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Growth and Drivers of FMCG Industry in Indian FMCG Market: An Exploratory Analysis

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Abstract

FMCG (fast moving consumer goods) is fourth largest sector and growth driver of Indian economy and accounts for 14% to 15% of GDP. It serves the rural and urban consumers with food and beverages, health care, household and personal care product categories. Present study has analyzed the sales, growth of sales and profit in FMCG industry and reviewed the FDI (foreign direct investment) investment in FMCG sector. Growth is driven by increasing population, demand, income, and FDI in industry. Companies are increasing penetration of brands with small packs, low pricing, awareness, availability, and expansion of distribution network in rural market. Sales of FMCG industry have grown up with the 11.02% CAGR (compound annual growth rate). ITC has made the highest sales in the past decade and Jubilant Food Works has made highest growth rate of 21% CAGR in industry. Companies are partnering to distribute the FMCG products and focused on direct reach through appointing rural distributors to serve the retailers. Technology plays a significant role to get real time information that helps stockiest to get real time order booking and retailers are get optimal delivery. It assists to avoid overstocking and blocking of capital in goods. FMCG companies are making their products available in multiple channels that include traditional, modern, and e-commerce so that consumers can be served through easy availability.

Keywords: FMCG industry, e-commerce, Indian economy, fourth largest sector, and rural market

INTRODUCTION

Fast moving consumer goods (FMCG) sector is the fourth largest sector in Indian economy. This sector is divided into three segments like food and beverages, health care, household, and personal care. The household and personal care segment contributes to 50% following the health care at 31% and food and beverages at 19%. Food and beverages segment consists of cereals, snacks, vegetables, dairy products, branded flour, bakery products, chocolates, ice cream, tea, coffee, soft drinks, and processed fruit. Health care consists of over-the-counter (OTC) products and medicines. Household and personal care includes oral care, hair care, skin care, cosmetics, deodorants, feminine hygiene, paper products, fabric wash, and household cleaners [1].

FMCG sector has been continuously growing up in the past decade. In initial years, it recorded a sales revenue of US $ 31.6 billion in 2011, US $ 43.1 billion in 2015 and reached US $ 68.4 billion in 2018 (Table 1). Further, it reached US $ 103 billion in 2020. The market had grown up more than double till the year 2018 and 3.18 times till 2020. The sector has registered compound annual growth rate (CAGR) of 20% in relation to Indian rupee value.

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Table 1. Sales and sales growth of FMCG Sector in US $.

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Sales in billion (US$)	31.6	33.3	35.7	38.8	43.1	49	52.8	68.4	83.3	103.7

Source: IBEF, FMCG Report (2018) [1], (2021) [2]

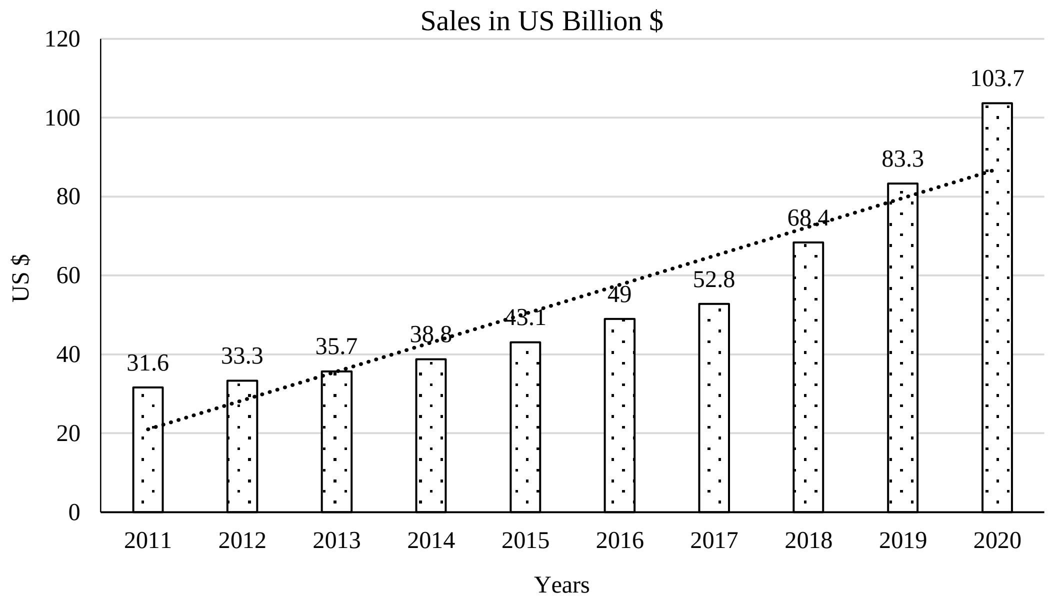

Figure 1. FMCG sector in the past decade (2011–2020).

Direct selling will reach to Rs 159 billion (US $ 2.5 billion) by 2021. Consumer spending of India is expected to increase to US $ 3.6 trillion by 2020. Modern retail share is expected to triple the growth from US $ 60 billion in 2015 to US $ 180 billion in 2020. E-commerce companies like Amazon and Flipkart are strengthening their business. The number of online users is likely to cross 850 million by 2025 (Figure 1) [2].

Indian retail market is estimated to reach US $ 101 trillion by 2020 from US $ 672 trillion in 2016, with modern trade expected to grow between 20% and 25% per annum, which is likely to boost revenue of FMCG companies. The beauty, cosmetics, and grooming market in India is expected to reach US $ 20 billion by 2025 from US $ 6.5 billion from 2018 [3].

The internet has made access to shopping on websites easy and makes the products available easily at convenient time and place with price options. Consumers can avail the different channels to get desired product. They can buy at local stores, bazars, shopping malls, or online. Online grocery stores and retail stores like Grofers, Flipkart, and Amazon are making the FMCG products more easily available.

OBJECTIVES

- To study the growth of rural market and growth drivers of FMCG industry.
- To study sales, sales growth of companies in FMCG industry.
- To study the sales performance of companies in FMCG industry.
- To compare the CAGR growth of FMCG companies with industry.

RESEARCH METHODOLOGY

The present research explores the past data about the growth with secondary data of companies in FMCG industry. Annual reports of companies, news agencies, news articles, websites of companies and reports of brokerage firms were used to get the valuable information to attain the objectives of research [4]. The value of the rural FMCG market is given in Table 2.

