



REVIEW ON THE DIGITALIZATION AND GROWTH OF THE FMCG INDUSTRY IN INDIA

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ABSTRACT

Over the past years, the Fast Moving Consumer Goods (FMCG) sector has had tremendous growth; in fact, it saw growth even throughout the recession and Covid period. The main factors driving the expansion of the FMCG sector are shifting lifestyles of people, raising awareness, and simpler access. This industry is made up of a number of businesses that provide a wide range of goods and services to the public in order to meet their daily needs. FMCG products have an impact on many facets of human life. All segments of society regularly consume FMCG products, and a sizeable percentage of their money is spent on them. In addition, this sector is a significant contributor to the Indian economy. The FMCG industry is expected to increase by 13–14% over the next 5–10 years and is expected to reach a value of \$220–240 billion by 2025. This research emphasizes the various trends and growth in this digitalization era and the FMCG industry's current condition. The study is carried out through descriptive methods and used secondary data.

Index Terms: FMCG, Digitalization & Technology, Future Growth

INTRODUCTION

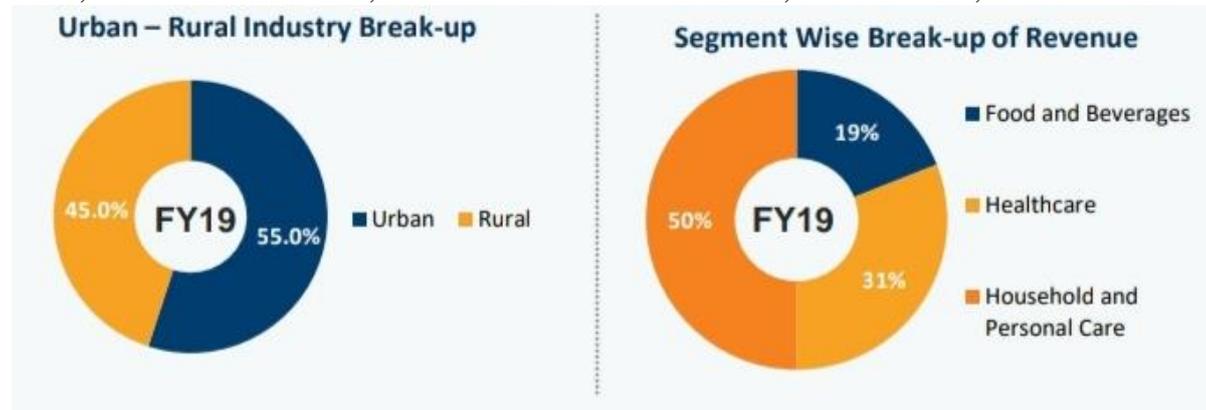
India's fourth-largest sector is fast-moving consumer goods (FMCG), and household and personal care products make up 50% of FMCG sales there, greatly increasing the nation's GDP. Over the years, India's FMCG sector has been able to scale new growth tracks because of rising disposable incomes and a trend toward a consumption-driven society. Significant elements that have contributed to the sector's transformation in India include increased age and gender-specific segmentation, more wellness product production, and higher product variety across food and non-food categories. As individuals become more aware of the importance of consuming healthy foods, there has also been a rise in the marketing of products as "healthier" and "herbal."

Fast-moving consumer items are inexpensive and simple to obtain. Kumar A. and Meenakshi N. (2006). These bundled, flimsy goods are available for purchase. These products are frequently and sparingly purchased by the end user. Personal Care, Household Care, Branded and Packaged Food, and Tobacco are the four main FMCG segments. Bhattacharjee, A. (June 2011).

Personal care covers, among other things, oral care, skincare, personal wash (soaps), cosmetics and toiletries, deodorants, fragrances, paper products (toiletries, diapers, sanitary supplies), and shoe care.

Household care products include floor and toilet cleansers, as well as fabric wash (laundry soaps and synthetic detergents), air fresheners, insecticides, and mosquito repellants, metal polish, and furniture polish.

Branded and packaged foods and beverages fall under this category, which also includes branded flour, rice, sugar, juices, and staples/cereals. Other items in this area include bakery goods (biscuits, bread), snack foods, chocolates, ice cream, tea, and coffee.



Graph no. 1 FMCG segments' market share

(Source: FMCG Industry, India Brand Equity Foundation, October 2022)

The industry is broken down into three major segments: food and beverage accounts for 19% of the sector, healthcare accounts for 31%, and household and personal care accounts for 50% of the sector. The urban segment accounts for around 55% of the revenue share, while the rural segment makes up 45%. The development of rural consumption will drive the FMCG market. By 2025, the processed food market in India is expected to have increased from US\$ 263 billion in 2019–20 to US\$ 470 billion.

