

# An Overview New Product Launch in FMCG Sector

<sup>1</sup>Sandipama Safaya and <sup>2</sup>Dr. Indrajeet Singh Yadav

<sup>1</sup>Research scholar Sri Satya Sai University, Sehore, Bhopal

<sup>2</sup>Research Supervisor Sri Satya Sai University, Sehore, Bhopal

## ARTICLE DETAILS

### Article History

Published Online: 13 March 2019

### Keywords

FMCG, Customer, Products, Distribution, Super Markets.

## ABSTRACT

The purpose of this research is to understand the FMCG industry's dynamics, discuss its distinctive characteristics and develop its key success factors. FMCG is often referred to as packaged goods for consumers. These products are simply called 'fast moving' because the consumer purchases these articles to satisfy his day-to-day demands. Such products are typically purchased in grocery stores, supermarkets, hypermarkets ... The FMCG industry builds strong brands and achieves a high level of distribution. Fast-moving consumer goods (FMCGs) are fast-selling, fairly cheap items. These are generally known as branded goods packed. Toilet soaps, detergents, shampoos and toothpastes, rashing goods, shoemakers, bagged food and family accessories are the most popular items in the catalog. In fact, the term applies to some electronic products. These items are meant to be consumed daily or regularly. A large part of each household's monthly budget for FMCG products is reserved. As the number of users of FMCG products is extremely high, the money circulated in the economy is very high. Over the last 50-odd years, the Indian FMCG industry has started to shape. The FMCG sector is a fundamental pillar of Indian economics that affects all aspects of life. The market for Indian FMCG is split among the organized and non-organized industries. Unfortunately, the Indian Rs 460 billion FMCG market remains highly fragmented, with about half of it dominated by unbranded, unpackaged, house-made goods. The US FMCG industry, dominated by a handful of global players, is not. It gives marketers of branded goods a huge opportunity to turn customers into branded products. FMCGs are usually a large distribution channel and are marketed to customers directly.

## 1. Introduction

Fast Moving Consumer Goods (FMCGs) are classified as products that are sold at relatively low prices quickly. They are primarily consumer goods that are unsustainable and that a customer needs very much and in some cases almost every day. A broad range of products, including detergents, toiletries, foodstuffs, toothpaste, shampoos, drinks, milk, etc.



## Design and manufacturing

1. Speed of low money. In many FMCGs, only small investments in plant, machinery and other fixed assets are required. A low working capital is sufficient as the bulk of transactions in cash payments are immediate.
2. The technology required for production is typically simple and easy to use. The basic method is never modified by modifications and changes.
3. Manufacturing by third parties is very common. Third-party production benefits include flexible manufacturing and inventory planning, and flexibility with regard to labor cost control.
4. Logistics.-Sometimes it is Certain products must sometimes be produced close to the market.

## Some of the Major FMCG Companies in India are:

- \*ITC
- \*Hindustan Unilver
- \*Nestle India
- \*Godrej Consumer products Ltd
- \*Dabur India Ltd

## Marketing and distribution

1. **High initial launch costs.** Investment in product creation, market analysis, test marketing and launch is expected in new products. Knowledge of a new brand needs massive initial spending on launch advertising, free samples and promotional items. The cost of launch in the first year may be as high as 50%-100% of sales. Advertising expenses vary, depending on the segment, between 5% and 12% in existing brands.
2. **Limited mass media options.** TV hits 65% of urban consumers but just 35% of rural consumers. TV reaches 35%. Alternatives such as wall paintings and special packaging are becoming a costly but required practice for effective FMCG marketing.

**3. Huge distribution network.** India's retail outlets include about six million, some two million in 5160 towns and 4 million in 627,000 towns. Across many areas across India, there are almost no supermarkets. Logistics are also very complicated for inexperienced teams. The ability to build, grow and sustain a reliable distribution network is a key factor for success in this industry.

#### Different components of the FMCG market

**Household care.** The products for household care contain bath soaps and detergents. Soaps for bath. The market size of soap, which includes premium, economic and common, is estimated at Rs 83 billion. The level of penetration of soaps is 92%. It is available in 5 million retail outlets, 75% in rural areas. With 53% market shares, Hindustan Unilever Limited (HUL) holds a second spot, with a 10% market share. Godrej is the industry leader. Rural demand should increase as the consumer moves up to premium products, with increased disposable incomes.