Table 2. Rural FMCG market (in US $ billion).

Year	2009	2010	2011	2012	2013	2015	2018	2025
Market size	9	10.4	12.3	12.1	14.8	18.92	23.63	220

Source: Brand Trust Report, (2018) [3]

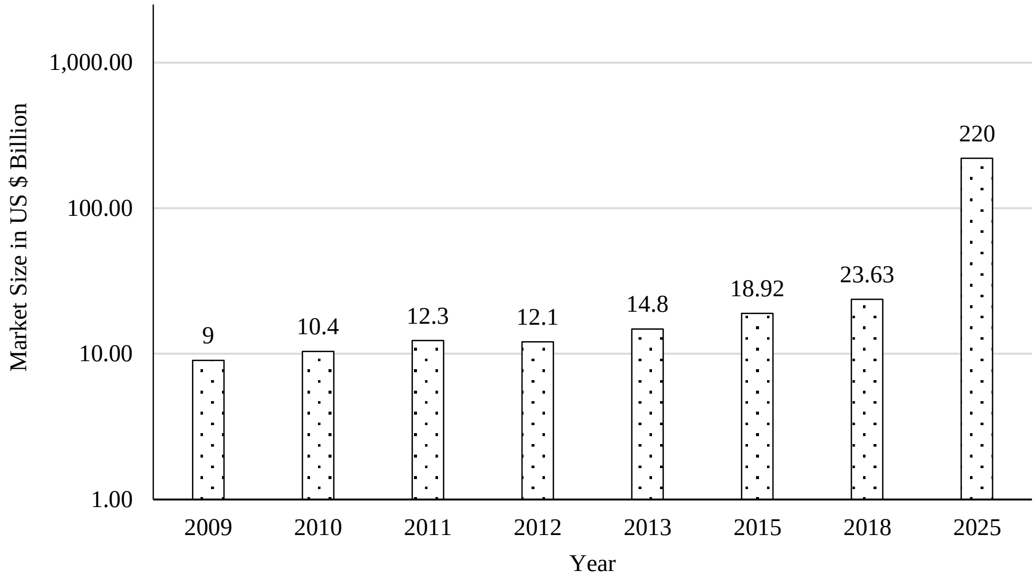

Figure 2. Growth of rural FMCG market.

Table 3. Key growth driving forces of FMCG sector in India.

Rising population	Rural population reached 89.72 crore in 2020 from 83.3 crore in 2011 by world meter.
Rising income	Per capita national income has increased to Rs. 94,954 in FY 2019 from Rs. 72,805 in FY 2015.
Rising demand	Size of rural market has reached to US $ 23.63 billion in 2018 from US $ 10.4 billion in 2010.
Rising online users	Online FMCG market can reach 45 billion in 2020 from 20 billion in 2017.
Rising investment	100% FDI is allowed in food processing and single-brand retail and 51% in multi brand retail. FDI inflow of US $ 16.54 billion from 2000 to 2020
Policy support	National food security low, Direct cash transfer and MNREGA are key supportive polices in rural market, Goods and services tax.
Marketing strategy	Small size products and affordable pricing and network expansion and easy availability in rural market.

Source: Brand Trust Report, (2018) [3], (2021) [4].

The bar chart in Figure 2 shows that the size of rural market is increasing continuously between the period of 2009 to 2018. It was US $ 9 billion in 2009 and reached US $ 23.63 billion in 2018. The rural market has increased by 2.62 times in 2019 over the 8 years. Further, it is estimated to grow by US $ 220 billion by 2025. The share of rural FMCG market was 60% in 2015–2016 and 55% in 2017–2018 in overall FMCG sector. The share of rural market has remained more than half in the FMCG sector. In absolute terms, it is increasing continuously (Table 3).

Rising Population

Indian population is increasing continuously. It was 1.05 billion in 2010 and 1.38 billion in 2020. Growth rates for the same period were 1.85% and 0.99%, respectively. In this decade, population has increased by 31.42%. Urban and rural population share were 35% and 65%, respectively. Rural population reached 89.80 cores in 2020. India will be the most populous country by 2024 and the largest workforce by 2027 in the world. Half of India’s population is under the age of 25 years and two-thirds is less than 35 years. Per capita FMCG consumption is close to US $ 29, which is two times lower than Indonesia by two time, four times lower than China, and five times lower than the Philippines [5].

Rising per Capita National Income

Per capita national income has increased to Rs 94,954 in financial year (FY) 2019 from Rs 72,805 in FY 2015. This has shown the growth of 30% in this period. It means that purchasing power of consumers has increased. In FY 2010–2011 and 2014–2015, per capita income had increased by 17%. IBEF report stated that GDP per capita at current prices is expected to grow at US $ 327.28 in 2024 from US $ 1761.63 in 2016. Per capita income is increasing and as consequence of that, demand for premium products is increased, specially in urban areas [6].

Rising Demand

The market of packaged goods has been increasing on account of rising demand in both urban and rural market together. The market size of packaged goods will reach the double of current market size to 70 billion by 2025. Rural areas are demanding more quality goods and services. It is well supported by increased distribution network of FMCG companies in rural market. Still, there is low consumption of individual consumers of FMCG compared to rest of the world [7].

Increasing Online Users

Internet penetration, digital awareness and infrastructure is increasing in India. This has led to an increase in online transactions. Growth of FMCG is supported by online buyers. Consumers are buying online more. Online users were 90 million and are forecast to reach 200 million in 2020. Hence, online FMCG market will reach to 45 billion in 2020 from 20 billion in 2017.

Policy Support

National Food Security Law 2013 is a paradigm shift from welfare policy to right of people. Law has entitled the 75% rural population and 50% urban population to get subsidized food from targeted public distribution system (PDS). A total of 81.34 crore persons or two-thirds of population is entitled to receive under the law [2]. Therefore, it can lead to reduction in the burden of expenditure on foods. It can boost the spending of income on FMCG consumption [8].

Central government direct cash transfer of subsidies has reached 40% of households. Government is adopted liberal policy and eliminated the requirement of industrial license for almost all of the food and agro industries with some exceptions like beer, potable alcohol and wine, cane sugar, hydrogenated animal fats and oils and exclusive items reserved for small scale industry etc. [1]. People are getting cash subsidies directly to their bank accounts without intervention of intermediaries. Direct cash transfer reduces the time requirement, interference, and financial linkage in funding process [9].

