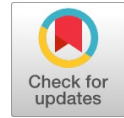# Losing Glow of FMCG Brands(A sustainability challenge for FMCG Sector)(A pilot research conducted in Vidarbha during April-19 to August-2019)

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   Abstract:-It has seen that FMCG consumers are becoming indifferent towards the essential categories of the brands. Such brands have become undifferentiated in their minds. The concept of brands is getting redundant in their minds for products from essential categories like Soaps, Tooth Paste, Detergents, Confectionary, Salty Snack Food, Chocolates etc. This can prove to be a big sustainability challenge for the brand members from essential categories of FMCG brands. The researcher empirically observed during his visits to various retail outlets both from urban & rural areas during his observational research that the FMCG consumers are getting confused about purchasing a specific brand of routine FMCG product. They buy either any brand considering that all brands are same or buy a product due to the available offers. The higher the offer is the more would be the temptation of buyers toward them. If not then the buyers try to go for still available economical option or at last will go for smaller pack size. If nothing is available then only they will buy top branded FMCG product. This research tries to ascertain this fact and tries to measure the shift (if at all is there) in quantitative terms.

   (Key words : Brand Redundancy, Essential Brands, Mass Brands, Undifferentiated Brands)

I. INTRODUCTION

The massive brand proliferation will always result into brands getting undifferentiated eventually resulting into brand waning. This is observed for the FMCG brands especially in essential or product for masses segment. Essential products are those which are made for masses such as bathing soaps, detergents, hot beverages, edible oils, tooth pastes, tooth brushes, snack foods, shampoos, hair oils, hair colors etc. Every FMCG producer produces many out of these products. These essential products occupy a large shelf space in any retail store. Each retailer maintains a huge inventory of brands of such essential products. When a consumer asks for an essential product by its generic name instead of demanding a brand , it becomes the prerogative of that retailer, what product to sell to that consumer. This is a point where the waning of brands take place. The brands lose its identity, its differentiation and they become undifferentiated. The locally made products play a vital role in causing brand waning. The indirect product substitution has also seen to be resulting in brand waning. When it comes to waning, lower pricing and higher retail margin become the essential factors for generating sales.

Kantar World Panel, a global research firm observed, that the volume sales of overall FMCG sector has declined by 1.14 % in the calendar year 2018 over calendar year 2017. Toilet soaps and edible oils show a phenomenal decline in volume sales, while Tea, toothpaste and detergents just managed to maintain miniscule growth rate.[1]

Table 1: Growth Rate of essential categories of FMCG Sector [1]

FMCG Category	Volume Growth % in 2017-18	Volume Growth % in 2018-19
Overall FMCG Category	7.54	- 1.14
Toilet Soaps	4.96	-0.33
Tooth Paste	4.31	2.22
Tea	4.99	0.36
Edible Oils	5.82	-0.43
Detergents	4.43	1.08
Spices	10.81	1.23
Bottled Soft Drinks	2.06	1.00
Branded Wheat Flour	9.84	-2.46
Snack Food	14.99	2.26

   (Source : Economic Times - Mumbai, Dated 25th March 2019.)

The highest set back is suffered by snack food categories which had shown a growth rate of almost 15% in the C.Y. 2017 and slipped down to just 2.26% growth rate in C.Y.2018. The branded wheat flour has shown a negative volume growth trend from practically 10% to -2.46 %. Same is true for edible oils categories[1]. The consumers are no doubt are buying the branded product but the same manufacturer is not sure whether the same consumer will buy the same brand in the subsequent purchases. Most of the times the consumer change the brand in the subsequent purchases.

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Thus ensuring the repeat purchases for our brand periods after periods is the biggest challenge faced by the brand managers of a particular FMCG manufacturer. This challenge is further transformed into the challenge to maintain the inventory at the retail outlets. Which ultimately reflects into delays or at times failures in collection of debtors from the retailers. At times this invites the negative sales also. This breaks the effective sales cycle. This is the big sustainability challenge for the brand managers of FMCG companies. Rather it is the sustainability challenge for the entire FMCG sector.

This paper is an outcome of the empirical research carried out at multiple places nationally and globally. The respondents are primarily from upper middle class to lower class economic strata. The rationale behind selection of these type of respondents lies in a notion that economically lower class strata consumers are not brand conscious. But upper class and upper middle class consumers are highly brand specific.

This paper tries to figure out the reasons for this decline in volume growth; also it tries to assess whether there is a shift in buying a locally manufactured unbranded product over the national or international brand thus resulting into the waning of established brands.

II. CONTENT ANALYSIS

1.Techscie - ASSOCHAM Research - 2016

The Techsci research - ASSOCHAM (2016) predicted that the Indian FMCG sector has shown a CAGR of 11% during 2010 till 2019. The expected spending on FMCG from Indian consumers by 2020 would be about 3.6 Trillion USD. There are 700 million rural consumers in India who are about 50% of the FMCG consumers. There is an ocean of opportunities in Rural India. Passing of GST bill by the government and implementation of seventh pay commission by the government will boost up the sales of FMCG[2].