**Detergents.** It is estimated that the detergent market is Rs 120 billion. A big part of the detergent market is played by small unorganized players. With 38 percent of the market share of washing powders, HUL is the leading company. Nirma, Henkel and Procter & Gamble are also the main players.

#### Personal care.

Personal care products include skin care, hair care and oral care products.

**Skin care.** It is estimated that the total skin care market is Rs 34 billion. In India, this market is on the rise. This segment has a penetration level of about 20 percent in India. With changing lifestyles, higher disposable incomes, increased choice of products and availability, people become more aware of personal care. HUL with a market share of 54% and CavinKare with a market share of 12% and Godrej with a market share of 3% are the key players in this sector.

**Hair care.** The Indian hair care market, which includes hair oils, shampoos, hair colorants, conditioners and hair gels, is estimated to be R 38 billion. Marico has a market share of 33% and is the leader in the hair oil group, with Dabur taking second place at 17%.

**Shampoos.** It is estimated that the demand for Indian shampoos is 27 billion Rs. This is just 13 percent penetrated. Bags account for 40 % of the overall sales of shampoos. Also in meters, it has a poor penetration. Again, HUL is leading the industry with approximately 47 percent industry share; with market share of approximately 23 percent, P&G is second.

**Oral care.** The demand for oral care can be divided into toothpastes (60%), toothpowder (23%) and tooth browns (17%). The overall market for toothpastes is expected to be Rs 35 billion. In urban areas there is three times the penetration of toothpowder and toothpaste in rural areas. The Colgate-Palmolive segment is led by 49 percent of the market, HUL being the second largest participant with a 30 % market share. Colgate and Dabur are key players in the toothpowder market.

**Food & beverages.** This market includes tea and coffee as well.

**Food.** With a string of launches, HUL, ITC, Godrej and others are becoming increasingly popular in the FMCG class. This category comprises 18 major Rs 46 billion brands. In the segment of milk powder Nestle and Amul slug it out. Innovatives such as ice cream softies, HUL's ready-to - eat rice and Godrej Pillsbury pizzas were also presented in the food category.

**Tea.** The tea market is dominated by unorganised players, who control over 50 per cent of the market. The leading branded tea players are HUL and Tata Tea.

**Coffee.** More than 50 per cent of the market is dominated by loose, unbranded coffee. Major players in this segment are Nestlé, HUL and Tata Coffee.

#### FMCG products have following characteristics:

1. Small value is given to individual products. However, all FMCG products together form an important part of the monthly budget of a person. For example, in one month there will be a customer biscuit, tooth paste, shampoo, food, etc. However, the total cost of all these items accounts for approximately 97% of the monthly consumer budget. Each item is not very costly.
2. A consumer has a tendency to buy FMCG products very often and whenever they need them. This is because the majority of products are perishable and unsustainable and therefore a customer buys them as needed.
3. When it comes to purchasing an FMCG product , the consumer does not spend too much time deciding.
4. The test of new FMCG products usually involves advertising and feedback from friends and neighbors.
5. FMCG products are available in a wide variety and frequently cater for needs, comfort and luxury. Because of FMCG 's products, they also appeal to the community as a whole. Therefore, demand prices and revenue elasticity vary from one product to the next.

FMCG industry currently has a value of US \$13,1 trillion in India and is India's fourth largest industry. The sector generates 5% of the country's total workforce and creates jobs for three million people, especially in small towns and rural India. However, in the majority of product categories penetration and per capita consumption are very low , indicating unexploited market potential.

#### 2. Distinguishing Features of the FMCG Industry

##### 1. Low Capital Intensity

The FMCG sector requires no substantial investment in planning, machines and other fixed assets in most product categories. Since investment in facilities is not high, a product deficit due to lack of capacity is highly unlikely. In fact , the company has a low working capital level, since the majority of the output sales take place in cash.