FDI Inflow and Investment

Government of India has increased the limit of FDI (foreign direct investment) in single and multi-brand retailing. FDI of 100% is allowed in food processing and single-brand retail and 51% in multi-brand retail. It boosts the investment, retail businesses, employment, product line and brand visibility in the FMCG market. The FMCG sector has received the FDI inflow of US $ 16.54 billion from 2000 to 2020. Food processing, sugar, paper pulp, vegetable oil, soaps, toiletries, and cosmetic industries have received an investment of Rs. 19,846 crores (US $ 2.84 billion). Flipkart opened grocery fulfillment centre to support the delivery in Lucknow and created direct jobs for more than 500 people. Convergent Finance LLP has invested Rs. 107 crores in Jyoti International Foods, an end-to-end supply chain solutions provider. Milkbasket, a market leader in grocery delivery platform, which delivers to doorstep of consumers. has raised US $ 5.5 million through venture fund Inflection Point Ventures [10].

Table 4. Cumulative FDI inflow share (in US $ million).

Segment/Cumulative period	2000–2017	2000–2019	2000–2020	Percentage (2000–2020)
Food processing	8003	9539.49	10201.18	57.31
Retail trading	1099	1898.09	3357.08	18.86
Soap, cosmetic and toilet preparations	1277	1556.24	1646.5	9.25
Paper pulp	1330	1447.09	1459.6	8.20
Vegetable oils	775	968.23	979	5.50
Tea, coffee	122	149	156.64	0.88
Total	12606	15558.14	17800	100

Source: IBEF, FMCG Report (2018), 2019 and 2020

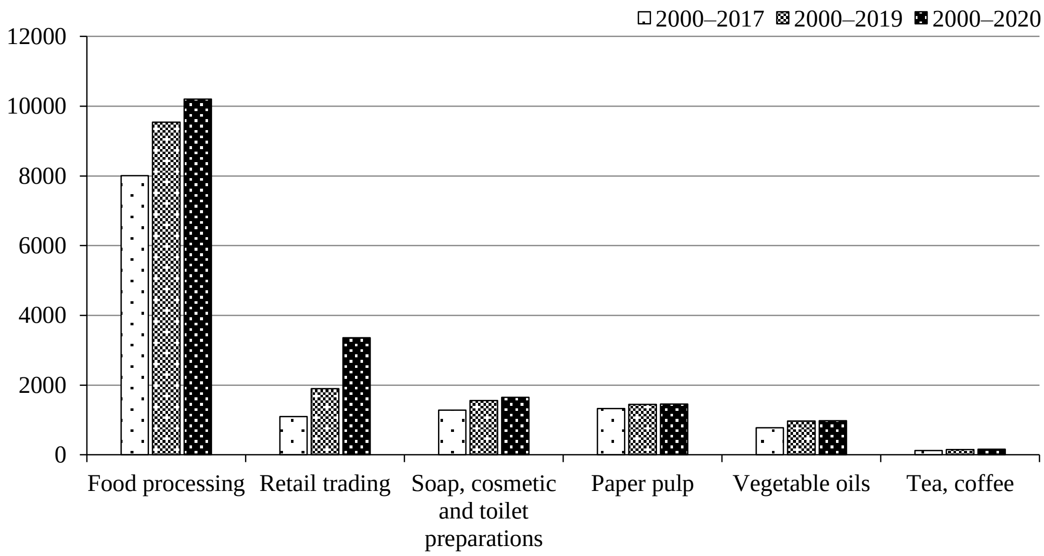

Figure 3. FDI in FMCG sector.

Table 4 and Figure 3 show that cumulative FDI inflow in FMCG sector has increased. It was US $ 12,606 million in the period of 2000 to 2017 and reached US $ 17,800 million in the period of 2000 to 2020. Highest FDI investment was received by food processing at 57.31%, followed by retail trading at 18.86%, cosmetic and toilet preparations at 9.25%, paper pulp at 8.2%, vegetable oils at 5.5%, and tea and coffee at 0.88%.

In order to know more about FMCG sector, it is significant to review the sales growth of 15 companies in FMCG NIFTY Index.

Net sales of FMCG industry continuously increased every year in the past decade (Table 5). It has recorded the growth of 11.02% CAGR in the past decade of 15 companies in NIFTY FMCG Index. In 2010–2011, industry sales amounted to Rs 77,125 crores and grew up to Rs. 14,37,178 in 2019–2020. During the period of 10 years, it has grown 18.63 times and recorded the positive growth except the year 2017–2018 where it has registered the negative growth of –2%. Overall, FMCG industry is performing well in Indian economy.

ITC has the largest market share of 26.34% followed by HUL with a share of 20.05% and United Spirits 11.37% (Table 6). These three companies together account for more than half of sales of industry and contribute to 57.76% share in industry. The remaining companies account for 42.24% in FMCG industry. Jubilant Food Works Ltd has increased sales with highest CAGR of 21.40%. P&G Ltd. has achieved a CAGR of 12.96% in the past decade. These four companies have CAGR more than the overall FMCG industry. Remaining FMCG companies recorded CAGR less than industry.

Table 5. Sales and sales growth of FMCG industry in the past decade.

Financial year	Industry sales	Annual growth (in Figure)	Annual growth rate (%)	FMCG industry's CAGR
2011	77125			11.02%
2012	123693	46567	60%	
2013	104597	-19095	-15%	
2014	114542	9945	10%	
2015	126541	11999	10%	
2016	148730	22189	18%	
2017	178148	29418	20%	
2018	174069	-4079	-2%	
2019	192048	17979	10%	
2020	197683	5635	3%	
Total	14,37,178	120558		

Compiled from annual reports, (2011 to 2020).

