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A Study on E-Commerce Usage in Indian FMCG Companies

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Abstract: The main objective of this study during the summer internship was to discover the efficient ways to promote the sale of FMCG products- Confectioneries like, ORBIT and its followed versions using Ecommerce. Ecommerce business reduces destination barriers. With the internet, distance never becomes an issue because the consumer can buy anything that he wants with the click of a mouse. FMCG products like chocolates, toffees, chewing gums, etc. are the ones which never get their name into to buy list. Such items are generally picked at the billing counter or are offered at the place of 1 rupee or 2 rupees coins. By 2017 nearly half (48%) of the world's population will have internet access, up from 32% in 20121. As by the end of 2014 the number of mobile-connected devices have apparently exceeded the number of people on the planet. However, in the FMCG sector, ecommerce is still in its early days representing a mere 3.7% share of FMCG sales in the markets we track globally.
keywords: Ecommerce, FMCG= Fast moving consumer Goods.

I. INTRODUCTION

A type of business model, or segment of a larger business model, that enables a firm or individual to conduct business over an electronic network, typically the internet. Electronic commerce operates in all four of the major market segments: business to business, business to consumer, consumer to consumer and consumer to business. It can be thought of as a more advanced form of mail-order purchasing through a catalog. Almost any product or service can be offered via ecommerce, from books and music to financial services and plane tickets.

Ecommerce has allowed firms to establish a market presence, or to enhance an existing market position, by providing a cheaper and more efficient distribution chain for their products or services. One example of a firm that has successfully used ecommerce is Target. This mass retailer not only has physical stores, but also has an online store where the customer can buy everything from clothes to coffee makers to action figures.

When you purchase a good or service online, you are participating in ecommerce.

Some advantages of ecommerce for consumers are:

Convenience. Ecommerce can take place 24 hours a day, seven days a week

Selection. Many stores offer a wider array of products online than they do in their brick-and-mortar counterparts. And stores that exist only online may offer consumers a selection of goods that they otherwise could not access.

What is the FMCG industry? Also known as the Consumer Packaged Goods or CPG Industry, this multi-million dollar sector is made up of a huge range of famous brand names – the kind that we use every single day. These fast moving consumer goods are the essential items we purchase when we go shopping and use in our everyday lives. They're the household items you pick up when you're buying groceries or visit your local chemist or pharmacy. FMCG goods are referred to as 'fast moving', quite simply, because they're the quickest items to leave the supermarket shelves. They also tend to be the high volume, low cost items. Cleaning and laundry products, over the counter medicines, personal care items and food stuffs make up a large bulk of the goods in the FMCG arena, but it doesn't end there. Paper products, pharmaceuticals, consumer electronics, plastic goods, printing and stationery, alcoholic drinks, tobacco and cigarettes can all be considered fast moving consumer goods too. The top FMCG companies are characterized by their ability to produce the items that are in highest demand by consumers and, at the same time, develop loyalty and trust towards their brands.

II. BACKGROUND AND DESCRIPTION OF PROBLEM

One of the FMCG is food and beverages, especially the confectioneries, the taste buds fondling CHOCOLATE companies and the modern mouth caretakers- chewing gums. Wrigley being the most popular among all the chewing manufacturing companies, about

35% of the share belong to the renowned company. India is primarily a mono pack market while the market worldwide is multi pack market. Functional products and sugar free confectionery dominate the worldwide market while that trend is yet to pick up in INDIA, especially through e-Commerce. FMCG products like chewing gums are not included in to buy list of the shopping goers. They are the product purchased mostly during the pay-check and thus not very popular on e-Commerce sites. With a population of over one billion, India is one of the largest economies in the world in terms of purchasing power and increasing consumer spending, next to China. The Indian FMCG industry, with an estimated market size of ~`2 trillion, accounts for the fourth largest sector in India. In the last decade, the FMCG sector has grown at an average of 11% a year; in the last five years, annual growth accelerated at compounded rate of ~17.3%. The sector is characterized by strong presence of global businesses, intense competition between organized and unorganized players, well established distribution network and low operational cost. Availability of key raw materials, cheaper labor costs and presence across the entire value chain gives India a competitive advantage. During 2012, the country witnessed high inflation, muted salary hikes and slowing economic growth, which affected the FMCG sector with companies posting deceleration in volume growth in their quarterly results. However, the trend seen in 2012 is likely to accelerate in coming years as growth will come from rural dwellers that are expected to see a rise in their disposable incomes.

