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A Study on Market Trends in Consumer Durables Sector and Fast Moving Consumable Goods Industry in India

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ABSTRACT

The consumer has developed into a totem pole around which a mass of actions and ideologies are dancing. The term 'consumer' in Economics refers to a person who uses goods and services for fulfillment of his wants. By tradition consumer was regarded as the King since not only the producers of goods but also those rendering services used to look upon the consumers, the demand for their goods and services. Basically, the Indian consumers are conservatives in the sense they do not easily give up their habits and sentiments. They will never change in a hurry. The socialistic code of restraint dictated much of independent India's consumer psyche until the late seventies and early eighties. It was a time when the per capita income grew by an imperceptible one percent per annum. The study is such an attempt to study the relationship between the consumer durables market and FMCG industry in India. The study is mainly based on the secondary data. The study aims to assess the revenue earned and evaluate the rising GDP per capita income from the both sectors. The tools used in this study are Descriptive Statistics, Compound Annual Growth Rate, Pearson Correlation, and Linear Regression. This study concludes that the new technology consumer goods has rapidly increased the importance of consumers for the marketers. For a large part, this identity is created in interaction with other people.

Keywords: *Consumers, Consumable Goods, FMCG, Revenue, GDP and Per capita.*

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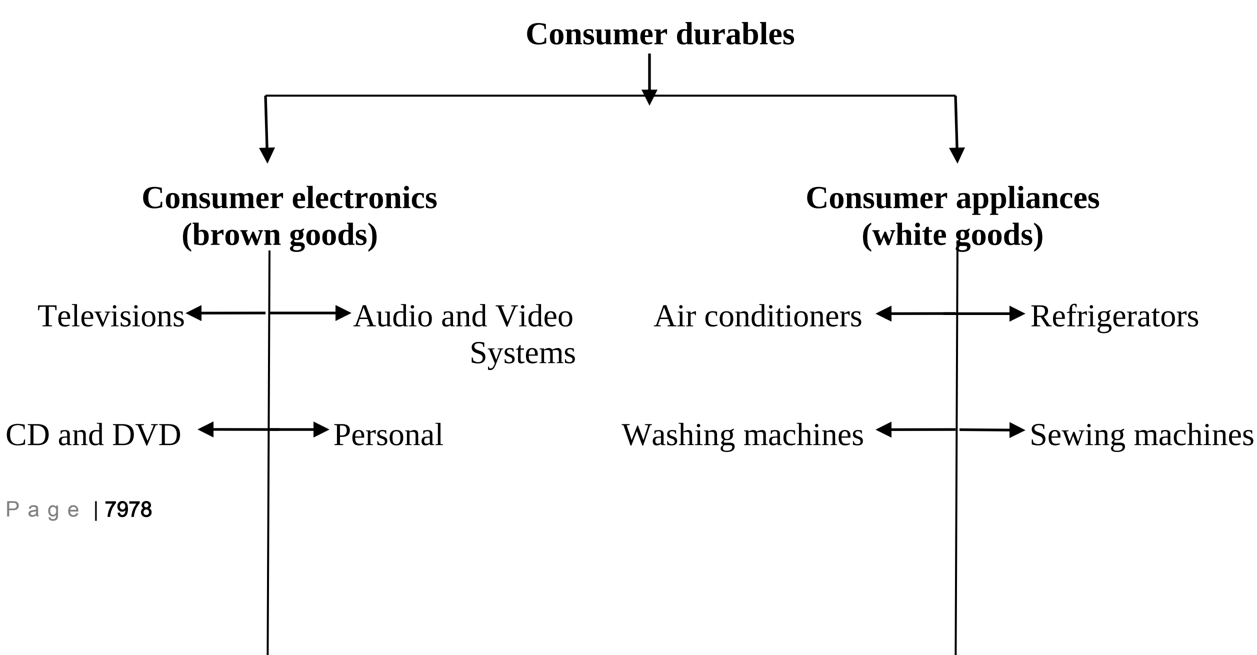
Introduction

Indian consumer segment is broadly segregated into urban and rural markets, and is attracting marketers from across the world. The sector comprises of a huge middle class, relatively large affluent class and a small economically disadvantaged class, with spending anticipated to more than double by 2025. India stood second among all nations in the global consumer confidence index with a score of 128 points for the quarter ending June 2017, after Philippines. Further, in the discretionary spending category, 65 per cent respondents from India indicated the next 12 months as being good to buy, thus ensuring once again that India leads the global top 10 countries for this parameter during the quarter.

