services from various countries. If policies are favourable, more goods and services will be imported and exported; on the other hand, if policies are unfavourable, import and export will be restricted.

Labour law:

Labour law also affect the organization, for example- child labour, a child below14 year of age cannot work In factory or any hazardous place.

3.1.2 Economical

Interest rates:

Interest rate directly affect the cost of capital, if the interest rate is higher the cost of capital will increase

& if it is lower then cost of capital will be lower. This directly affect the profit of the organization & its growth.

Tax charges:

If the government charges a lower tax, the product price will be lower; if the tax is higher, the product price will be higher.

Exchange rates:

This demonstrates shows what the exchange rate or foreign currency rate is. If the exchange rate is higher, more money is paid on imports of goods; if it is lower, less money is paid; and if it is higher, more money is received; if it is lower, less money is received.

National income:

National income is an important factor because it affects the organization's growth. If per capita income is higher, the amount spent will be higher; if it is lower, the amount spent will be lower.

Economic growth:

Economic growth is an important factor in the organization's development. If the economy grows at a faster rate, it will have a direct impact on the organization's growth.

Inflation rate:

Inflation is defined as a rise in the value of all products in the economy, if the inflation rate is higher, the cost of products will rise, if the inflation rate is lower, the cost of products will fall. This has a direct impact on the organization's growth.

3.1.3 Social

Demographics:

Demographics is the economic study of human population. It enables the organisation to divide markets into different segments in order to target a large number of customers. For example, based on race, age, gender, family, religion, and gender.

Distribution of income:

This shows that how income is distributed in the economy. It has a direct impact on purchasers' purchasing power. And this, in turn, leads to a rise or reduction in the amount of product consumption.

Changes in life style:

Changes in lifestyle also result in an increase or decrease in the demand for various commodities. For example, LCD and LED televisions have largely replaced digitally displayed television sets, indicating a shift in consumer lifestyle.

Consumerism:

This indicates that a large number of options are available to consumers when purchasing goods, making the choice easier and allowing consumers to select quality products. As a result, when making a purchase, a consumer has several options for selecting a product that meets his needs.

Education levels:

Education is one of the most important factors influencing consumer purchasing power when selecting a specific good, a consumer should be aware of all of its features in order to differentiate it from other products.

Law affect social behaviour:
The government enacts various laws to protect the rights of consumers. For example, the Consumer Protection Act states that a consumer may file a claim against a seller if he believes he has been duped.

3.1.4 Technology

Advancement in technology:

New technology aids in economising the scale of production, which means that new technology aids in increasing the level of production, lowering input costs, and maximising profits.

Discoveries & innovation:

Technological advancement will lead to discoveries and innovations, as well as further technological advancements, in order to improve perfections in the manufacturing process.

Competitive forces:

Advancement in technology will also leads to competition in the markets, more quality products will be provided to consumers to cover a large number of market.

Automation:

Changes in technology will result in automation, which means that labour requirements will be reduced as machines become more automated. Previously, all work was done by hand. Now, all work is done automatically by machines. All of the work is now done by machines.

Obsolete rate:

As new inventions are made on a daily basis, the rate of obsolescence rises, as in the case of computer LAPTOPS, which have largely replaced the PC. This demonstrates how quickly technology becomes obsolete.
Research & development:

This department is critical to the organization's development. As this department is constantly researching market demand and how to make advancements so that the organisation can survive in a competitive world.

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CHAPTER 4

COMPANY/YEARS (IN 2000)	Mar-2017 (In Crore)	Mar-2018 (In Crore)	Mar-2019 (In Crore)	Mar-2020 (In Crore)	Mar-2021 (In Crore)
HUL (NET SALES)	31890	34525	38224	38785	45996
ITC LTD. (NET SALES)	40088.68	40627.54	44995.65	45619.7	45485.11
DABUR INDIA LTD. (NET SALES)	5290.65	5592.29	6273.19	6309.8	7184.73
PROCTER &GAMBLE (NET SALES)	$65.10	$66.80	$67.70	$71.00	$76.10
GODREJ CONSUMER PRODUCTS LIMITED (NET SALES)	4748.1	5261.02	5679.31	5474.45	6254.33