##### 2. High Initial Launch Cost

Although the FMCG is a low-capital-intensive field, new products require significant investment for the growth, market research, testing and launch of products. The biggest challenge for any FMCG company is to increase customer awareness. Consequently, high initial expenses are spent on its advertising, free samples and promotional items. In some cases the launch costs 50%–100% of sales in the first year, compared to just 5–12% for the current brands.

##### 3. Technology

The basic production technology is simple to use and is also relatively stable. Changes and technical developments seldom alter the basic cycle. Notwithstanding this, major FMCG companies are investing large sums in R&D because of their willingness to allocate costs across the larger base of their global operations.

##### 4. Marketing Drive

One of the most significant functions in the FMCG field is the promotion of goods. This is why the majority of FMCG companies must reach the masses and compete simultaneously with several other players. Most of these players sell the same goods and thus the perceived gaps are greater than the real market gaps.

##### 5. Market Research

Every consumer's buying decision is mainly dictated by the consumer's perception of the brand. Additional factors such as changing mode, increasing income, lifestyle changes also play

an important role in purchasing decisions. FMCG products, however, are seldom technically and functionally distinguished. Business analysis and publicity experiments are also inevitable. As a result, businesses are investing large amounts of money on product releases as a result of intensified competition.

### 3. Success Factors of FMCG Products

#### 1. Brand Equity

Brand equity applies in the context of brand names to the intangible asset. The consumer loyalty of a particular brand is because of the perceived superior and consistent quality of the product and also because it meets its specific requirements. More than other rival brands it offers a better value for money. Brand equities are relatively stronger in FMCG products because the user is reluctant to try unknown brands / unbranded products, because most of them are for personal use. A product on technical or functional grounds is often difficult to distinguish and hence little incentive to move from an established brand. A profitable brand produces high cash flows that allow brand owners to reinvest part of it in aggressive advertisement / promotion in order to preserve the brand's dominance. The importance of a brand is illustrated by the consumer's insistence on a particular brand or his willingness to pay a price premium.

#### 2. Distribution Network

The capacity to build, grow and sustain a strong distribution network is one of the most important factors for success in the FMCG market. For wider penetration, availability near the consumer is essential since most products are low and frequently purchased. The distribution network is a purchasing point for customers where goods are (almost always) available. Creating a supply chain, suppliers, traders etc. and determining their loyalties would take tremendous time and effort. There are obstacles for a new entrant, since a new product typically moves gradually and has a lower demand from the customer. Handlers / retailers are also unable to require solutions and time. Players are using their network to discourage new matches. Therefore the distribution factor is the secret to the brand equity factor often.

#### 3. Understanding Consumer Behaviour

The development and adaptation of what the customer wants has become a critical factor in the success of FMCG in the present day period, when many competing brands produce the same drug. In order to outshine, it has become very important to understand the market comportements against a certain product. Companies invest a great deal on this research to provide their consumers with the best possible outcomes and to ensure the popularity of the goods. The consumer behavior changes over time so that businesses track this behavior on a regular basis so that their current loyal customers do not lose out but instead acquire new potential customers by manufacturing products according to their needs and requirements.

#### 4. Importance Of Super Markets In FMCG Industry

Grocery stores and Supermarkets are the faces from which the client actually purchases his necessities. Today, in the fast moving time, consumers do not want to spend much time just buying the basic items from one store to the next. Therefore, with the Super Markets concept, customers have all the choices and all products under each of the rooftops that reduce their shopping time and at the same time provide

different shopping options. Some Big names in these markets are: BIG BAZZAR, EASY DAY, RELIANCE FRESH, FOOD BAZZAR, SPENCER'S, SAFAL.

These Markets have following distinguishing features:

- High quality, Variety Products under one roof
- FMCG ranging from food, milk products, bakeries, toiletries, stationary etc all are available under one roof
- Special discounts are also offered on selected products on the basis of day, time. For example after 7 pm some stores offer some selective discount on milk and bakery products.
- Big Brands are associated with these super markets which establish confidence in customer's mind easily. For example Reliance fresh is an undertaking of Reliance Industries, Safal shops are opened by Mother Dairy which instantly reflect quality in the products offered by them
- In metro cities like Delhi-Mumbai-Chennai-Kolkata etc these markets have overtaken the small grocery stores
- Customer Care and Staff help is kept as prime concern in supermarkets to deliver best to the customer
- The Retail Mssarket of FMCG products has seen a new breeze with opening of these markets as it fastens the distribution process and delivers products to customers at much faster pace.