Global corporations view India as one of the key markets from where future growth is likely to emerge. The growth in India's consumer market would be primarily driven by a favourable population composition and increasing disposable incomes. A recent study by the McKinsey Global Institute (MGI) suggests that if India continues to grow at the current pace, average household incomes will triple over the next two decades, making the country the world's fifth-largest consumer economy by 2025, up from the current 12th position. India's robust economic growth and rising household incomes are expected to increase consumer spending to US$ 3.6 trillion by 2020#. The maximum consumer spending is likely to occur in food, housing, consumer durables, and transport and communication sectors. The report further stated that India's share of global consumption would expand more than twice to 5.8 per cent by 2020.



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Players Computers

Laptops ⟷ Digital Cameras

Cleaning equipment ⟷ Electric fans

Electronic accessories ⟷ Camcorders

Microwave ovens ⟷ Other domestic appliances

Fast Moving Consumable Goods (FMCG)

Food and Beverages	Health Care	Household & Personal Care
19%	31%	50%
Health Beverages, Staples/ Cereals, Bakery products, Chocolates, Ice Cream, Tea, Coffee/Soft drinks, Processed Fruits and Vegetables, Dairy Products and Branded flour.	OTC Products & Ethicals.	Oral care, Hair care, Skin care Cosmetics/Deodrants, Perfumes, Feminine hygiene, Fabric wash and Household cleaners.

Review of Literature

Mathur and Shainesh (2012)[1] they studied to identify the service attributes, which are evaluated by the customers and then developed an instrument to receive feedback from customers Data were collected from 63 managers who used railway freight services. It was completed in two phases. In the initial phase, 12 industrial managers were contacted and in second phase, 51 organizations managers were contacted. The findings of the study indicate that ability to provide safe & speedy delivery was the main area of performance. Other important dimensions were cost of transportation, attitude of officers and ministerial staff which was contrary to the perceptions of managers of railways. Lacks of professionalism, outdated rules, interactions with officers and treating customers as liability were some of the indicators of lack of service orientation.

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Jain and Goel (2013)[2] their study seeks to ascertain empirically the nature and extent of consumers' attitudes towards business firms, marketing philosophy and government regulations Data were collected from Indian consumers and analyzed with the help of Multiple Regression and ANOVA. Need for a strong consumer movement and government regulations for protecting consumer interests and rights against the fraudulent shopkeepers.

Sharma and Sharma (2014)[3] they did a study to examine the perceptions of consumers about legal Provisions in regulating retail practices. The primary data were gathered from 470 consumers from Gandhi Nagar, a posh colony in Jammu, selected through systematic random Sampling technique. The results provide that retailers are moderate in terms of abidance of legal norms as well as ethical values. The study suggests a plan of action for higher legal norms and ethical values in retailers selling shopping goods so that the expectations of customers can be fulfilled in an ethical manner.

Sharma and Gupta (2016)[4] had made an attempt to measure role effectiveness of customers in strengthening consumerism through a study of an area representing traditional retail practices in India. The study was based on primary data taken from the customers (384) of Janipur colony of Jammu city and analysed through systematic random sampling technique. Role effectiveness of customers in strengthening consumerism as 4.02 on 5 point Likert scale, indicating customers having given due weight-age to all factors viz., 'Information' (MS = 3.91), 'Satisfaction' (MS = 4.35), 'Product Quality' (MS = 3.97) and 'Better Facilities' (MS = 3.99), 'Convenience' (MS = 3.93), 'Loyalty' (MS = 3.93) and 'Responsibility' (MS = 4.11). The findings of the study cannot be generalized as it is based on consumer perception only.

Statement of the problem

Consumerism is economically manifested in the chronic purchasing of new goods and services, with little attention to their true need, durability, product origin or the environmental consequences of manufacture and disposal. Consumerism is driven by huge sums spent on advertising designed to create both a desire to follow trends, and the resultant personal self-reward system based on acquisition. Materialism is one of the end results of consumerism. Consumerism interferes with the workings of society by replacing the normal common-sense

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desire for an adequate supply of life's necessities, community life, a stable family and healthy relationships with an artificial ongoing and insatiable quest for things and the money to buy them with little regard for the true utility of what is bought. An intended consequence of this, promoted by those who profit from consumerism, is to accelerate the discarding of the old, either because of lack of durability or a change in fashion. The present study is such an attempt to analyze the consumerism

Objectives of the Study

1. To assess the revenue earned from consumer durables market and FMCG industry in India.
2. To evaluate the rising GDP per capita income for consumer durables and FMCG in India.
3. To analyze the total funds released by Govt. for NREGA.
4. To study the relationship between the consumer durables market and FMCG industry in India.