4.1 DATA ANALYSIS

4.1.1 Net Sales

Table 3: Net sales

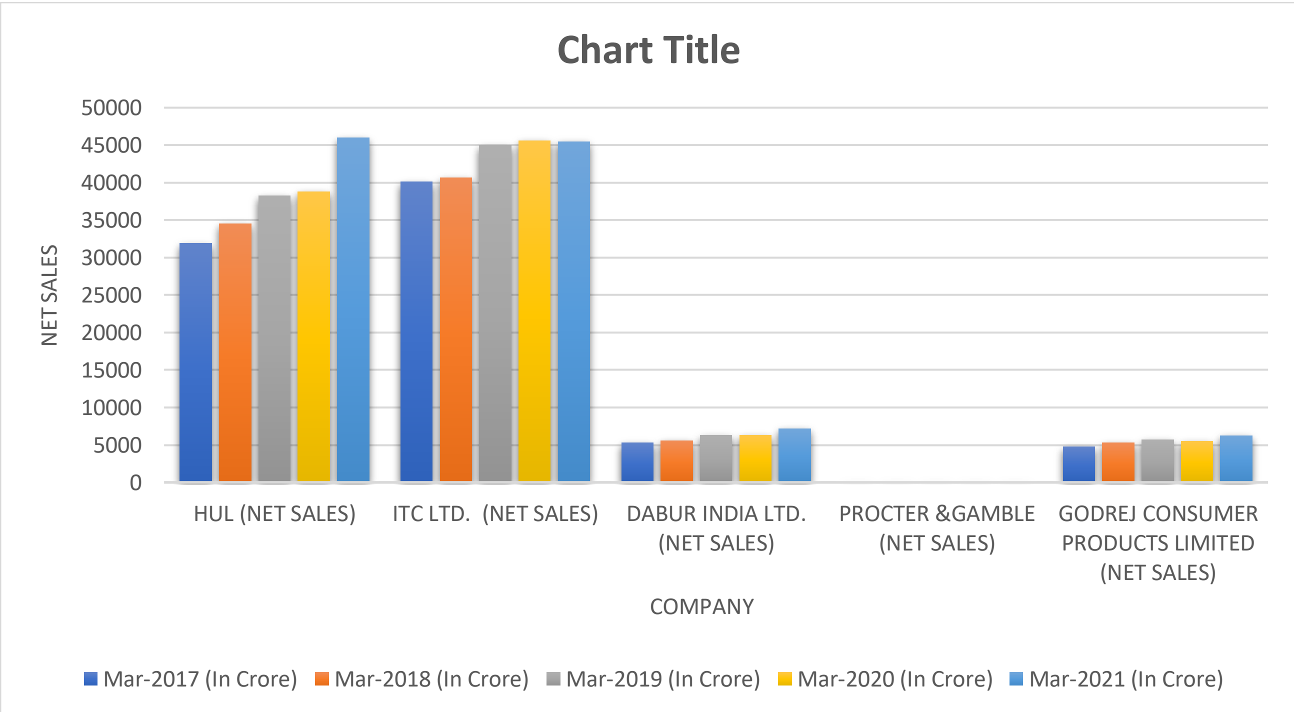

Figure 4: Net Sales

Interpretation:-

HUL: In 2017, 31890 sales were recorded. In 2018, 34525 sales were recorded. In 2019, 38224 sales were recorded. 38785 sales were recorded in the year 2020. 45996 sales were recorded in 2021.

ITC: In 2017, net sales totaled 40088.68. There is an increase in the year 2018 of 40627.54. Net sales increased again in 2019 to 44995.65. In the year 2020, there will be another increase in the amount of 624.05. It increased to 45485.11 in 2021.

DABUR: It can easily be seen that there is no substantial growth in this company comparatively to the other two company like HUL, and ITC.

GODREJ & P&G: comparatively low.

4.1.2 Ad Expenditure

COMPANY/YEARS (IN 2000)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
HUL	3898.69	4608.33	4584.73	5370.27	6026.91
ITC LTD.	511.97	623.59	706.12	806.65	795.89
DABUR INDIA LTD.	566.4	581.93	606.4	751.65	865.26
PROCTER &GAMBLE	669.78	1046.82	1503.69	1920.6	1832.19
GODREJ CONSUMER PRODUCTS LIMITED	267.19	501.94	587.71	766.36	919.96

