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## **THE IMPACT OF MULTINATIONAL COMPANIES IN FMCG SECTOR**

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# The Impact of Multinational Companies in FMCG Sector

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**Abstract –** *With the increase in literacy level, rising per capita income, rapid urbanization, and Indian economy is moving ahead with leaps and bounds at both national and international level. An upsurge in no of Multinational Corporations (MNC's) has been witnessed that had led to the great proliferation of wide variety of products and brands available for customers. Fast moving consumer goods (FMCG) are recognized by almost everyone because of its stronger presence in almost every retail outlet both organized and unorganized, advertisements on television, print media, and so on. Big giants dealing in fast moving consumer goods are growing and posting stellar top line growth, coming up with innovative plans so as to meet and satisfy the needs of the customers. This paper focuses on the trends of FMCG, the key potential drivers that will accelerate the existing trend and future growth. The paper will also discuss the future implications of FMCG.*

**Keywords:** Consumers, Fmcg, Trends, Drivers, Implications, etc.

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## INTRODUCTION

FMCG industry has tripled its size over the past ten years and it happens to be the fourth largest sector in India. Despite the economic downturn in the recent past it is growing at a rapid rate of nearly 60 percent and the market currently stands for 85000 crore. According to a market research firm India's FMCG sector after witnessing a muted growth in 2014 is now all ready for a healthy recovery due to drop in inflation. Fast moving consumer goods are also known as consumer packaged goods are generally bought frequently by the customers as they are small in value but together form a major part of consumer's wallet. FMCG are called „fast moving simply because they are the quickest items to leave the retailer's shelves. It has been observed that the level of involvement of consumer is low while making purchase decision as most of the consumers does not give much importance in going into deep of technical specification of the product. This sector provides with the product range from necessities to comforts to luxury serving through the entire cross section of the population. FMCG, broadly consist of consumer non-durables such as personal care, household care, food and beverages. FMCG may also include pharmaceuticals, consumer electronics, packaged food products, chocolate bars and tissue paper. It is characterized by the strong presence of organized and unorganized retail and an established distribution network.

## REVIEW OF LITERATURE:

In the 1990s era to get rid of economic problems of poverty, inflation, and unemployment decision of reforming India was taken by introducing economic reforms – liberalization and privatization. These evolutionary economic reforms became an important part of economic development and opened the closed doors of Indian economy to the world trade eliminating the trade barriers for the easy entry of foreign companies that resulted in the spurt of large number of multinational corporations (MNC's) entering India, giving tough competition to the local and regional players With the advent Globalization of Indian economy every sector witnessed an evolutionary change. Procurement of raw materials from agriculture, manufacturing and distribution all has gained momentum. On a wider scenario it also had its effects on micro level elements such as occupation level, income level, education level, demographic lifestyles. And psychographic profiles of consumers A change in social and cultural environment gave new outlook to the individuals, new values, customs and traditions, new means of employment, and a much wider exposure. Consumers are the primary focus of concern for almost every firm. Having wide diversity and heterogeneity in the billion plus population Of India, India became an attractive destination for plethora of global and local players who are eyeing upon the vast untapped potential areas. Marketers are playing their own gimmicks to target the segment of their potential customers and capture the major chunk of the

market. In a study by McKinsey Global Institute (MGI) it suggests that if India continues to grow with such pace “average household income will triple over the next two decades and it will become the world’s 5th largest consumer economy by 2025 up from 12th now”.

### 1. Current Trends Shaping Future:

FMCG sector was marked with high inflation, low salary hikes, slow economic growth in 2012 which directly affected the budget of urban consumers. The sector again saw a slowdown in 2013 due to deceleration in GDP growth and high inflation but on the contrary it saw a positive direction where rural consumers were willing to spend more on FMCG products due to their rise in income, direct cash transfer scheme and other supportive government policies whereas urban middle class continued to be affected by the slowdown. The sector accounted for 2.4 percent of the country’s GDP in 2013. However an optimistic trend is anticipated in 2020 as GDP growth is projected to be around 7-8 percent.

### 2. Consumer Related Trends:

#### ➤ Premiumisation:

On account of increasing disposable income and more choices available in the market, Rich wants to spend for their emotional and exclusive feel and so they are up trading from premium to super premium products whereas upper middle income class tries to emulate the rich and upgrade to high price products for better functional experience from mass products. According to a report by booz&co. their no will double to 7 percent of the total population and the two income groups will be the ladder for growth in future.