Research Methodology

The study is mainly based on secondary data. The data were collected from the various, journals, periodicals, newspapers, magazines and websites such as Electronic Industries Association of India, International Monetary Fund (IMF), World Bank, Ministry of Urban Development, Tech Sci Research, etc.,

Period of Study

The present study is undertaken to analyze for the ten years from 2009-10 to 2018-19.

Tools of analysis

Tools used in this study are Compound Annual Growth Rate**,** Pearson Correlation and Linear Regression

Analysis and Interpretation

Table 1 - Consumer Durables Revenue

Year	Revenue (Rs. in Billion)
2009-10	289.81

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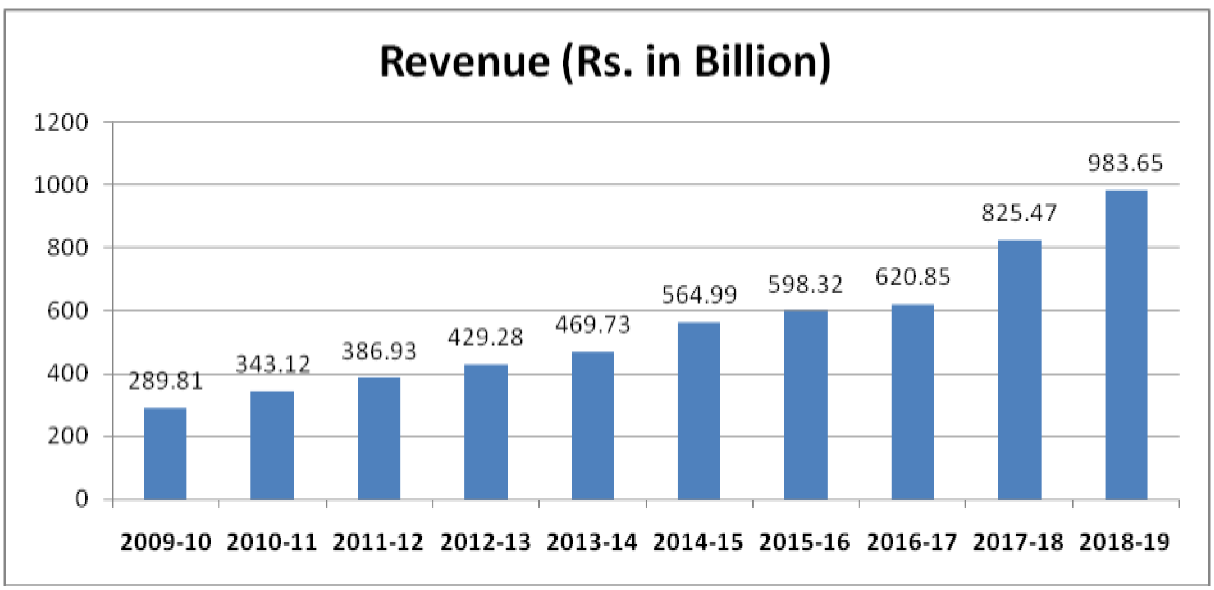
2010-11	343.12
2011-12	386.93
2012-13	429.28
2013-14	469.73
2014-15	564.99
2015-16	598.32
2016-17	620.85
2017-18	825.47
2018-19	983.65
Mean	551.22
S.D	218.48
CAGR	0.13

Source: Electronic Industries Association of India

Chart 1



In 2017-18, revenue from consumer durables sector in India stood at Rs.825.47 billion, which further increased to Rs.983.65 billion in 2018-19. Consumer durable market grows at CAGR of 13 per cent from 2009-10 to 2018-19. Around two third of the total revenue is generated from urban population and rest is generated from rural population.