This Techsci-ASSOCHAM report also opines that India is the center of attraction for MNCs. This is due to imported raw material is easily available in India and Indian labour costs are very low[2].

2.Kantar World Panel Report

The Kantar World Panel South Asia says that the volume sales of FMCG sector is declined by 1% in 2018 over 2017[1]. And this decline is due to excess inventorying at the retail & wholesale outlets.[2] It further says that this decline can be attributed to the process of moderating within FMCG industry.[2]

This report further opines that opines that the local unbranded products with lower price are eroding the market shares of leading brands in Tea, Snacks, Hair Oils, Detergents & Biscuits segments. [2]

3. Neilsen Report

According to Nielsen, the growth of FMCG market would be slower down upto 11-12% in 2019-20 over 2017-18. Which will about 2% to 3% lower.[2]

All these reports have very strongly reiterated the facts that although the market of FMCG is declining but rural market is growing for FMCG.

Table 2: Year wise value sales of Indian FMCG Sector (Billion USD) [2,3 & 4].

Year	Projected	Actual
2011-12	-	31.56
2012-13	-	33.34
2013-14	-	35.68
2014-15	-	38.82
2015-16	-	43.08
2016-17	-	49.00
2017-18	57.35	52.75
2018-19	68.38	-
2019-20	83.25	-
2020-21	103.70	-

(Sources : Economic Times, Tech Research & IBEF Data.)

III. RESEARCH METHODOLOGY & RESULTS

1.Research Hypothesis :

H_0 : The essential categories of FMCG brands are showing a promising upward growth trend over last three years and the predicted growth trends are also favorable.

2.Research Objective

The researcher empirically observed during his visits to various retail outlets both from urban & rural areas during his observational research that the FMCG consumers are confused about purchasing a specific brand of routine FMCG product. They buy either any brand considering that all brands are same or buy a product due to the available offers. The higher the offer is the more would be the temptation of buyers toward them. If not then the buyers try to go for still available economical option or at last will go for smaller pack size. If nothing is available then only they will buy branded FMCG product. So the buyer are now becoming savings oriented than brand oriented. With this trigger in mind the researcher wanted to conduct a research with the following objective to assess,

Whether the buying habits of buyers of FMCG mass brands are showing a paradigm shift from brand orientation to savings or offers oriented or even towards local unbranded products. And if so then can this be attributed to the decline of market for FMCG sector as referred in the above references.

This pilot research was conducted in Vidarbha in the months of April to September- 2019. The data was collected during May -June 2019.

3.Research Design

This research is primarily an exploratory design where in the researcher intends to explore the reasons for decline of the FMCG sector this year over last two years. The data was collected through close observation of the consumer buying habits at the retail outlets and from the unpublished private MIS reports of the departmental stores. The historical data was also collected from the same MIS reports. For this a

food oriented super Shoppe Krishna Food Bazaar from Nagpur has given the approval to provide the entire required data provided it will be used only for academic purpose. Thus Krishna Food Bazaar was considered as the sample centre for collecting the primary data.

A data from total 801 respondents were collected. All of them were the regular monthly buyers from the sample Shoppe and were the membership card holders of the firm. The researcher purposefully selected membership card holders as the historical purchase details can be easily retrieved. These respondents were from all economic classes having a consumer psychology ranging from rural to metropolitan. The basic reason behind selecting the respondents from upper class as well as from lower most economic strata was that these people normally buy either through modern trade outlets or through e-commerce channels as well as from local retail outlets. They are loyal to their place of buying. In other words they are the true representatives of the society. The researcher wanted to examine their behavior to assess possibility of the impact of local brands or private labels on the established brands. But the study was restricted only to the essential brands (brands for masses) from common categories of FMCG sector only.

4.Defining Variables :

After scanning through the reference literatures and interactions with the super Shoppe owner, the researcher decided to capture the data on the following five variables.

A. Gender - Nominal variable with two categories (M & F).Females were coded as '0' while Males were coded as '1'

B. Age - Continuous variable measured on actual basis.

C. Approx. Monthly Income - A Continuous variable measured on actual basis. The data about income was collected through observation and interaction with the consumers indirectly. Expressed as Rupees.

D. Average purchase value for branded products (2017-18) - A Continuous variable recorded from the historical purchases of these members. To calculate this data the branded products purchase were segregated from the unbranded products purchases through the computer for the year 2017-18. Expressed as Rupees.

E. Average purchase value for branded products (2018-19) - A Continuous variable recorded from the current year's purchases of these members. To calculate this data the same technique as above is applied but for the year 2018-19. Expressed as Rupees.