Table 4: Ad Expenditure

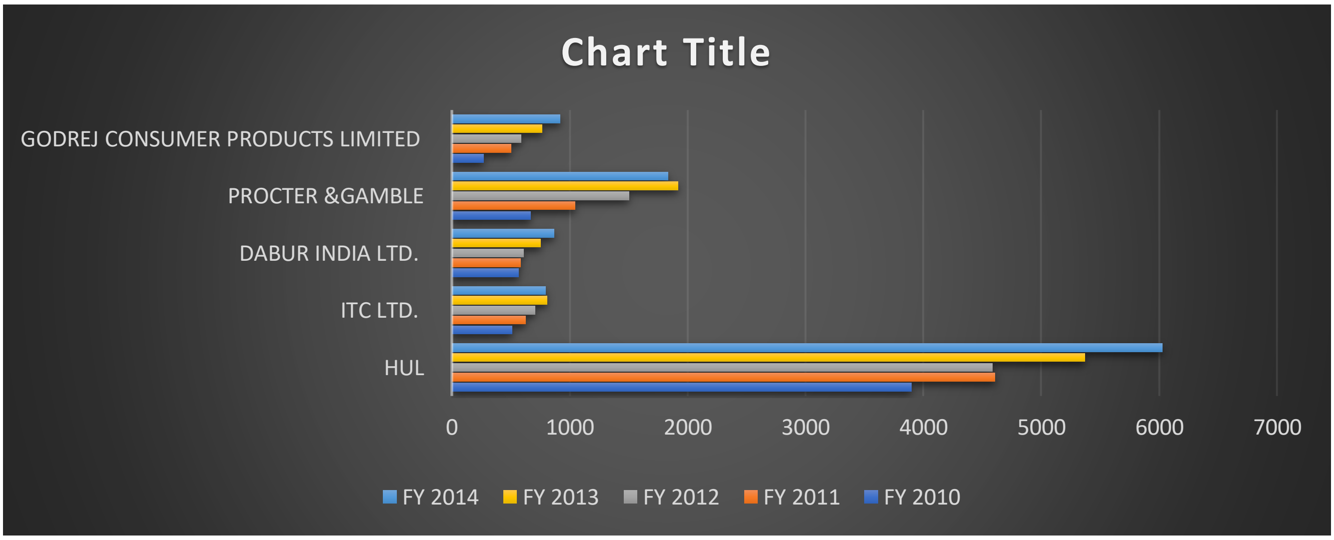

Figure 5: Ad Expenditure

Interpretation:-

HUL: In terms of ad expenditure, HUL is the king in this segment. It increased to 6000 in 2014. In this segment, no other industry can compete.

ITC: ITC LTD lags behind in this area of ad spending.

DABUR, GODREJ AND P & G: They spend less money on this segment of advertising.

4.1.3 Cash Flow

COMPANY/YEARS (IN 2000)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
HUL	6155	7347	8522	9092	10490
ITC LTD.	15503	16851.7	18444.2	19166.8	17164.2
DABUR INDIA LTD.	1294.35	1373.13	1503.35	1408.47	1683.31
PROCTER &GAMBLE	152.19	1137.57	0	354.85	233.28
GODREJ CONSUMER PRODUCTS LIMITED	1107.17	1289.01	1473.08	1399.63	1593.92

Table 5: Cash Flow

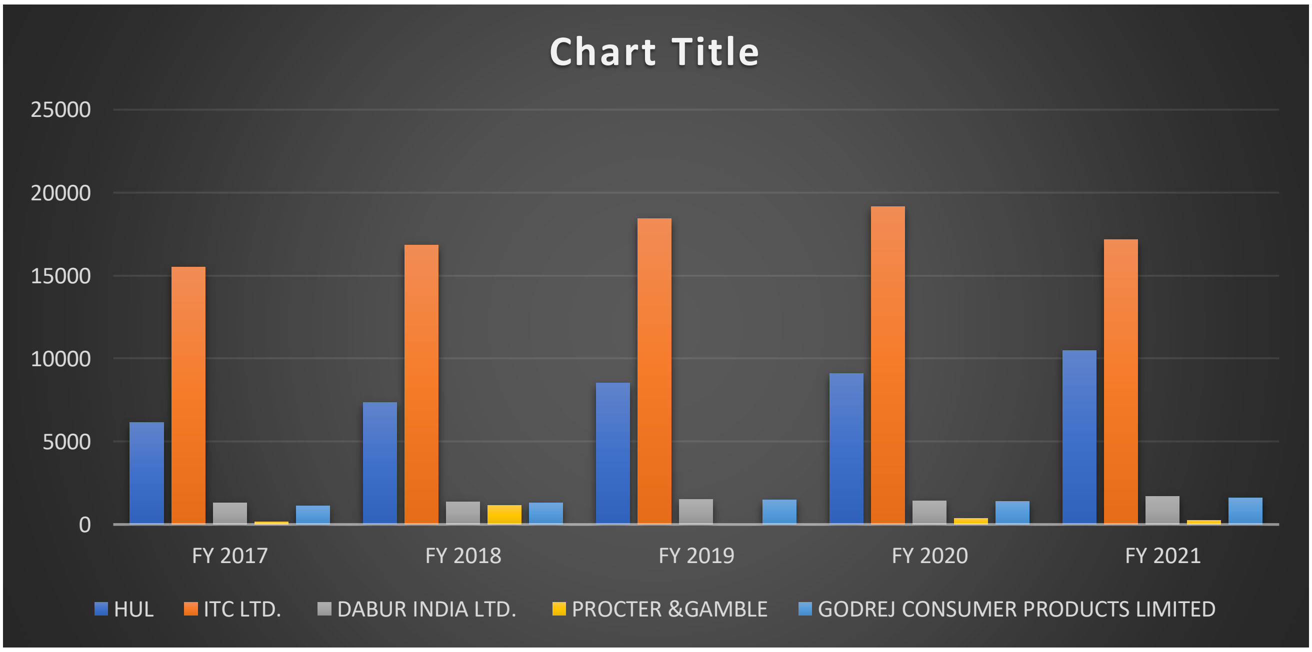

Figure 6: Cash Flow

Interpretation:

HUL: HUL's cash flow is not significantly higher, in 2021, it was only 10490.

ITC: In the year 2020, the cash flow in ITC increased to 19166.8. From 2017 to 2020, cash flow was somewhat comparable.

DABUR: not particularly high

P & G: In comparison to other companies such as HUL, ITC, DABUR, and GODREJ, P&G's cash flow is not very high.

GODREJ: In the year 2021 things changed a little.