Table 6. Contribution of individual companies in industry in the past decade (figures in Cr)

S. N.	Company	Total sales	Share in percentage	CAGR in decade of sales	Profit CAGR
1	Britannia Industries Ltd.	75,599	5.14	11.28%	29.46%
2	Colgate-Palmolive (India) Ltd.	37,702	2.39	7.88%	8.17%
3	Dabur India Ltd.	89,073	4.5	7.54%	10.63%
4	Emami Ltd.	19,931	1.34	7.93%	2.70%
5	Godrej Consumer Products Ltd.	43,949	4.94	9.25%	11.73%
6	Hindustan Unilever Ltd. (HUL)	3,05,188	20.05	7.80%	12.65%
7	ITC	3,90,277	26.34	9.05%	13.13%
8	Jubilant FoodWorks Ltd.	22,254	1.42	21.40%	72.91%
9	Marico Ltd.	43,913	3.44	10.67%	13.76%
10	Nestle India Ltd.	99,407	6.31	6.59%	8.97%
11	Proctor & Gamble (P&G) Hygiene and Health Care	21,679	1.33	12.96%	12.43%
12	Tata Consumer Products Ltd.	30,225	4.34	13.56%	12.55%
13	United Breweries Ltd.	76,038	5.09	8.74%	12.56%
14	United Spirits Ltd.	1,56,209	11.37	18.16%	6.93%
15	Varun Beverages Ltd.	25,732	1.99	7.52%	14.90%
	Total	14,37,178			

Source: Compiled from annual reports (2011 to 2020)

Table 7 shows the sales growth of Britannia Industries Ltd. It shows an upward trend of sales revenue in the past decade. In FY 2010–2011, sales were 4,198 crores which increased to Rs. 10,987 crores in FY 2019–2020. It was the growth of 18% in single year and growth continued in the following years between 5% and 15% till FY 2019–2020. The company registered sales and net profit growth at CAGR 11% and 29%, respectively, in the past decade. Britannia Industries Ltd. stands at fifth for sales and stands at second rank for net profit growth.

In the year 2019–2020, rural sales of Britannia Industries were 30% and this will reach to 35% next one and half year in rural market. Rural market is growing faster than the urban market, therefore, the company is expanding rural distribution network by adding rural distributors. It has currently reached 22,000 distributors from 20,000 and company will continue to expand the rural network. It markets most of its products at affordable price and fall in the category of Rs. 5. The company is democratizing its premium products by making them available in small packs for lower income consumers. E-commerce share is just 1% and expected to grow up to reach 2%, as stated by Managing Director Varun Berry.

Table 7. Sales growth of Britannia Industries Ltd. (figures in Cr).

Year	Sales in crores	Growth in figure	Growth rate	Net profit
2010–11	4,198			145
2011–12	4,947	749	18%	187
2012–13	5,564	617	12%	234
2013–14	6,232	668	12%	370
2014–15	7,176	944	15%	622
2015–16	7,948	772	11%	749
2016–17	8,684	736	9%	844
2017–18	9,380	696	8%	948
2018–19	10,482	1,102	12%	1122
2019–20	10,987	504	5%	1484
Total	75,599	6,788		6705

Source: Annual Reports (2011 to 2020)

Table 8. Sales growth of Colgate-Palmolive (India) Ltd. (figures in Cr).

Year	Sales in crores	Growth in figure	Growth rate	Net profit
2010–11	2286			403
2011–12	2693	407	18%	446
2012–13	3164	471	17%	497
2013–14	3579	415	13%	540
2014–15	3982	403	11%	559
2015–16	4162	180	5%	577
2016–17	4520	358	9%	577
2017–18	4328	-192	-4%	673
2018–19	4462	134	3%	776
2019–20	4525	63	1%	816
Total	37702	2239		5864

Source: Annual Report (2011 to 20)

Britannia is using technology and innovative ways to increase penetration in the market. Britannia has partnered with Dunzo, an online delivery platform to deliver Britannia products to customer's doorsteps. It is also using WhatsApp Chatbot tool that helps the consumer to find the nearest store with Britannia products. Products of Britannia are available on e-commerce platforms like BigBasket.

Table 8 shows that net sales have been growing over the past decade in absolute terms for Colgate-Palmolive (India) Ltd. Sales have reached Rs 4525 crores in 2019–2020, which is double of the initial year 2010–2011. The company has recorded highest growth rate of 18% in initial year and thereby registered the decline into growth rate from 17% to 1% in the past decade and –4% negative growth in 2017–2018. Colgate-Palmolive (India) Ltd. stands at 11th for sales with CAGR of 7.88% and stands at 13th rank with CAGR of 8.17% for net profit growth.

Rural penetration of Colgate toothpaste is higher than that of any other company. Colgate is market leader of toothpaste with 51% market share. It has been implementing the growth strategy, since 1976 its "Bright Smile Bright Future" campaign of awareness has been launched for children in urban and rural schools. Till the year 2020, it reached to 170 million children with addition of 7 million in same year. It is long-term strategy to widen the customer base by focusing on potential consumers. Innovation is the key growth driver as company launched the variants like Colgate Dental Cream Strong Teeth, Colgate Clean, first black toothpaste. Kids portfolio is widening with new launch of Colgate 'Zero', product line.

Table 9. Sales growth of Dabur India Ltd. (figures in Cr).

Year	Sales in crores	Growth in figure	Growth rate	Net profit
2010–11	3,281			471
2011–12	3,759	479	15%	463
2012–13	4,334	575	15%	591
2013–14	4,857	523	12%	672
2014–15	5,431	574	12%	763
2015–16	5,750	319	6%	940
2016–17	5,370	-380	-7%	998
2017–18	5,609	239	4%	1,072
2018–19	6,273	664	12%	1,264
2019–20	6,310	37	1%	1,170
Total	50,974	3,029		8,405

Source: Annual Report (2011 to 2020)

Table 9 portrays the sales of Dabur India Ltd. The sales have been growing in the decade from Rs. 3,281 crores to Rs. 6,310 crores. It has recorded a growth of 15% in 2011–2013, which is highest in the decade thereby began to decline up to 2017–2018 and fluctuated in next years. Although the growth rate is declining, sales have doubled in the decade. Dabur India Ltd. stands 13th for sales with CAGR of 7.54% and stands at 11th rank with CAGR of 10.63% for net profit growth.

Dabur India Ltd. is generating sales from domestic and international market. Domestic sales contribute to 71.8% and international sales account for 28.2%. Domestic sales are composed of consumer care business at 57.6%, food business at 10.9%, and others at 3.3%. It is together 71.8% in total sales. Company has been expanding its business in Europe, Africa, Middle East, Asia and Americas. International business has registered a growth of 4.9% during the year of 2019–2020. Dabur India Chief Executive Officer Mohit Malhotra stated that rural sales are increasing than urban market and trending upward. Rural demand continues to outpace the urban demand. As rural people are going back to their hometown, earning and spending due to MNREGA and Minimum Support Price schemes.