One important factor that will continue to propel the FMCG industry to greater development trajectories in the near future is the expanding use of digital technologies. In the face of fierce competition, a large number of industry participants are now aggressively embracing digital technology to propel the next phase of growth, from higher utilisation of digital marketing to more personalization for e-commerce. The ability to digitise fast will be crucial, since it will help differentiate businesses as they adapt to the always shifting needs of time.

Objective of the study

An overview of the Indian FMCG market

To analyze the expansion of the Indian FMCG market

To conduct a critical analysis of the Indian FMCG industry's use of technology and digitization

Research Methodology

This investigation is being conducted using descriptive research. This study's goals are to give a succinct sector overview and conduct a critical analysis of how technology is used in the FMCG industry. The study is based on secondary material that was gathered from books, journals, newspapers, reports, and periodicals.

Review of Literature

Over the past fifty years or more, the Indian Fast Moving Consumer Goods (FMCG) business has started to take shape. Between the 1950s and the 1980s, the FMCG industry did not experience considerable expansion. Due to consumers' low purchasing power and the government's preference for the small-scale sector, the FMCG industry was formerly not appealing from the perspective of investors.

Following the liberalization of the Indian economy in the early 1990s, the growth story of FMCG accelerated further. Many new brands entered the local market with relatively low financial and technological requirements, and many international businesses entered this market as a result of the eased FDI regulations. These elements made the FMCG industry in India extremely competitive and a significant contributor to the country's economy. The sector experienced a very quick expansion in the middle of the

1990s, but it also experienced a sharp decrease at the conclusion of the decade. The early expansion was brought on by higher levels of consumption and product penetration. Singh, A.K., Pandey S.(2005).

For many years, India has been expanding the parameters of its economy, which has been made possible with the aid of the E- Economy, which has been instrumental in the process. India moved up from 132nd place in 2008 to 100th place in 2017 in terms of ease of conducting business. During this time, foreign direct investment has boosted India's digital business, which has grown. According to statistical data, there are now 429.23 million internet users, and that number is predicted to rise to 830 million by 2021. (Ms. Namita Kapoot, Mr. Fahad Fayaz, and Kumar Anuj, IOSR-JBM May 2018) And at present India's rank in ease of doing business according to the World Bank report has improved from 142 in 2014 to 63 in 2022 and reduction in compliance is now a major focus.

In recent years, the digitalization of printed materials has accelerated. The term "conversion" refers to the change in society as a result of widespread use of digital technology in the creation, processing, sharing, and management of digital information. A complete preservation and access strategy called conversion involves producing high-quality digital copies of all of the institution's physical assets and converting them all to digital format. Mohsina Aftab, Dr. Shazia Khan, and Saima Khan (2015)

On the basis of how it will affect the government, the economy, and subsequently the community, the influence of digitalization on a nation can be evaluated. With the advent of digitalization, we have seen a huge change in every industry. New job prospects, innovation in underserved industries, and economic growth—i.e., an increase in the nation's gross domestic product—have all been facilitated by digitalization. MrinaliniKaul, PurviMathur (2017)