Table 2 - Demand for Consumer Durables

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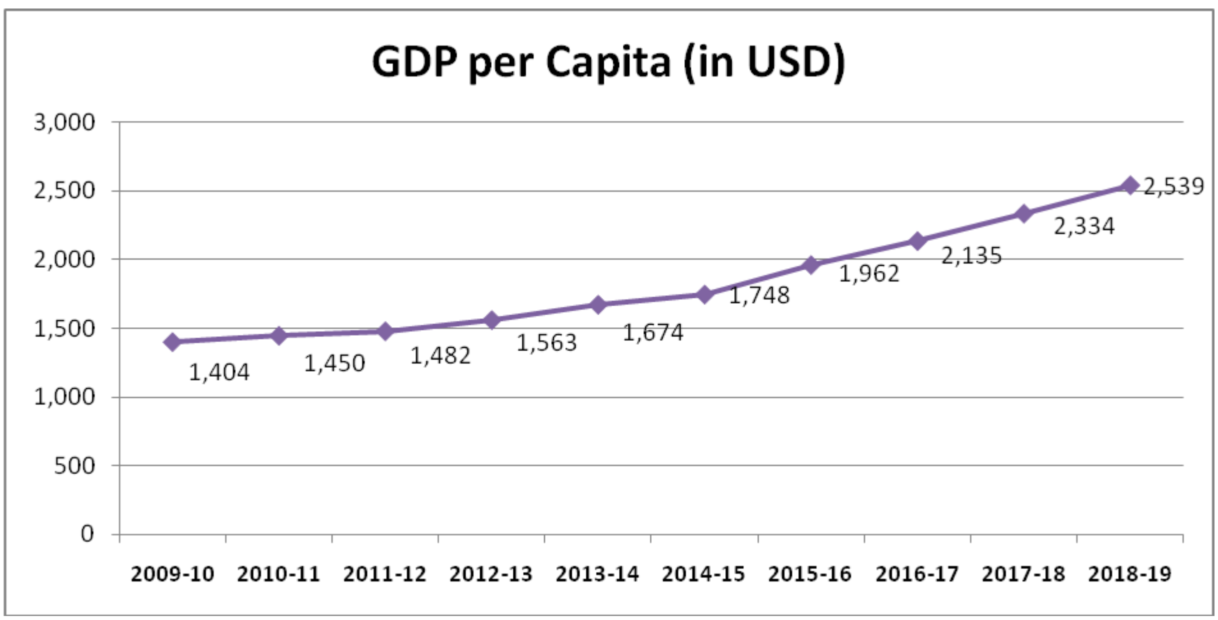
Year	GDP per Capita (in USD)
2009-10	1,404
2010-11	1,450
2011-12	1,482
2012-13	1,563
2013-14	1,674
2014-15	1,748
2015-16	1,962
2016-17	2,135
2017-18	2,334
2018-19	2,539
Mean	1,829
S.D	396.72
CAGR	0.06

Source: IMF, World Bank, Tech Sci Research

Chart 2



Demand for consumer durables in India has been growing on the back of rising incomes; this trend is set to continue even as other factors like rising rural incomes, increasing urbanization, a growing middle class, and changing lifestyles aid demand growth in the sector Consequently, industry analysts the sector to post a CAGR of 6 per cent over 2009-10 to

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2018-19. Significant increase in discretionary income and easy financing schemes have led to shortened product replacement cycles and evolving life styles where consumer durables, such as ACs and LCD TVs, are perceived as utility items rather than luxury possessions.

Notable Trends in the Consumer Durables Sector

- As of April 2019, India holds fifth position in global retail industry.
- The market share of direct cool and frost free segment in FY18 is estimated at 70 per cent and 30 per cent respectively.
- As of April 2019, the AC makers expect a double digit rise in sales and also expect adoption of superior technology and power efficient range of inverter air conditioners.
- The sector is witnessing the emergence of modern durable retail chains and e-retailers like Tata Croma, Reliance Digital, E zone.
- Penetration of electric fans in rural areas is expected to reach 76-78 per cent in 2019-20 from 65 per cent in 2017.
- Xiomi will enter the white goods segment in India in 2019, while Transsion Holdings will launch its entire range of consumable durables in the country during the year.