4.1.4 EBIT

COMPANY/YEARS (IN 2000)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
HUL	6177	7367	8777	9395	10825
ITC LTD.	15525.91	16525.5	18478.35	19354.64	17211.62
DABUR INDIA LTD.	1310.58	1409.56	1533.15	1527.74	1692.45
PROCTER &GAMBLE	682.19	587.09	612.81	599.94	876
GODREJ CONSUMER PRODUCTS LIMITED	1143.23	1340.9	1537.94	1457.6	1634.11

Table 6: EBIT

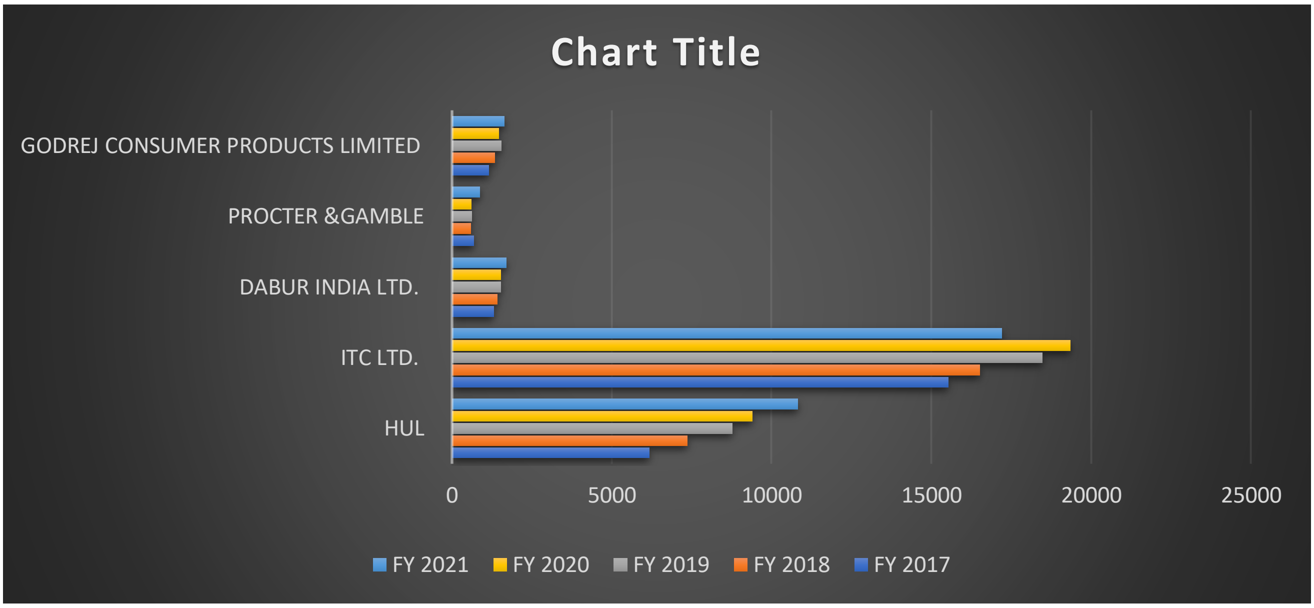

Figure 7: EBIT

Interpretation:

HUL: It reached 10825 in 2021. If we look from 2017 to 2021, we can see that there was growth.

ITC: The variation in EBIT is not very high; in 2021, it went a little low.

DABUR: For dabur, a kind of constant graph could be seen.

P & G: Comparatively low

GODREJ: In the year 2019 it went a bit higher and again started decreasing in 2020 and again bit higher in 2021.

CHAPTER 5

5.1 Research Hypothesis

In science, a hypothesis is an explanation or idea that is tested through proper research and experimentation. When we go beyond science, it becomes a theory or an assumption.

A hypothesis is something in between a wild guess and a well-established theory. In science, a hypothesis is subjected to a series of tests before being labelled as a theory. On the contrary, a hypothesis is more akin to making an assumption.

In hypothesis testing, the alternative hypothesis H1 and the null hypothesis Ho are the two rival hypothesis. These two opposite hypothesis are compared by using statistical hypothesis test.

For FMCG Industry, we have developed the hypothesis as follows:

Ho: There is no significant difference in the mean variance of profitability of FMCG Industry in India.

H1: There is a significant difference in the mean variance of profitability of FMCG Industry in India.

- With 95% confidence level and 5% as level of significance.

  Ho as a null hypothesis indicates that there is no statistical significance in the FMCG Industry in India. It attempts to articulate that there is no existence of variation between the variables such as cash profit, net operating profit ratio, net profit margin and profit before interest and tax (PBIT) of 7 years of 5 major FMCG companies namely: HUL, ITC, Dabur, Godrej and P&G.

  H1 as an alternative hypothesis shows that there is statistical significance in the FMCG Industry in India. This is contrary of null hypothesis.

So, in order to test the hypothesis, we used 7 years of data from five major FMCG companies, namely HUL, ITC, Dabur, Godrej, and P&G, in our project report. Cash profit, net operating profit ratio, net profit margin, and profit before interest and tax (PBIT) are examples of extracted data that we used as variables.

To test the hypothesis of five FMCG industries, we must use an ANOVA test.

The ANOVA test stands for analysis of variance. It is a statistical analysis tool used to determine how much two or more groups differ or vary. It essentially determines the effect of independent variables on the dependent variable.