III. ACCELERATING THE GROWTH OF ECOMMERCE IN FMCG

By 2017 nearly half (48%) of the world's population will have internet access, up from 32% in 20121. By the end of 2014 the number of mobile-connected devices will exceed the number of people on the planet2. However, in the FMCG sector, ecommerce is still in its early days representing a mere 3.7% share of FMCG sales in the markets we track globally. With FMCG growth rates of 54% in France, 45% in China and the global grocery market increasing at an average rate of 31%, we expect ecom-merce to account for over 5% of FMCG sales by 2016. This figure has the potential to rise to 28% if 60% of households across the globe use the online channel just once a month.
To realise this, there are barriers which retailers and brands need to overcome. They include:

The cost of delivery which is currently limiting the number of shoppers. In France, one part of the big success of the click & collect system called "drive" is based on the fact that delivery is free.

Misconceptions that ecommerce reduces consumer loyalty and therefore spend. This is not the case.

Those retailers with an online presence secure additional revenue and have higher shopper loyalty than those without. In the UK, for example, Tesco online shoppers spend 46% of their total grocery budget with the retailer, compared with only 29% for an offline Tesco shopper.

Fear that an online presence cannibalizes sales in physical stores.
This is not true. In China, over 50% of all online purchases are additional revenue for retailers and brands, and this trend is experienced globally.

The average ecommerce penetration rate currently stands at 20% globally.

There are significant opportunities to drive more spend by responding to evolving consumer behavior and identifying shopper motivations, such as:

The importance of making the retail experience fun, to engage customers. Emart increased its customer membership in South Korea by 56% through an innovative and engaging lunchtime campaign, demonstrating the growth opportunity for retailers and brands that can effectively capture the interest of consumers.
The need to get on "the shopping list". Once brands make it there they experience stronger loyalty and significantly higher sales as shoppers use the same list repeatedly to save time.

Understanding the types of goods and brands which consumers are looking for when they go online. This is contingent on a number of factors including: country, demographic and socio-economic profile of consumers, local logistics infrastructure and smartphone penetration rates. There is no "one-size-fits-all" approach.

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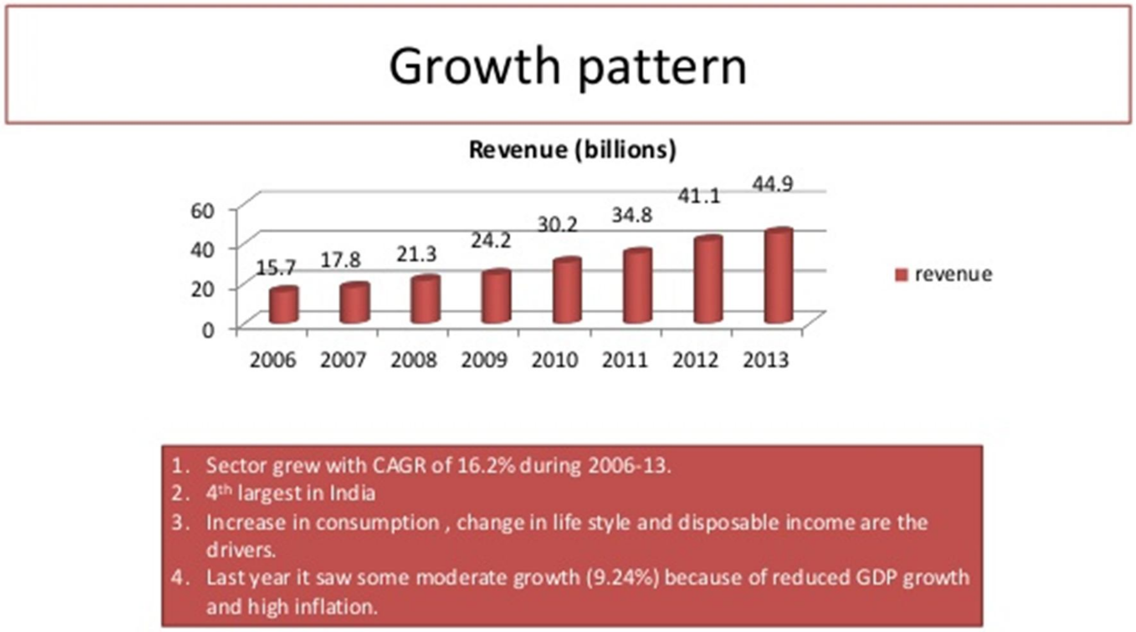
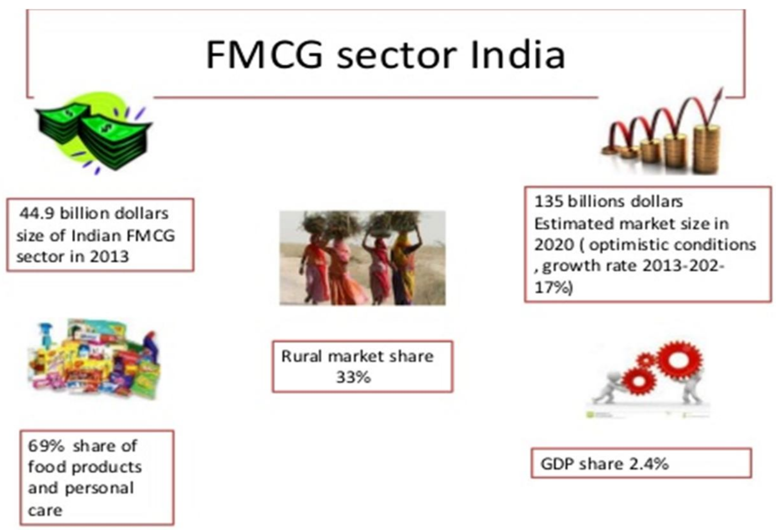