Growing herbal and ayurvedic segment in market, focus on innovation, activation of wholesale point, increasing retail outlets and penetration in rural area are its prime objectives. Small sachets of products with low price from Rs 5 to Rs 10 are key growth drivers in rural market.

E-commerce business of Dabur India Ltd. showed an increase in the past 2 years. Sales contribution from e-commerce has reached 2.40% of total sales as compared to 1.4% a year ago. The company has increased the reach to 6.7 million retail outlets along with current addition of 1.1 to 1.2 million in both rural and urban areas. It has extended village coverage to 55,000 from 44,000 at the beginning of the year. This expansion has increased the rural penetration as well as modern trade and e-commerce sales.

Table 10 for Emami Ltd. shows that sales revenue has been increasing in the pas decade with little fall in last year of 2019–2020. Sales were Rs. 1221 crore in 2010–2011 and Rs. 2390 crore in 2019–2020, almost double rise in the decade. Highest growth rate at 17% was achieved by the company in 2012–2013 and lowest at –4% in 2019–2020. Although growth rate is fluctuating, Emami Ltd. stands at 10th position for sales with CAGR of 7.93% and stands at 15th rank with CAGR of 2.70% for net profit growth.

Emami's power brands are main contributors in revenue. These brands are performing well and continue to gain the market share. The market share of these brands were: Navratna cool oil at 66.4%, Keshking at 26.6%, pain relief balms at 54.9%. Both Fair & Handsome and BoroPlus have maintained their market leadership with 65.3% and 74.1%, respectively, in market share in 2019–2020. Innovation and brand expansion are key strategies of growth. It has launched new products like Navratna

Table 10. Sales growth of Emami Ltd. (figures in Cr).

Year	Sales in crores	Growth in figure	Growth rate	Net profit
2010–11	1202			227
2011–12	1390	187	16%	257
2012–13	1627	237	17%	324
2013–14	1705	78	5%	398
2014–15	2031	326	19%	472
2015–16	2392	361	18%	328
2016–17	2341	-50	-2%	346
2017–18	2364	23	1%	310
2018–19	2489	124	5%	305
2019–20	2390	-99	-4%	289
Total	19931	1188		3256

Source: Annual Report 2011 to 2020

Table 11. Sales growth of Godrej Consumer Products Ltd. (figures in Cr).

Year	Sales in crores	Growth in figure	Growth rate	Net profit
2010–11	2469			435
2011–12	2980	511	21%	604
2012–13	3581	601	20%	511
2013–14	4080	499	14%	565
2014–15	4430	350	9%	654
2015–16	4812	382	9%	740
2016–17	5089	277	6%	848
2017–18	5355	266	5%	1000
2018–19	5679	325	6%	1755
2019-20	5474	-205	-4%	1180
Total	43949	3006		8292

Source: Annual Report 2011 to 2020.

Ayurvedic Garam Tel, Boro Plus Advanced Anti Germ Hand Sanitizer, Boro Plus Antiseptic & Moisturizing Soaps, etc. It is targeting the rural market with campaign of '*Rahat Raja'* for Navratna Tel. it is using low pricing strategy for driving the sales, expansion of distribution network to 20,000 villages and direct reach to 9.4 lakh retail outlets and availability of products over 4.5 million retail outlets indirectly across India.

Emami has enhanced the distribution channel in modern and online retail trade that reduces the dependence on traditional trade. Direct reach was 8.5 lakhs in 2017–2018 which reached 9.4 lakhs in 2019–2020. A total of 50% of business of the company is driven by wholesale channel. The company has launched the van-led project *Dhanusha* to reach directly to villages of less than 3000 population. The company had share of modern trade at 5.7% in 2017–2018, which is increased to 9% in 2019–2020. E-commerce business has increased to 1.2% from 0.5% in 2018–2019.

Table 11 depicts that sales revenue has been increasing for Godrej Consumer Products Ltd. (GCPL) in the past decade except for little decrease in FY 2019–2020. Sales revenue doubled in initial 2 years with growth rate 21% and 20% in 2010–2012. Further, it reached Rs. 5474 crores in 2019–2020, which is more than double of the initial year. Godrej Consumer Products Ltd. stands 7th for sales with CAGR of 9.25% and stands at 10th rank with CAGR of 11.73% for net profit growth.

Rural market contributes 31% in sales of company. GCPL is increasing the penetration in rural market though expansion of network. Direct distribution of company has reached though 8 million outlets in India across 66,000 villages in 2019–2020. The company has targeted to reach 80,000 villages in next 3 years to enjoy leverage. Innovation and affordable pricing are key factors. Natural products portfolio contributes to 45% of sales revenue. E-commerce business has grown by 75% in 2019–2020. Modern trade is key driver in India. Increasing penetration with low price products and channel partnering through Unnati and Bandhan programmes. The CEO stated that company has reduced the product development cycle from months to weeks and connected to *kirana* and general trade through digital platforms.

CEO Sunil Kataria stated that consumers can buy the products from different channels like general trade, modern trade, and e-commerce. It is supported by data analytics; e-commerce trade was 2% of business in 2019 and it can reach to 5% in the current year. It is developing chemist network and has acquired 50000 chemist outlets. The company is getting deeper penetration in rural market. It increased the sub-stockists network by 30% by adding 3,000 in the past year. Village coverage reached 70,000 in 2020. Furthermore, it is converting its distribution software into cloud-based to get real time data.

Table 12 for HUL Ltd. shows that sales have been continuously increasing over the past decade. Sales revenue was Rs. 19736 in 2010–2011 and Rs. 38785 in 2019–2020, which is doubled in the decade. Growth rates were 12% and 17% in the second and third year of decade, respectively. Further, it has declined trend over the previous year, but overall sales revenue has increased. Sales of HUL Ltd. stands at 12th rank for sales with CAGR of 7.80% and stands at 6th rank with CAGR of 12.65% for net profit growth.