#### Advantages of the sector

**Government's policy.** The Indian Government has adopted policies to achieve international competitiveness by lifting quantitative restrictions, cutting excise duties and changing food regulations. Export-oriented units may be built at a rate of 100% with the authorisation of the government and free use of international brand names is now allowed.

**Foreign direct investment (FDI).** For most of the food processing sector with the exception of malted food, alcoholic and small-scale industries (SSIs), automated investment approval (including external technology agreements within specified standards), up to 100 percent foreign equity or 100 percent investment is permitted for the NRI or the overseas corporate bodies (OCBs). Net FDI inflows are constantly growing.

#### Market opportunities

A huge market in rural areas. More than 700,000,000 consumers in rural India — or 70% of Indian people — and 50 % of the total market for FMCGs are in rural India. The population is around 400 million rural men. Average rural Indian people have less than half of their urban counterparts' purchasing power. However, this market has tremendous potential and FMCG companies are encouraged to take various steps to capture it. Hindustan Unilever Ltd is the industry's major player with the largest coverage on the market.

#### 5. Conclusion

FMCG products are essential products that are purchased by a consumer within a short period of time. In order to deliver products to the customer on time, companies that produce these products need to establish a strong distribution network and create strong brand equity for their products. Reliance Fresh, which hold all those necessary products under one roof, makes local grocery stores hard to complete with Supermarkets such as Easy Day, Big Bazaar.

**References**

1. Akpoyomare, O. B.; Adeosun, L. P. K. & Ganiyu, R. A. (2012) The Influence of Product Attributes on Consumer Purchase Decision in the Nigerian Food and Beverages Industry: A Study of Lagos Metropolis. *American Journal of Business and Management*: 2012, Vol. 1, No. 4, pp. 196-201.
2. Ampuero, O. & Vila, N. (2006) Consumer perceptions of product packaging. *Journal of Consumer Marketing*: 2006, Vol. 23, No. 2, pp.100-112.
3. Bordley, R. (2003) Determining the Appropriate Depth and Breadth of a Firm's Product Portfolio. *Journal of Marketing Research*: February 2003, Vol. 40, No. 1, pp. 39-53.
4. Cant, M. C.; Wiid, J. A. & Kallier, S. (2015) Product Strategy: Factors That Influence Product Strategy Decisions Of SMEs In South Africa. *The Journal of Applied Business Research*: March/April 2015, Vol. 31, No. 2, pp. 621-630.
5. Chittaie, R. (2012) Customer relationship management and business strategies. *International Journal of Organizational Leadership*: 2012, Vol. 1, No. 1, pp. 13-22.
6. Cooper, R. G.; Edgett, S. J. & Kleinschmidt E. J. (1999) New Product Portfolio Management: Practices and Performance. *Journal of Product Innovation Management*: July 1999, Vol. 16, No. 4, pp. 333-351.
7. Daramola, G. C., Bello, B. A. & Okafor, L. I. (2014) Branding and Packaging: Promotion of Marketing of Fast Moving Consumer Goods in Nestle Nigeria PLC. *International Journal of Business and Marketing Management*: November 2014, Vol. 2, No. 1, pp. 1-7.
8. Dowell, G. (2006) Product Line Strategies of New Entrants in an Established Industry: Evidence from the U.S. Bicycle Industry. *Strategic Management Journal*: July 2006, Vol. 27, pp. 959-979.
9. Fenech, J. P. & Tellis, G. J. (2016) The Dive and Disruption of Successful Current Products: Measures, Global Patterns, and Predictive Model\*. *Journal of Product Innovation Management*: 2016, Vol. 33, No. 1, pp. 53-68.
10. Gwin, C. F. & Gwin C. R. (2003) Product attributes model: A tool for evaluating brand positioning. *Journal of Marketing Theory and Practice*: Spring 2003, Vol. 11, No. 2; pp. 30-42.