Data are as follow:-

Cash profit as % of Net worth

Year/Company	HUL	ITC	DABUR	P&G	GODREJ
2008	13.56	23.45	16.16	22.13	19.22
2009	12.29	24.22	15.97	23.58	15.53
2010	12.76	23.98	15.88	22.77	19.71
2011	11.59	25.6	15.58	17.05	17.17
2012	12.46	26.38	14.9	15.52	15.14
2013	12.96	26.63	14.97	13.37	14.95
2014	13.61	28.19	14.59	15.82	14.57
Total	89.23	178.45	108.05	30.24	116.29
Mean	12.7471	25.4929	15.4357	18.6057	16.6129
Combined Mean					17.7789

Table 7: Cash Profit Data of FMCG

ANOVA: Two factor without replication

Source of variation	SS	df	MS	F	P-value	F crit
Rows	28.3786	6	4.72977	0.92289	0.4961	2.50819
Columns	646.503	4	161.626	31.5371	3.08E-09	2.77629
Error	122.999	24	5.12494			
Total	797.88	34				

Table 8: ANOVA Test of Cash Profit

Interpretation:

Rows show a comparison of companies with 7-year data where F cal is 0.922893 and F critical is 2.508189; because F cal is not greater than F critical, we cannot reject Ho.

Columns show the comparison within the company for 7 years, where F cal is 31.53709 and F critical is 2.776289, and we reject Ho because F cal is greater than F critical.

Net Operating Profit Ratio

Year	HUL	ITC	DABUR	P&G	GODREJ
2008	14.95	31.57	18.6	27.75	22.27
2009	14.46	32.84	18.33	27.75	15.54
2010	15.74	33.02	19.17	26.21	21.47
2011	13.57	34.54	17.06	16.64	19.05
2012	14.88	35.15	17.54	15.43	19.29
2013	15.51	35.54	17.34	14.85	17.59
2014	15.97	37.47	16.95	20.51	18.31
Total	105.08	240.13	126.99	149.14	133.52
Mean	15.0114	34.3043	18.1414	21.3057	19.0743
Combined Mean					21.5674

Table 9: Net Operating profit ratio Data of FMCG

ANOVA: Two factor without replication

Source of variation	SS	Df	MS	F	P-value	F crit
Rows	20.364	4	5.091	2.56668	0.1195	3.83785
Columns	612.785	2	306.393	154.471	4.06E-07	4.45897
Error	15.868	8	1.9835			
Total	649.017	14				

Table 10: ANOVA of Net Operating profit ratio Data of FMCG

Interpretation:

Rows show a comparison of companies with 7-year data where F cal is 2.566675 and F critical is 3.837835; because F cal is not greater than F critical, we cannot reject Ho.

Columns show the comparison within the company for 7 years where F cal is 154.4707 and F critical is 4.45897, so we reject Ho because F cal is greater than F critical.

Net Profit margin Ratio

Year	HUL	ITC	DABUR	P&G	GODREJ
2008	12.58	21.5	15.06	19.89	16.5
2009	12.09	21.18	15.44	22.36	14.22
2010	12.29	21.3	15.03	19.31	18.87
2011	11.52	22.63	14.27	14.54	17.58
2012	12.01	23.7	12.17	13.44	19.93
2013	14.37	24.05	13.32	11.58	14.06
2014	13.5	25.57	13.49	14.17	13.71
Total	88.36	159.93	98.78	115.29	114.87
Mean	12.62286	22.84714	14.11143	16.47	16.41
Combined Mean					16.49229

Table 11: Net Profit Margin Ratio Data of FMCG

ANOVA: Two factor without replication

Source of variation	SS	Df	MS	F	P-value	F crit
Rows	14.26134	6	2.37689	0.379096	0.885052	2.508189
Columns	427.227	4	106.8062	17.03488	9.63E-07	2.776289
Error	150.4772	24	6.269885			
Total	591.9656	34				

Table 12: ANOVA of Net Profit Margin Ratio

Interpretation:

Rows show a comparison of companies with 7-year data where F cal is 0.379096 and F critical is 2.508189 because F cal is not greater than F critical, we cannot reject Ho.

Columns show the comparison within the company for 7 years, where F cal is 17.03488 and F critical is 2.776289, and we reject Ho because F cal is greater than F critical.

PBIT as % of Net Worth

Year	HUL	ITC	DABUR	P&G	GODREJ
2008	13.78	27.5	17.29	25.21	20.39
2009	13.39	28.37	17.11	25.02	13.73
2010	14.59	28.97	17.97	22.69	19.56
2011	12.28	30.65	17.76	13.93	17.55
2012	13.72	31.34	16.36	12.76	18.07
2013	14.26	31.88	15.35	12.5	16.46
2014	14.71	33.64	15.49	18.08	17.27
Total	96.73	212.35	117.33	130.19	123.23
Mean	13.8186	30.3357	16.7614	18.5986	17.6043
Combined Mean					19.4237

Table 13: PBIT Data of FMCG

ANOVA: Two factor without replication

Source of variation	SS	df	MS	F	P-value	F crit
Rows	28.8011	6	6.46684	0.69212	0.65816	2.50819
Columns	1130.98	4	282.745	30.261	4.64E-09	2.77629
Error	224.245	24	9.34354			
Total	1394.02	34				

Table 14: ANOVA of PBIT

Interpretation:

Rows show a comparison of companies with 7-year data where F cal is 0.692119 and F critical is 2.508189; because F cal is not greater than F critical, we cannot reject Ho.