HUL's *Shakti* initiative trains rural women for retailing the products. It equips them with smart phone and mobile app for inventory management. Presently, 1.20 lakh *'Shakti Ammas'*, or rural women entrepreneurs, are operating their retail business in 18 states. This has resulted into deep penetration in rural market. HUL offers products in small sachets and at low pricing to make product affordable in the rural market. Home care, beauty and personal care, food & refreshment and others contributed to sales revenue at 35%, 45%, 19%, and 1%, respectively. The company has strong network of 4,500 distributors and associates which serve millions of outlets. Traditional retailers directly watch the offers and place order through *"Shikhar App"* thereby company comes to know demand pattern and feedbacks. It helps the retailers to optimize their capital. When the COVID pandemic disrupted logistic, network of *Shakti Amma* worked well at grassroots level to reach the households. Therefore, supply continued in the rural market. CEO Sanjiv Mehata stated that rural growth rate is higher than urban growth rate but per capita consumption of FMCG is less than half of national average. HUL Ltd sales from urban market and rural market accounted for 60% and 40%, respectively, in 2016. CFO Srinivas Pathak stated that rural contribution in sales is recorded 40% in total sales. Rural sales were Rs 13846.4 crore in 2016 and Rs. 15914.8 crore in 2020. Although 40% rural share is constant, it increased by Rs 5157 crore in absolute figure in the past 5 years. It has grown by 14.94% in the given period. E-commerce contributed to 5% to 6% of sales in 2021.

Table 12. Sales growth of Hindustan Unilever Ltd. (HUL Ltd), (figures in Cr).

Year	Sales in crores	Growth in figure	Growth rate	Net profit
2010–11	19736			2306
2011–12	22116	2381	12%	2691
2012–13	25810	3694	17%	3797
2013–14	28019	2209	9%	3867
2014–15	30806	2786	10%	4315
2015–16	31987	1182	4%	4082
2016–17	34487	2500	8%	4490
2017–18	35218	731	2%	5237
2018–19	38224	3006	9%	6036
2019–20	38785	561	1%	6738
Total	305188	19049		43560

Source: Annual Report 2011 to 2020.

Table 13. Sales growth of ITC Ltd. (figures in Cr).

Year	Sales in crores	Growth in figure	Growth rate	Net profit
2010–11	21459			4988
2011–12	25174	3715	17%	6162
2012–13	29901	4727	19%	7418
2013–14	33239	3337	11%	8785
2014–15	36507	3269	10%	9608
2015–16	36837	330	1%	9845
2016–17	55448	18611	51%	10201
2017–18	44330	-11119	-20%	11223
2018–19	45784	1455	3%	12464
2019–20	46807	1023	2%	15136
Total	375487	25348		95831

Source: Annual Report 2011 to 2020.

The Chairman and MD, Rajiv Mehta stated that HUL is focused on modern trade and e-commerce as "Channels of the Future" and decided to adopt technology across end-to-end value chain. Preferences of consumers have changed due to the coronavirus pandemic. They prefer products from any means, online, modern shops, or traditional retail shops. Therefore, it has focused to leverage the channels by making all brands available on modern trade and e-commerce platforms. All brands of company will be available on modern trade and e-commerce platforms.

Table 13 for ITC Ltd. shows that sales have been increasing over the past 7 years. Largest sales growth of 51% was recorded in 2016–2017 and highest decline was recorded in 2017–2018 by –20% in single year. Further, it has bounced back with increase of 3% and declined to 2% in 2019–2020. ITC Ltd. has achieved growth in sales revenue more than double from Rs. 21459 crores to Rs. 46807 crores. ITC stands 8th for sales with CAGR of 9.05 and stands at 5th rank with CAGR of 13.13% for net profit growth.

The company is exporting agro-products of small farmers in international market that supports the rural economy. Earning through foreign exchange was US $ 7.2 billion in the past decade, of which, 55% consisted of agro exports. In 2019–2020, the company earned foreign exchange of 3506 crores. Rural growth stood at 0.8 times of urban market in FY 2020 compared to 1.4 times in FY 2019, mainly because of COVID-19 pandemic. The company has expanded the distribution network over six million retail outlets across various channels. It is driving the growth of company in rural market with 'Focus Market' approach. E-Choupal 4.0 digital programme of direct procurement of raw material from farmers enhanced the rural economy. Such initiatives are building the brand image among rural market. It has launched 60 new products and is ranked 3rd among food category and ITC's products have reached more than 140 million households in 2019–2020.

Net sales is contributed by different segment. Cigarettes category is the largest, which contributed at 44.5% in net sales revenue of ITC Ltd. Branded packaged food products contributed at 22.93%, personal care products, apparel, education and stationery products, safety matches and agarbattis, together accounted for 5.38%. Hotels contributed at 4.03%, agri-business, paper boards at 13.04%, and paper and packaging at 10.12%.

The company has extended its distribution channel in traditional trade, modern trade and on e-commerce platforms. It has initiated direct distribution strategy in cities on pilot basis. It is distributing products at doorsteps of consumers with name of "ITC Store on the Wheel" by delivery van. Besides, consumers can directly buy any products of ITC from entire product portfolio from ITC e-Store in limited cities. It is making complete promotion of whole product line by ITC e-Store. Today ITC products reach 6 million retail outlets in India. During lockdown, ITC ensured delivery of its products by tie up with companies like Dominos, Swiggy, Zomato, Dunzo, Amway and several others. Also, it has increased product portfolio by launching additional 60 new products in 2019–2020. Rural sales contributed to 28% in total sales revenue (IDBI Capital, 2020) and E-commerce share were 2.3% in 2019 which were increased to 4.2% in 2020 during the COVID pandemic.

Table 14 depicts that sales revenue has increased from Rs. 2,350 to Rs. 5,853 crores over the past decade for Marico Ltd. Sales havee grown by 2.49 times in the past decade. The highest growth of 26% was recorded in FY 2011–2012. Negative growth was registered in the years 2016–2017 and 2019–2020. Marico Ltd. stands 6th for sales with CAGR of 10.67% and stands at 4th rank with CAGR of 13.76% for net profit growth.