F. Growth in Purchase Value over last year. - A Continuous variable determined from the change in value of the respondents over last year expressed as %.

G. Purchase Point - A Categorical variable which indicates the point of purchase of the respondents. It is coded as '0' for departmental store where as '1' for local Kirana shop.

H. Loyalty - Again a Categorical Variable indicating the repetitive purchase of branded items over the last year. It is coded as "0" for No repeat purchase and "1" as Yes for repeat purchase.

These variables were tested using SPSS version 20 for Multiple Linear Regression. Logic behind using this technique was to assess whether the predicted growth rate for the branded items for year 2019-20 would remain the same or will increase or decreases. If the predicted growth rate of the branded items increases by the end of 2019-20 then we can conclude that the glow of branded items has been increased over the last year while if the predicted growth rate remains the same then we can conclude that the glow of the branded items is unchanged over last year. Where as if the predicted growth rate for the branded items has been decreased this year over the last year then we can conclude that the glow of the branded items has been decreased over last year.

Table 3 : Test Statistic : @ 95% Confidence Level (for the year 2019-20)

S.No.	Test Statistic	Calculated Value	Remark
1	Durbin-Watson	1.542	**Independence of Errors**
2	R^2	0.105	**10.5% Variance Explained**
3	Adjusted R^2	0.098	**9.8% Variance Explained**
4	Correlation Coefficients	All < 0.7	**No Auto Correlation**
5	Tolerance/VIF Statistic	Tolerance Values For All variables > 0.1 & All VIF Values are > 1	**No Multi-Collinearity**
6	Anova_ F Test Statistic	15.545	**Significant**
7	Anova _ Regression Significance	0.000	**Significant**
8	Regression Coefficients_ Constant	Value = - 0.23 / Sign.Level= 0.840	**Non-Significant**
9	Regression Coefficients_ Gender	Value = - 0.2 / Sign.Level= 0.000	**Significant**
10	Regression Coefficients_ Age	Value = - 0.002 / Sign.Level= 0.28	**Non-Significant**
11	Regression Coefficients_ Purchase Point	Value = - 0.20 / Sign.Level= 0.737	**Non-Significant**
12	Regression Coefficients_ Brand Loyalty	Value = - 0.006 / Sign.Level= 0.910	**Non-Significant**
13	Regression Coefficient _Av. Monthly Branded Purchases_2019	Value = - 0.001 / Sign.Level= 0.000	**Significant**
14	Regression Coefficient _Income Group	Value = - 0.6 / Sign.Level= 0.000	**Significant**

*Predicted Growth In Branded Items(2019-20) = 0.23 + (0.2*Gender Level) + (0.6*Income Level) - (0.001*Monthly Branded Purchase_2018-19). = **- 10.81% (Average)***

This regression model has a validity of one year since it is based on behaviour post that it requires a review as behaviour of consumers keep on changing periodically.

IV. CONCLUSION

Thus from the above research it was confirmed that the loyalty for a specific product brand from a basket of essential FMCG brands category is continuously declining. The following table clearly gives an idea about this.

Table 4 : Trends in growth of FMCG essential brand selection

Growth in selectivity of branded FMCG products from essential brands category		
Year 2017-18	Year 2018-19	Year 2019-20 (predicted)
49.44 %	**31.65 %**	**- 10.81%**

This can be interpreted as the essential product brands are becoming undifferentiated or the advertisements of such brands are not seen by the consumers or have become ineffective. The other reasons which can be attributed for are listed as below.

1.There is very slow growth in organized retail sector (only 9%) where as rural sector is catching up fast. And rural markets are known for selling spurious brands. Hence rural market is shifting towards more economical local brands from essential category.

2.Urban consumers being tied up with their work pressures hence spend very little time in brand selection from essential FMCG brand category. They will accept which ever brand comes to their sight first. These are mostly undifferentiated buyers.

3. Consumers have become savings oriented. Hence they will buy those products with good offers.

4. Due to proliferation the consumers would like to try newer brands in every purchase.

5. Consumers are shifting toward local/homemade brands in certain categories of the products.

All of the above findings point out towards the fact that FMCG consumers are becoming indifferent towards the essential categories of the brands. Such brands have become undifferentiated in their minds. The concept of brands is getting redundant in their minds for products from categories like Soaps, Tooth Paste, Detergents, Confectionary, Salty Snack Food, Chocolates etc. This can prove to be a big sustainability challenge for the brand members from essential categories of FMCG brands.

V. SCOPE FOR FURTHER RESEARCH

A further research can be carried out in the following extension areas-

1. Examining more extraneous variables responsible for making the essential FMCG brands undifferentiated.

2. Examining whether this shift is due to imposition of GST of 18 % on FMCG brands?

3. Examining the impact of such brand undifferentiating on sales of FMCG sector.

4.How can the branding be revived for such brands?

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