Overview of usage of digitisation and technology in FMCG sector

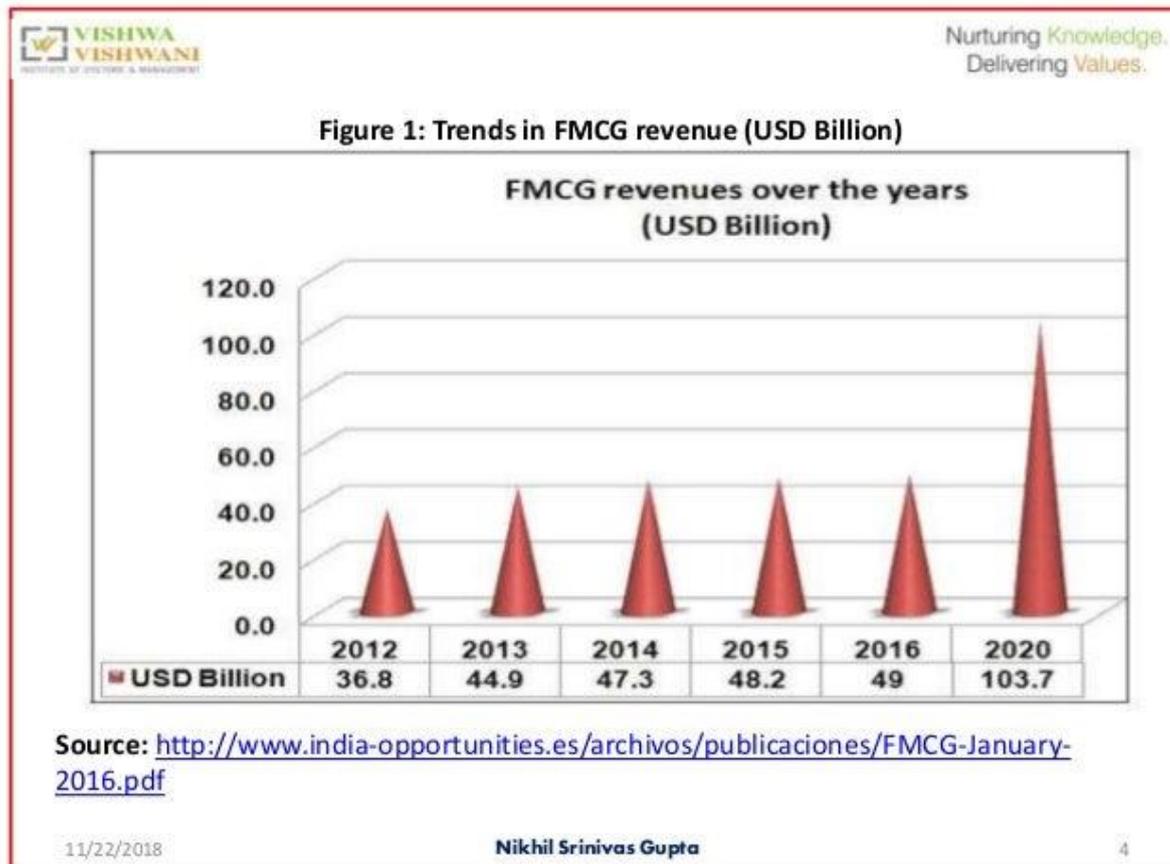
The FMCG sector is anticipated to grow by 13–14% over the next five to ten years, reaching a value of \$220–240 billion by 2025. (IBEF,2022) Over the next ten years, the FMCG sector is expected to become a digitally aware industry thanks to an increase in the use of cloud computing, artificial intelligence, and mobile analytics. A 2017 analysis from The Boston Consulting Group and Google estimated that by 2020, the FMCG industry will have spent almost USD 45 billion under the impact of digital technology, underscoring the pressing necessity to expand one's digital footprint. The survey also revealed that the Indian FMCG industry had been rather late to recognise the significance of the digital space.

Urban people already spend as much time on digital media as they do watching TV, but the FMCG industry only spends 10% of its total advertising budget on digital media. The consumer products industry has been significantly disrupted by technology, and more businesses are attempting to take use of digitization's advantages to improve operations in many sectors, including sales, marketing, retail, supply chain management, and even human resources.

The main force behind change and what makes firms more productive and economical is process automation. AI-powered automated systems are actively being utilised to manage stocks, close gaps in supply chain management, and improve distribution networks. Maintaining digital sales records and an inventory account speeds up administration, reduces human error, and provides firms with instant access to data on demand and availability. Additionally, automation of services is being used more frequently to enhance the client experience.

Research Through Innovation

Table 1



More awareness, easier access, and changing lifestyles have been the main drivers of industry expansion. The urban segment accounts for the greatest portion (about 55%) of the total income generated by the FMCG industry in India. However, during the past several years, the FMCG market in rural India has grown more fast than it has in urban India. The semi-urban and rural populations are growing swiftly, and FMCG items account for 50% of all rural spending. (IBEF 2022). And as we see in Table No. 1 which clearly shows that the growth of FMCG revenue just double in 2020 as compared with 2016.