Marico's sales in rural market contributed 31% in 2015 and expected to reach to 35% by 2018. Further, it recorded a growth of 31% in 2017 in rural segment and expected to reach at 40% by 2022 (Govind, 2018). Marico Ltd. has reached 58,000 villages through stockist network, 5.1 million retail outlets and 118 million households across the country. It has extended its distribution channels over modern and e-commerce. A total of 22% of domestic sales revenue comes from modern and e-commerce trade from 12% in the past two years and increasing steadily. It has reached 118 million households in both urban and rural areas during 2019–2020. Further, the company is working with transport partners, for example, Blackbuck, Rivigo, and Delhivery to improve access to rural and urban areas, and to improve direct reach to retail stores and consumers. It has resulted in improvement in business from 9% to 64% with these partners between FY 2016 and FY 2019.

Table 14. Sales growth of Marico Ltd. (figures in Cr)

Year	Sales in crores	Growth in figure	Growth rate	Net profit
2010–`11	2,350			315
2011–12	2,970	620	26%	337
2012–13	3,407	437	15%	429
2013–14	3,682	275	8%	577
2014–15	4,681	999	27%	545
2015–16	4,947	266	6%	702
2016–17	4,869	-78	-2%	843
2017–18	5,181	312	6%	718
2018–19	5,971	790	15%	1129
2019–20	5,853	-118	-2%	1006
Total	43,913	3,503		6601

Source: Annual Report 2011 to 2020.

Table 15. Sales growth of Nestle India Ltd. (figures in Cr).

Year	Sales in crores	Growth in figure	Growth rate	Net profit
2010–11	7,515			962
2011–12	8,335	820	11%	1,068
2012–13	9,101	767	9%	1,117
2013–14	9,855	754	8%	1,185
2014–15	8,175	-1,680	-17%	563
2015–16	9,224	1,048	13%	927
2016–17	10,192	968	10%	1,225
2017–18	11,292	1,100	11%	1,607
2018–19	12,369	1,077	10%	1,968
2019–20	13,350	981	8%	2,082
Total	99,407	5,835		12,704

Source: Annual Report (2011 to 2020).

Table 15 shows that sales revenue has been increasing in the past decade for Nestle India Ltd except in FY 2014–2015. In the year 2014–1015, it declined by 17%. In the initial year, sales were Rs 7,515 crore and Rs 13,350 crore in the last year of the decade. In 2019–2020, sales were 1.78 times of initial year. Nestle India Ltd. stands 15th for sales with CAGR of 6.59% and stands at 12th rank with CAGR of 8.97% for net profit growth.

Rural sales contributed around 25% in 2019. It can increase to 30% to 35% in hinterland by 2022. Its e-commerce business contributes to 1.9% of domestic sales. Nestle has covered 52,000 villages by direct reach. They are enhancing their distribution network and focusing on affordability and small packs. The company has both direct distribution and whole trade channel to reach rural market. Chairman and MD, Suresh Narayanan stated that company has targeted to expand the reach to 1.20 lakh villages with population more than 5000 by 2024.

Nestle India Ltd. has recorded a rise in e-commerce and modern trade sales. E-commerce sales have been increasing over the past 5 years (Table 16). It has recorded the double growth in 2020 over the past year.

In 2020, the company made strong growth in all categories. Nescafe, KitKat, Every Day, Maggi Noodles, Masala-Ae-Magic are significant growth drivers. Home consumption has increased due to lockdown and over stocking of products impacting the rise in e-commerce business. Contribution of milk and nutrition category has increased. In a rapidly- evolving situation, the company has met consumer needs and wants through innovation and renovation. Seven out of eight brands stood at number one position according to Nielson data. The company has launched more than 80 products in the past 5 years and is constantly having presence in more than 7935 towns in the past five years.

Digital marketing uses the Ask Nestle website wherefrom consumer get advice on health and recipes. Furthermore, they have their YouTube channel to educate about recipes and nutrition. The company has made available the products over ecommerce platform in pandemic situation. Demand for milk and food products has increased during the COVID pandemic.

Table 17 depicts that sales revenue for P&G Ltd. has been continuously increasing over the decade. Sales of company were Rs. 1003 crores in 2010–2011 and Rs. 3002 crores in 2019–2020. The highest

Table 16. E-commerce growth of Nestle Ltd.

Year	2016	2017	2018	2019	2020
E-commerce to domestic sales	0.6%	0.9%	1.3%	1.9%	3.7%

Source: annual report 2010–11 to 2019–20.

Table 17. Sales growth of Proctor & Gamble Hygiene & Healthcare Ltd. (figures in Cr)

Year	Sales in crores	Growth in figure	Growth rate	Net profit
2010–11	1003			151
2011–12	1297	295	29%	181
2012–13	1687	389	30%	203
2013–14	2051	364	22%	302
2014–15	2334	283	14%	346
2015–16	2484	151	6%	423
2016–17	2419	-65	-3%	433
2017–18	2455	36	1%	375
2018–19	2947	492	20%	419
2019–20	3002	55	2%	433
Total	21679	1999		3266

Source: Annual Report (2011–2020).

growth rate was 30% in 2011–1012 and the lowest was –3% in 2016–2017. Sales growth remained positive in the past decade except in 2016–2017 when sales declined by –3% compared to the previous year. P&G Ltd. stands 4th for sales with CAGR of 12.43% and stands at 9th rank with CAGR of 12.43% for net profit growth.

The company is the market leader in feminine care with Whisper, baby care with Pampers, health care with Vicks, and male grooming with Gillette. Rural sales contributed one fourth of overall business in 2019. It is expanding its presence in rural areas. Its consumer base increased in rural market from one fourth to one third in 2021. The company is expanding the consumer base by selling the products at affordable price, for example, Pampers is available at Rs. 10.

The company is the market leader in sanitary napkin and Whisper is its flagship brand. The company has extended the product line by introducing new products and is constantly upgrading. It has launched new products like Old Spice deodorant, Whisper Aloe Vera and upgraded flagship sanitary napkin brands Whisper Ultra and Choice. It has been continuously educating on menstrual hygiene among school girls that helps to develop the brand image. It has also introduced the Vicks 3-in-1 throat lozenges in cough and cold category. Its product lines are present over traditional trade, modern trade and e-commerce platforms. In 2020, it had a resilient performance and recorded sales of 3,002 crores, 2% growth in sales and profit after tax (PAT) of Rs 433 crores, 3% rise in PAT. Sales has grown up despite external challenge of the pandemic. It has shown the growth in Vicks VapoRub, Vicks Throat Drops, Vicks Action 500, Advanced, Vicks inhaler and Vicks BabyRub and Vicks-3-in-1 throat lozenges. The Company is using the digital marketing and data analytics to improve the consumer reach. Product line of company is deeply penetrated through multiple means like mass merchandisers (modern trader), grocery stores, membership club stores, drug stores, department stores and high frequency stores.