#### ➤ Evolving Categories:

When the consumers need change they start demanding more sophisticated products in a category. Rich may demand a higher price product in a category that satisfies his need. Consumers may also start demanding customized product which is according to their lifestyle, taste and preferences. Cosmetic producing companies are launching male grooming products such as Emami Ltd launched fair and handsome for men. . Many other products like jams, toothpaste, skin care, hair care are still untapped. Such trends are primarily observed among upper middle and lower middle class. Their size is expected to increase in future.

### 3. Product Related Trends:

#### ➤ Packaging and Innovation:

Every now and then companies are always in search of new ways to lure their consumers. An introduction of sachet is one of such example which proved a treat to cost conscious customers. The price of such product

generally range from rupees 2-10 introduced in almost all the FMCG products categories from food and beverages to home and personal care. Sachets are useful in facilitating trial consumption in case of new product launches. This trend has fuelled growth and the larger part of the profit came from rural consumers. The new and attractive ways of packaging is done to promote and protect the product. Tetra pack for milk by many of the milk companies allow consumers to make several uses of their product thus trending up the sales volume. Marketers are experimenting with new and emerging segments with their product customized to suit their target segment. The word „innovation is the new buzz word having different functional aspects

#### ➤ Healthy and Eco-friendly:

Many products have cashed up growth in food and beverages categories such as sugar free sweet, multi grain pasta, oats maggi ,wheat cornflakes and muesli, diet coke, organic and green tea such trends are seen as Indian consumers have increasingly started believing in a healthier living. Health and wellness is the new mantra. Consumers are not only thinking about the affect the product is doing to their health but also the overall consequences it does to the environment and thus they are more focusing on the eco-friendly products and their packaging issues. Companies need to understand the climatic changes and the scarcity of resources and act responsibly. Such trends compel brand managers to rethink on the appropriate application marketing mix elements.

### 4. Market Related Trends:

#### ➤ Modern Trade:

Modern trade is still at its nascent stage in India. Being urban phenomena it is gaining momentum and with increase in investment in multi brand retail it has taken growth in form of supermarket, hypermarket and specialty store. On the other hand General trade that is kirana store accounts for 95% of the overall retail sales. Ease of browsing, one stop destination, opportunity to compare, access to wide variety, comfortable environment such features come with the modern trade generally called as organized retail. With the facility of credit card this retail is cashing up the trend. The modern trade will increase and may account for 30% of the total trade by 2020 on the other hand the traditional retail will also increase but at a diminishing rate and will occupy a larger space.

#### ➤ Adapting to local Taste and Flavors:

Indians are usually very much addicted to the local taste of the product. Many companies are launching their product with the local taste of their targeted segment. Such products are high in demand and if followed will give immense growth to the product. A Nestle product Maggi is being marketed by the name „masala maggi and oats are also being launched with

different taste and flavors. This trend will help marketers to grapple huge profit in future.

## 5. Environment Related Trends:

### ➤ Corporate Social Responsibility:

A trend is observed that many firms are connecting themselves with a social cause thus strengthening their image in the minds of consumers and in turn the consumers are also gaining faith and trust for their brands and the company. To encounter domestic violence ponds have tied up with the United Nations Development Fund for women Companies are also focusing in reduction of the carbon in the product development process and are following Green strategies, green messages in their products.

### ➤ Government Initiated Policies:

Government is tailoring policies for the inclusive growth of Indian economy by protecting the interest of weaker sections of society. They have also enacted several policies that are aimed at protecting interest of Indian industry. Food adulteration guidelines, regulation on MRP are some of the policies meant for protecting the interest of consumers.

### ➤ Technology:

With the advancement of technology companies are able to increase their sales by carrying out market research in order to gain insights about the changing consumer behavior, a good supply chain management, data base management system, efficient sales and distribution network. Are some of the examples of modern technology? Investments in evolutionary technology will bring efficiency and economy in FMCG industry.

## CONCLUSION:

Apparently, the above listed drivers and trends are acting in the best interest of FMCG industry growth. But looking to the overall dynamic nature of business environment there is a need to make relentless effort to survive within the ambit of rivals and playing every game right while complying with their responsibilities towards their customers. For that, government should fully understand the logic behind the decision making process of Indian family business and government should tune their policies to according to changes in the behavior of such companies.

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