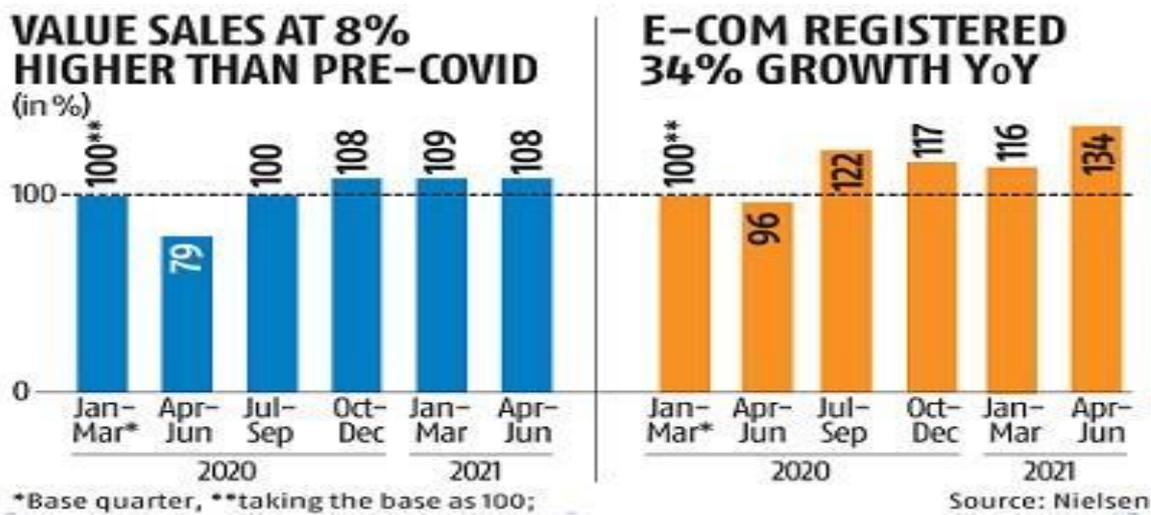
The future of selling consumer products has been impacted by the developing FMCG trend of digitization in 2021 India following the COVID-19 issue. To supply goods to customers, almost all FMCG firms collaborated with significant e-commerce platforms like Flipkart, Groffers, Bigbasket, etc. Again, India's rural market exceeded consumer demand in metropolitan areas and grew by 10.6% in Q3 2020. The sales proportion of e-commerce in the FMCG sector is really predicted to rise from 2-3% before COVID to 4.5% after COVID, according to a senior executive of Jyothy Labs.

Big Data and FMCG Sector

The FMCG relies heavily on awareness of customer behavior, a comprehension of the preferences of various consumer types, and an analysis of footfalls to improve its goods and services. Organizations may now easily and quickly access important user data thanks to digitization. When the door for proactive decision-making and the customization of goods and services open for the better suit customer needs, it helps in the growth of the FMCG sector. Although businesses have always gathered and analysed data to make business choices, the availability of big data has greatly accelerated and improved the process. The more quickly you can extrapolate conclusions from the data and take preventative action in response, the more you will stand out from the competitors. The FMCG industry as a whole will increasingly operate as a digital platform to take use of data analytics, expanding the usage of big data beyond e-commerce platforms.

E-Retail and FMCG Sector

While clothing and books were the first significant products to help e-commerce gain traction as retail industry, today practically all industries are being compelled to actively develop cohesive e-commerce strategies. Currently, e-commerce accounts for slightly more than 1% of FMCG sales. Over the next ten years, though, this is anticipated to change drastically. By 2030, E-commerce is anticipated to contribute 11% of all FMCG sales, according to market research firm Nielsen. The distribution networks of the companies frequently experience conflict with the online sales of FMCG products.



Graph No. 2

As noticed that value sales at 8% higher than in the pre-covid period and e-commerce registration grow at the rate of 34% year on year. Organizations that choose to ignore this trend do so at their own risk. Today, an increasing number of FMCG companies are attempting to establish a strong online presence, not only on the biggest e-commerce sites but also on their own specialized digital selling platforms. Over the next many years, this trend is anticipated to continue to pick up speed.

The majority of FMCG companies are now expected to maintain their digital presence through e-commerce channels after learning about the advantages. Therefore, foreign businesses looking to expand their operations in India must now also make investments in tech tools and develop new apps that will ease online shopping, product launches, efficient online payments, and other online activities. Therefore, the significance of current trends in the Indian FMCG industry and business consulting firms has increased in relevance. Acquiring qualified staff is crucial for marketing and promotional tasks, as well as for managing PR and undertaking product launches.

Conclusion

The Indian economy is the one that is expanding the quickest in the world, and the advent of digital technology will greatly increase market openness. A paradigm shift is being brought about by the work being done by new, young start-ups leveraging cutting-edge technologies like IoT and AI both in the management of firms and in how investors increasingly view company proposals. Stakeholders today expect to see sound & innovative technologies be a big part of their product offerings, as seen by the exponential growth and ongoing growth of the valuations of tech-enabled FMCG companies. The benefits of digitization include increased job prospects, innovation, user-friendliness, and economic progress. It encourages systemic openness and increases transparency regarding the flow of funds throughout the economy, which lessens the detrimental impacts of non-payment, parallel commerce, etc. The FMCG sector must also work to better utilize the benefits of digital marketing by developing solutions that are specifically designed to target different demographic groups, such as urban, rural, male, female, young, and senior people. Fast-moving consumer items are necessary components of daily living. India has to focus on this area of the economy since it has produced a lot of employment and is recession-proof. By utilising their capabilities, FMCG companies might benefit from prospects including rising consumer income, shifting consumer lifestyles, aspirational rural clients, and sustained economic growth.

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