Columns show the comparison within the company for 7 years, where F cal is 30.26097 and F critical is 2.776289, and we reject Ho because F cal is greater than F critical.

CHAPTER 6

6.1 Opportunities in the FMCG sector in India

In recent years, India's FMCG sector has grown at an 11 percent annual rate. This double-digit year-on-year growth rate indicates that consumer demand has been increasing. In the last five years, this sector has grown by 17 percent. The FMCG sector in India has grown tremendously.

Changing customer demand is an important factor that FMCG companies should focus on, and they are doing their best to keep up with it. By doing so, they hope to be a sector leader and outperform their competitors. This fact alone indicates that growth in the sector is unavoidable.

Furthermore, rural areas account for more than 700 million consumers, accounting for 70% of the Indian population and 50% of the total FMCG market. Currently, there are approximately 400 million working rural people. Rural Indians have less purchasing power than their urban counterparts. Regardless of this, FMCG market has great potential, and FMCG consumers are shifting from economy to premium products such as packaged water.

6.2 Comparison of FMCG industry with different Countries

6.2.1 Indian FMCG companies

A growing Indian population, particularly in the middle and lower classes, presents an opportunity for manufacturers of branded foodstuffs to entice these new regulars while also making local producers of these items targets for MNC procurement in the FMCG sector.

In 2010, an unprecedented number of domestic and international FMCG companies led this occasion in India office for US$797.8 million in M&A deal-making, compared to a mere US$47.9 million the previous year due to a gradually recovering global economy.

By contrast, the 34 M&A contracts within the FMCG group for 2010 in India were chiefly driven by

Indian companies observing to enlarge beyond their limits. Large Indian FMCG companies, such as Dabur, Godrej and Emami, are flying up their international growth among ambitions to develop truly multinational and worries about increased domestic flocking. Given India's significant long-term potential, consistent, and cumulative FDI influxes into the country have heightened competition within the FMCG sector in India, which could erode current market stocks and latent for future domestic growth. As a result, Indian FMCG companies are keeping a close eye on how to increase their global presence.

In 2010, Indian FMCG companies completed a total of 13 accomplishments, the majority of which were global in nature.

For example, Dabur, Godrej, and Emami are not content with their leading positions in India, and are instead looking to increase wealth expenditures from US$218.8 million to US$656.5 million in order to establish a stronger market position abroad. Godrej completed seven international attainments in 2010, Marico completed two attainments, Dabur completed two attainments, and Emami completed one attainment.

6.2.2 Brazilian FMCG companies

Brazil is a highly competitive market, further divided between the two major foreign brand owners, Unilever and P&G, as well as other small but powerful foreign brands such as Reckitt Benckiser and small brands such as Hypermarcas and Ypê. Approximately 21 companies, each with revenues nearing US$ 65 million 65 million per year, account for 74% of the FMCG market.

In terms of development and market position, the majority of Brazilian FMCG companies have been acquired by foreign FMCG companies. Anheuser-Busch InBev Inc. Bev now owns AmBev, a Brazilian powerhouse. It is the result of the merger of two market leaders, Guarana Antarctica, in the development of well-known soft drinks in Brazil. Currently, a battle is raging between Pao de Açucar, Brazil's largest retail chain, and Casino, its French partner, for control of Carrefour in Brazil. Casino has designated Brazil as the starting point for 50 percent of its global expansion over the next five years.

As a contrast, Chinese cosmetic companies like Baojia and Shanghai Jahwa are trying hard earnestly to ignore being acquired by abroad companies and compete with those international brands both at home and abroad. Shanghai Jahwa United Co. a maker and distributor of cosmetics, household cleaning products, items and perfumes, bought a change by restructuring and shifted a 9% percent stake to Shanghai Chengtou Corporation and Shanghai Juice Corporation in the hopes of strengthening its hold on China. It is already selling its products in more developed markets such as Europe and the United States, so Shanghai Jahwa is in a good position to enter developing markets such as Brazil if it can continue to develop its brand recognition.

In 2010, the non-refrigerated food sector accounted for 53.2 percent of FMCG logistics spending in Brazil. The beverages industry trailed with a 26.1 percent share of total FMCG logistics spending. There is still a lot of development in Brazil, given the huge and under-tapped markets in the FMCG market, such as mueslis, soaps, and cosmetics.

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For itself, not many have offered abroad to tout their properties. Instead, Brazilian companies are progressively looking outwards for production in its place. Vulcabras, a Brazilian footwear company, recently announced that it would purchase a factory in India to reduce manufacturing costs.