The company has made significant progress to reach retail outlets reach from 1.3 million to 2 million outlets in the past few years. It also improved the product affordability by low pricing. Rural sales account for 20% of feminine hygiene products. Madhusudan Gopalan, CEO & MD, stated that the company sold its product line through 7 million retail outlets in 2019–2020. Few years back, rural business was 25% and now it is 33% of the business. Brands are increasing the penetration along with direct and indirect distribution channel in the rural market.

Table 18 shows that sales revenue increased over the past decade for Tata Consumer Products Ltd. except in FY 2015–2016. In this single year, it recorded a negative growth of –17%. In initial FY 2010–2011, sales were Rs 1811 crores and Rs 5690 crores in FY 2019–2020. Tata Consumer Products Ltd. stands 3rd for sales with CAGR of 13.56% and stands at 8th rank with CAGR of 12.55% for net profit growth. Sales have grown 3.14 times in the past 10 years.

Table 18. Sales growth of TATA Consumer Products Ltd. (TCPL) (figures in Cr).

Year	Sales in crores	Growth in figure	Growth rate	Net profit
2010–11	1811			181
2011–12	2035	224	12%	303
2012–13	2326	291	14%	259
2013–14	2683	357	15%	447
2014–15	2885	202	8%	289
2015–16	3084	199	7%	564
2016–17	3064	-20	-1%	276
2017–18	3217	153	5%	534
2018–19	3430	212	7%	411
2019–20	5690	2261	66%	524
Total	30225	3879		3786

Source: Annual Report (2011–2020).

TCPL is targeted to double its distribution reach. It will be more direct, active and digitized by 2021. Focusing on expansion in rural area, rural distribution network is increasing faster than urban ones. It is strengthening all channels of distribution like wholesale, modern trade, e-commerce, institutions, food service, and vending. It is aimed to stay close for better understanding of trends and changes in consumer behavior.

Tea business has recorded the volume growth of 171.5 million kg in 2020 from 162 million kg in 2019. Coffee business has grown from 15.3 to 16 million kg in 2020. Salt business was 1164.5 million kg in 2019 which increased to 1185.2 million kg in 2020. The company has reached 2.5 million outlets and 200 million households. One in every three households consumes Tata Tea. The company is the undisputed market leader of salt with 30% market share in branded segment and serves 161 million households. It has recorded 15% sales contribution from modern trade and e-commerce in India. Contribution from branded and non-branded segment was 88% and 12%, respectively, in 2019. Furthermore, these were 90% and 10%, respectively, in the year 2020. Branded segment increased by 2% over the past year. Food segment comprising of Tata Salt, pulses and spices have grown up by 12% under the brand of Tata Sampanna in the year 2020. Beverages segment has grown by 7% in 2020 (TCPL, 2019-20).

Findings

1. Sales of companies in FMCG industry have been increasing with CAGR of 11.02% in the past decade of 2010–2011 to 2019–2020.
2. Higher and rising young population, rising per capita income, low penetration, and low per capita consumption of FMCG, foreign direct investment, increasing online use of mobile for transaction and favorable government policies are key drivers of growth of FMCG sector in India.
3. E-commerce business is increasing with the increase in internet access and increase in smartphone users along with digital literacy. Therefore, online shopping of FMCG is expected to grow further.
4. FMCG companies are extending their distribution channel in rural and urban markets. They are developing their own channel of rural distributors to serve the villages. ‘Shakti Amma rural networking of HUL’ served well in COVID-19 pandemic situation in the rural market.
5. FMCG companies have increased their presence in modern trade and on E-commerce platforms. These are Britannia Industries Ltd., Godrej Consumer Products Ltd., Emami Ltd., Hindustan Unilever Ltd., Marico Ltd., Britannia, Nestle India Ltd., which directly reached consumers through own distributors at village level. These also partnered with delivery companies to serve directly in cities. It is just initiated in cities only.
6. FMCG companies are enhancing the digital use for marketing and getting real time information. HUL uses *“Shikhar App” for* retail order booking. Nestle India uses Ask Nestle and educating about different recipes through their YouTube channel.
7. Companies are using technology and data analytics so that they can get real time information. It will help them to perform well for middlemen and ultimate consumers.
8. FMCG companies are appointing their own distributors to increase the direct reach, thereby rural retailers directly buy from rural distributors at village level. Retailers do not need to buy in bulk and block their capital for stocks.
9. FMCG companies are availing their products on traditional, modern trade and E-commerce platforms, so that consumers can buy from any channel.

CONCLUSION

Sales of FMCG industry have grown with 12% CAGR. FMCG companies are expanding their network across traditional, modern and E-commerce platforms. Companies have increased rural presence and increased the direct reach by appointing rural distributors. Marketers are using the SAEA strategy, that is, small sachets of premium products, affordable price, easy availability, and awareness of brands. Rural marketing based on the SAEA has led to considerable market penetration of 35% to 50% of FMCG companies. Premium products are now available for rural consumers so premium brand difference of rural and urban areas has reduced. Penetration is increasing. In industry, ITC made the highest sales in the past decade and Jubilant Food Works made highest growth rate of 22% CAGR in the industry. Companies are partnering with delivery agencies to increase the penetration in cities. Besides, technology plays a significant role to track the demand, save time and capital by get real time information. Stockists get real time order booking and delivers to retailers at optimal price. Consequently, technology assists to avoid overstocking and blocking of capital. FMCG companies are making their products available via multiple channels that includes traditional, modern and E-commerce so that consumers can buy easily. This is popularly known as Omni channel.

Managerial Implication

The tough competition is the real challenge to survive, exist and grow in competitive market. It is significant to understanding the nature of competition and competitors. It assists to develop the appropriate strategy that matches the market dynamics or scenario. With the aforementioned discussion, marketers come to know the comparative rural market penetration, growth in rural market, growth of net sales and profit, emerging channels of distribution, Omni channel, direct reach, and distribution network of competitors. Based on competitors' move, marketers can develop the best counterstrategy to overcome competition. Further, it assists to make SWOT analysis to some extent.

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