impact
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The three things that will make an impact on FMCG Marketing, on the road to 2010

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The Indian FMCG sector with a market size of US$13.1 billion is the fourth largest sector in the economy. A well-established distribution network and intense competition between the organized and unorganized segments characterize the sector. The FMCG Sector is expected to grow by over 60 per cent by 2010. That will translate into an annual growth of 10 per cent over a five-year period.

There are some developments that will leave a very deep imprint on the way the FMCG sector operates in the near future. The three major areas that will impact are: Development of organized retail, Infrastructure growth and young working population with higher disposable income.

According to this year's Global Retail Development Index, India is positioned as the leading destination for retail investment. Organized Retail is growing in India at a phenomenal pace. Although it contributes only 4 to 5 per cent of the total retail industry, it is poised to garner 12 to 15 per cent share by 2010. India's retail industry accounts for 10 percent of its GDP and 8 percent of the employment and is expected to reach $17 billion by 2010. All this has big western retailers like Wal-mart and Tesco lining up to enter the Indian market, we would see about 300 new malls, 1,500 supermarkets and 325 departmental stores being built across the country. This will change the face of retailing in India.

The evolution is very fast and growth of self-service stores can be seen across all cities. The outlets can be standalone as well as chains promoted by Indian companies. In few cities the turnover of Modern trade salience is as high as 30 per cent.

FMCG companies are noticing that business growth in this channel is faster than in traditional trade - and that it would become a major force in the years to come. Modern trade also gives the products a chance to interact with consumers unlike the traditional mom and pop stores. In order to leverage the fast growing Modern trade, FMCG companies are aligning and restructuring to meet their demand by improving the look and feel of the product, rationalize the SKU mix and build up a strong supply chain. Special sales teams are created who understand and cater to the need of these chains. Modern trade would enable consumers to look at a wider choice and better quality products at reasonable prices by eliminating multiple layers of intermediaries. This explosion in modern trade or organized retailing would also help develop other areas of the economy (construction, logistics, food processing etc) and reach out to smaller towns.

Infrastructure development will play a crucial role in helping India sustain high growth rates and evenly spread the benefits of growth among its people. By promoting connectivity of producers and markets, lowering transactions costs, and providing people with access to important services like education and health care, a reliable infrastructure network lays the foundation for a future of sustainable economic growth. Growth In infrastructure (like the set up of the golden quadrilateral) would make distribution to far flung areas easier, faster and cheaper for FMCG companies to market goods to the rural consumer, thus bringing down transaction costs for the manufacturer who in turn would pass this on to the consumer on account of higher and intense competition.

An Indian today can potentially spend double of what he could in 1985; and in the next twenty years he would be able to spend four times what he does now. But we also have to take into account the fact that consumers now have wider choice, huge exposure to global trends and new avenues to spend their income.

The rise in the young working population and the increasing salary levels would ensure that the average disposable income would go up. An Indian today can potentially spend double of what he could in 1985; and in the next twenty years he would be able to spend four times what he does now. But we also have to take into account the fact that consumers now have wider choice, huge exposure to global trends and new avenues to spend their income - cell phones, entertainment, eating out, cars and bigger houses, etc. This leaves relatively lesser money in their hands to spend on traditional consumer items such as personal care, food and consumer products. However, because of the low per capita consumption for almost all the products in the country as compared to developed nations, FMCG companies have immense possibilities for growth.

These companies will have to gear themselves to become flexible and proactively manage such growth. While customers would try and experiment with little or no loyalty they will ultimately stay on with those products, which satisfy them most.