6.2.3 Chinese FMCG companies

FMCG companies based in China have their work decorated for them in their own national market. The appearance of wrapped foods contradicts traditional Chinese food purchasing patterns, with consumers frequently opting for new foods. Furthermore, according to a new survey conducted by the China Market Research Group, creation safety is the most important factor among Chinese consumers, something that Chinese brands are not typically associated with. In November 2010, Global Intelligence Alliance (GIA) conducted a survey of consumer and retail manufacturing professionals in China, India, and South East Asia, and discovered that 94 percent of Chinese customers prefer foreign brands. With Chinese consumers showing a desire for fresh foods and international products, as well as food safety concerns, Chinese FMCGs until lately have not had the motivation – or abilities – to enlarge globally. Its old populace and the need to increase to younger customer markets could though, become an upcoming driving force behind Chinese Fmcg companies.

According to a June 9, 2011, report by Data monitor, FMCG logistics expenditure in China increased at a CAGR of 6.5 percent between 2005 and 2010. The same account forecasts FMCG logistics expenditure to grow at a CAGR.

Non-refrigerated food accounted for 51.6 percent of FMCG logistics expenditure in China secretarial in 2010. The beverage industry came in second, accounting for 22.2 percent of total spending (FMCG).
Given the cumulative spending proclivities of the middle and upper classes, as well as a preference for Western goods, these figures are likely to rise. However, as companies like Kraft and Unilever expand their labours in China, the Chinese FMCG market will develop gradually, providing all the more incentive

for Chinese FMCG businesses to expand to other developing markets in the future.

In contrast to Indian FMCG companies, FMCG complements in Brazil and China are not growing at nearly the same rate globally.

6.3 Future outlook of FMCG in India

FMCG is expected to be a Rs.400000 crore industry by 2020. Between 2007 and 2008, the antiaging skincare category grew fivefold. It is currently the fastest growing segment of the skincare market. Famous brands such as Olay, Procter & Gamble's premium antiaging skincare brand, captured 20% of the market within a year of its launch in 2007 and now dominates it with a 37% share. Indian consumers have become increasingly conscious of the importance of skincare. Furthermore, oral hygiene has become a daily habit for Indian consumers. Mouth rinsing appears to be becoming more popular as a habit. So mouthwash penetration is growing at 35 per cent a year. Rural penetration of shampoos increased to 46 per cent last year, way up from 16 per cent in 2001. Rural areas are slowly making tremendous use of FMCG products. Consumption habits have shifted dramatically in the last five to ten years. The consumer is attempting to broaden his or her horizons. Consumers want products that are more functional, have higher quality, are more affordable, and so on. What consumers need is quickly being replaced by what consumers want. There have been numerous growth drivers for FMCG in India over the last ten years, and there will be significant shifts and elements that will impact its future.

The FMCG Industry witnessed robust year-on-year growth of approximately 11 per cent in the last decade, this indicates that there was a boost in size from Rs.47000 crore in 2000 and 2001 to Rs.130,000 crore.

The ultimate drivers of growth of this FMCG industry is robust GDP growth, opening up of rural markets, increased income in rural areas, growing urbanization along with evolving consumer lifestyles and buying behaviors.

The FMCG industry is expected to grow at least 12% per year by 2020, reaching Rs.400000 crore in size. Furthermore, if some of the aspects work out well, such as GDP growing a little faster, the government removing bottlenecks, infrastructure investments speeding up, more resourceful spending on government subsidies, and so on, then growth can be dramatically higher. It is expected to be 17 percent by 2020, with an overall industry size of Rs.620000 crore. By 2020, the industry will be larger, more responsible, and more focused on its customers.

Over the next ten years, there will be some important trends that will change the face of the industry. Some fundamental ones related to advancement of consumer segments are as follows:

Mindset of consumer is changing

The Covid-19 pandemic has raised consumer awareness of health and wellness issues. Consumers are paying more attention to sustainability across the value chain and choosing brands that align with their lifestyle and personal goals, such as cruelty-free and vegan products, as there is a growing demand for natural and organic brands.
Consumers want digital first experiences as well as relevant and engaging communication. As a result, the FMCG sector will use data insights to continuously improve customer experiences by creating more personalised products and delivering them in an engaging and interactive manner.

Urban and Rural Trends

Currently, India's FMCG sector is divided into urban and rural segments based on demographics. The increase of FMCG revenues in India has traditionally been dominated by the urban sector. However, semi-urban and rural consumption has lately increased significantly, with the rural FMCG industry expected to reach 220 billion USD by 2025. Furthermore, with villages accounting for 12.2 percent of the overall population, rural demand for consumer products cannot be underestimated. In fact, some of top FMCG companies, like Dabur, HUL etc. generate about 35 to 45 % of their domestic revenue from Indian rural markets.

Foreign enterprises intending to expand their business in India in the FMCG industry must consequently do thorough market analysis and research to appropriately reflect the demands of rural consumers. One must also be knowledgeable of the current developments in India's FMCG business. To that purpose, full assistance from business consulting firms in India is required to conduct a tailored market analysis and understand the precise addressable markets.