Table 3 - FMCG Revenues

Year	Revenue (Rs. in Billion)
2009-10	1389.24
2010-11	1635.68
2011-12	1950.43
2012-13	2604.28
2013-14	2763.39
2014-15	3027.27
2015-16	3240.61
2016-17	3356.96
2017-18	3887.22
2018-19	3976.35
Mean	2783.14
S.D	896.06
CAGR	0.11

Source: Booz & Co, Dabur, Tech Sci Research

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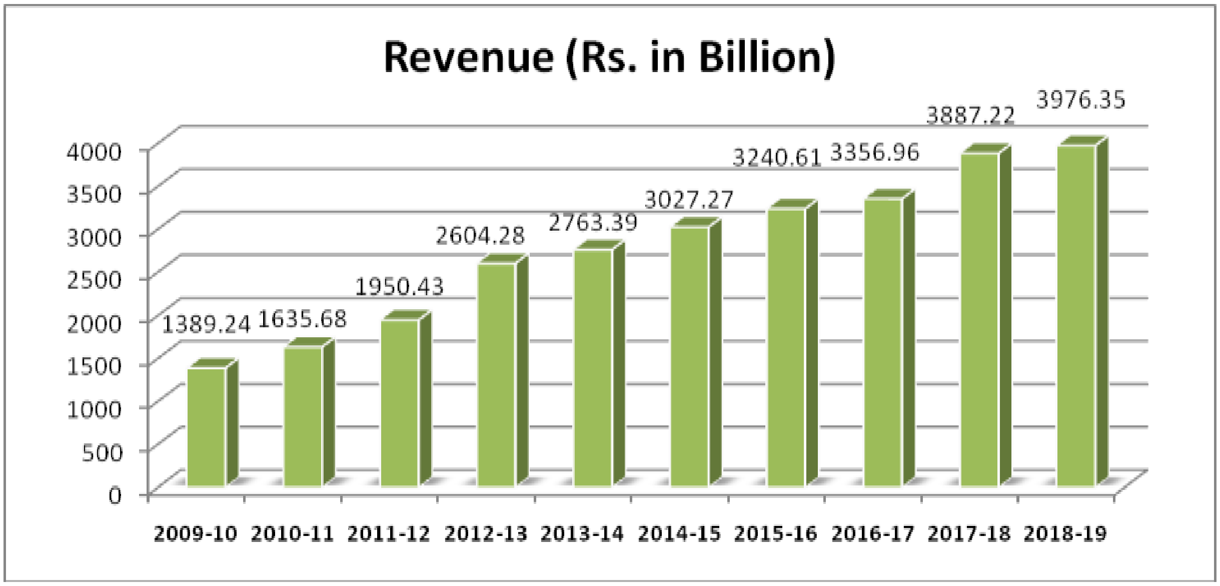
Chart – 3



The FMCG sector in India generated revenues worth Rs.3,976.35 billion in 2018-19, the sector's CAGR of 11 per cent in revenues. In 2016-17, revenues for FMCG sector is expected to reach high than the previous. During 2017-18, seven leading FMCG companies in the country have fared better than their multinational peers, in terms of revenue growth.

Government Initiatives for Rural Development

Table 4 - Funds Released by Govt. for NRGEA

Year	Released Funds (Rs. in Billion)
2009-10	110.72
2010-11	221.24
2011-12	388.83
2012-13	483.27
2013-14	531.18
2014-15	551.62
2015-16	452.47
2016-17	378.28
2017-18	358.43
2018-19	417.56
Mean	389.31

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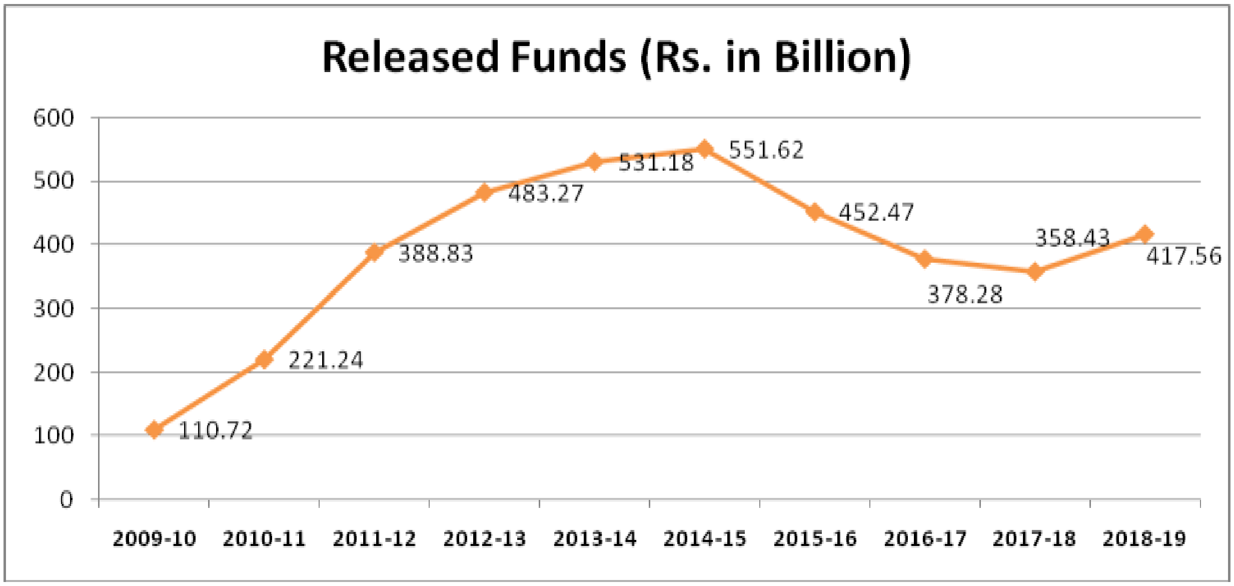
S.D	136.21
CAGR	9.91%