Accelerating premiumisation

The increased disposable income of Indian customers has intensified the trend toward "premiumisation." The shift may be seen most prominently in two income groups: the affluent, with an annual income of more than Rs.10 lakh, and the upper middle class, with an annual income of between Rs.5 lakh and Rs.10 lakh. Rich people's behaviour indicates that they are prepared to spend money on luxury items for their 'emotional worth' and 'exclusive feel.' They are well-informed about many product possibilities and prefer to choose items that complement their personal style. The upper middle class wishes to emulate the wealthy and trade up to higher-priced goods that provide more functional advantages and experiences than mass-market goods. While these two income categories account for just 3% of the population, it is expected that by 2020, their numbers would have more than doubled to 7% of the overall population. The wealthy will number around 30 million by 2020. Similarly, in the very year the upper middle segment will be a population of about 70 million, which is more than the population of the UK.

Evolving categories

In the market for the medium and lower income groups, categories are growing at an alarming rate. Consumers are moving away from "need" as their economic level rises. products to “want” products. For suppose, consumers have moved from toothpowders to toothpastes and are now also demanding mouthwash within the same category.

Consumers have begun to expect customised items, notably those tailored to their own likes and demands. Because there are so many types, complications have begun to emerge in this area. For example, there used to be two types of shampoo: regular and antidandruff, but today antidandruff shampoo comes in a plethora of varieties for various types of individuals, such as short hair, oily hair, curly hair, dry hair, and so on.

The trend toward mass customization of products would increase FMCG businesses' ability to categorise buyers based on age, personal taste and preference, ethnic background, and professional goals. Because of the changing sociocultural lifestyles of women, the beauty goods market is predicted to rise by 20% every year. Middle-class women are becoming more mindful about their beauty and are ready to spend more money to improve it. Color cosmetics, which are rising at a rate of 46%, and sun care products, which are growing at a rate of 13%, are following this trend closely.

Value at the bottom

A customer who earns less than Rs.2 lakh per year per home represents around 900 to 950 million individuals, whom we refer to as low-income people. Speaking about the middle class sector, it is typically urban, well serviced, and competitive in nature, whereas the low class segments are largely rural, underserved, and uncompetitive in nature. Many of the basic demands of lower-income customers remain unsatisfied.

FMCG firms have previously catered to the lower classes, but they must now focus more on creating items that bring greater value.

The population of the lower class is expected to represent around 78% of the overall population of that group. This industry is becoming a major source of consumption since it is no longer restricted to a'survival' mindset. As a consequence of rising consumer spending power, the 18% growth of the FMCG market in rural regions each year has overtaken the 12% growth of urban markets per year. Furthermore, given current growth rates, the rural market accounts for just 34% of the entire FMCG market. It will require tailored products at highly affordable prices with the potential of large volume supplies.

Products that formerly had little demand in rural areas, such as fruit juices and sanitary pads, have suddenly begun to establish a foothold in that market. Most FMCG businesses have succeeded in providing enough access to their products in rural regions; the next step is likely to be the expansion of customised products and the trend of rural customers toward more priced and superior products.

Another significant development is the rising concept of many Indians. Despite the existence of many languages and cultures, India's market is of a homogeneous type. There is only one product for the entire country. Take Diet Coke as an example; it is the same in Karnataka and West Bengal, as well as in Punjab and Assam. In addition, there is same advertisement for these products throughout the country.

Soon, product diversification will occur not just at the national level, but also at the state level. Assume Pepsi has a unique product in Andhra Pradesh that is not available elsewhere.

FMCG firms must now become more'regional' in their thinking and adapt to a more decentralised operating model in India. Because customer tastes and preferences differ by area and state, firms will benefit from a regional strategy in terms of product components, positioning, and marketing. Finally, regionalization will become an increasingly important problem for FMCG firms.

CHAPTER 7

CONCLUSION

People have more alternatives to select from as competition in the FMCG industries increases. This has also made FMCG buying more enjoyable and has made people's lives easier.

The FMCG industry in India is booming. Since its inception, this industry has been expanding on a daily basis. Economic, political, and social conditions will have less of an impact on this industry. The reason for this is that no matter what occurs, people will continue to buy the items that they require in their daily lives. Furthermore, given the current context, people's living standards in India are improving. They are shifting to medium level group which indicates there is growth in their purchasing power. This has aided the growth of FMCG firms in India.

The FMCG business in India has less entrance and exit obstacles, but the key issue here is sustainability. Because of the high number of competitors, survival in this industry is difficult. The creation of brand value and brand awareness among customers is one of the most important components for survival. To be successful, the FMCG company must understand customer behaviour and strive to supply the appropriate items at the right time.

Advertisement and promotional activities are one of the factors that influences the purchasing decision of the people. If FMCG companies want to increase their sales, attract more customers, and build brand loyalty, they must invest heavily in building a better brand through advertisements and providing a wide range of products by undercutting the price of the products so that they can defeat their competitors and build easily accessible distribution networks to reach their customers.

One of the major obstacles in FMCG industry is, consumers can be brand loyal for a short period of time but in the long term, there can shift to a different brand. Changes in taste and desire, the availability of value-added items, additional features, pricing, accessibility, money, and other factors can all contribute to this shift. FMCG companies must excel in all of the aforementioned categories in order to retain clients in the short and long term. Among the five companies (HUL, ITC, Dabur, P&G, Godrej,) that we have analyzed, ITC has been the leader among the rests. The reason for this is ITC has made huge investment in FMCG segment which helped it to grow at such a fast pace.

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