Source: NREGA, TechSci Research

Chart - 4



The Indian government has been supporting the rural population with higher MSPs, loan waivers, and disbursements through the National Rural Employment Guarantee Act (NREGA) programme. These schemes have empowered the rural masses and increased their purchasing power, thus boosting FMCG consumption. During 2009-10 to 2018-19, allocation of funds to NREGA increased at a CAGR of 9.91%, with the total funds released by the government for NREGA reaching to Rs.417.56 billion by 2018-19. These measures have helped in reducing poverty in rural India and have thus propped up rural purchasing power.

The Urban Market Accounts for a Major Chunk of Revenues

- Accounting for a revenue share of around 60%, urban segment is the largest contributor to the overall revenue generated by the FMCG sector in India and recorded a market size of around USD 29.4 billion in 2018.
- Semi-urban and rural segments are growing at a rapid pace; and accounted for a revenue share of 40% in the overall revenues recorded by FMCG sector in India.

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- In the last few years, the FMCG market has grown at a faster pace in rural India compared with urban India.
- FMCG products account for 50% of total rural spending.
- Consumers are becoming more brand conscious and prefer lifestyle and premium range products given their increasing disposable income.
- Companies are required to continuously focus on innovation and customer engagement to strengthen their brand appeal in market.

Correlation Analysis

Correlations

		Consumer durables	FMCG
Consumer durables	Pearson Correlation	1	.892**
	Sig. (2-tailed)		.002
	N	10	10
FMCG	Pearson Correlation	.892**	1
	Sig. (2-tailed)	.002	
	N	10	10

**. Correlation is significant at the 0.01 level (2-tailed).

The correlation revealed that the relationship between consumer durables and FMCG sector in India. These two variables are directly related and highly positively correlated. For the last ten years the correlation is 1. It indicates that consumer durables and FMCG are closely related and thus two variables are highly significant to each other i.e P value is less than 0.05.

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	57133.67	2	28576.83	81.500	.010[b]
	Residual	2450.02	7	3505.71		
	Total	59973.70	9			

a. Dependent Variable: GDP

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b. Predictors: (Constant), FMCG, Consumer durables

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.929[a]	.869	.816	59.2091

a. Predictors: (Constant), FMCG, Consumer durables

Findings

- During the year 2017-18, revenue from consumer durables sector in India stood at Rs. 825.47 billion, which further increased to Rs.983.65 billion in 2018-19.
- The FMCG sector in India generated revenues worth Rs.3,976.35 billion in 2018-19.
- During 2009-10 to 2018-19, allocation of funds to NREGA increased at a CAGR of 9.91%, with the total funds released by the government for NREGA reaching to Rs.417.56 billion by 2018-19.
- The correlation revealed that there is highly positive relationship between consumer durables and FMCG sector in India.

Conclusion

Consumption is a social, cultural, and economic process of choosing goods, and this process reflects the opportunity and constraints of modernity. Especially when its use promoted by advertisement and metropolitan spaces from shopping malls to small shops' where they are displayed, viewed and bought. However, the new technology consumer goods have rapidly increased the importance of consumers for the marketers. For a large part, this identity is created in interaction with other people. The study concluded that FMCG attaining higher income than the consumer durables goods sector.

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