Source: Dabur, AC Nielsen, The Economic Times, Aranca analysis



IV. RECIPES FOR SUCCESS

The ecommerce channel clearly presents significant growth opportunities for retailers and brands, but how can these be exploited?

While total ecommerce spend shows explosive growth across the globe, there are very different catalysts in individual markets. The profile of early online adopters is consistent across all countries – young, wealthy, urban/suburban families with children – however, what motivates shoppers to go online differs depending on the local environment and socio-economic factors. Understanding these motivations is vital to drive sales. In China the most popular product bought online is baby diapers as consumers look to 'restock and replenish' bulky goods while saving time. Broadly, there are four types of shopper motivations which ultimately make the difference between a good and a bad shopping trip for FMCG consumers: cost, time, availability and fun. The ecommerce channel is well placed to take advantage of all of these.

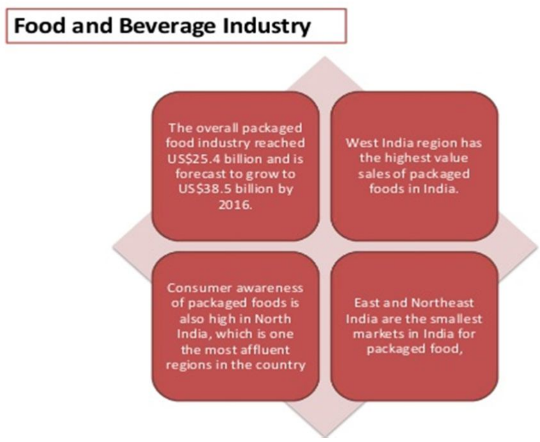
Online is quicker and more convenient, it gives shoppers more control over their budgets and means there is a much wider range of products available. While fun might seem like an exception, with the other motivations seeming to focus on meeting more practical needs, there is more potential to meet this need using the online channel than in physical stores. By profiling shoppers further to develop a better understanding of these motivations – as well as the pressures, aspirations and functional needs that lie behind them – retailers and brands have the potential to improve their online offer, capture new customers and ultimately grow their revenue.

V. INCREASING "IMPULSE" PURCHASES

Encouraging unplanned purchasing online is currently a challenge. However, if retailers can convince shoppers to impulse purchase in the same way as they do in store, they have the opportunity to increase sales significantly. Encouraging unplanned purchasing online is currently a challenge. However, if retailers can convince shoppers to impulse purchase in the same way as they do in store, they have the opportunity to increase sales significantly.

VI. CONCLUSION: ONLINE - THE ONLY OPTION

One best practice on ecommerce site could be to contact the Grophers, Big-Basket, Ola Store and Pepperfry etc. to keep the section of Check-in products or keep the reminding pop ups with valid offers and packaging (as chocolates and chewing gums can be used in gifting when packed together as the bunch of creative thoughts to tingle the taste-buds.



The future belongs to retailers and brands that see the bigger picture and leverage the opportunities of online and offline by developing a defined multi-channel strategy. Ecommerce is the ideal platform for broadening target markets and fostering international growth. It gives shoppers access to a different assortment of product lines, customized offers and promotions and a quicker and more convenient shopping experience. Being a slow adopter has the potential to significantly damage sales and erode market share. Changes in technology and consumer behavior mean that the retail landscape is constantly evolving. Smartphone penetration, for example, is increasing rapidly, meaning that m-commerce will be an important driver for the future, helping to reach more shoppers on the go. Developing user-friendly apps will play an important role in securing growth. Social networks are also likely to play a huge role in retail over the next few years with consumers becoming increasingly engaged with a number of platforms and using them to communicate with retailers and brands.

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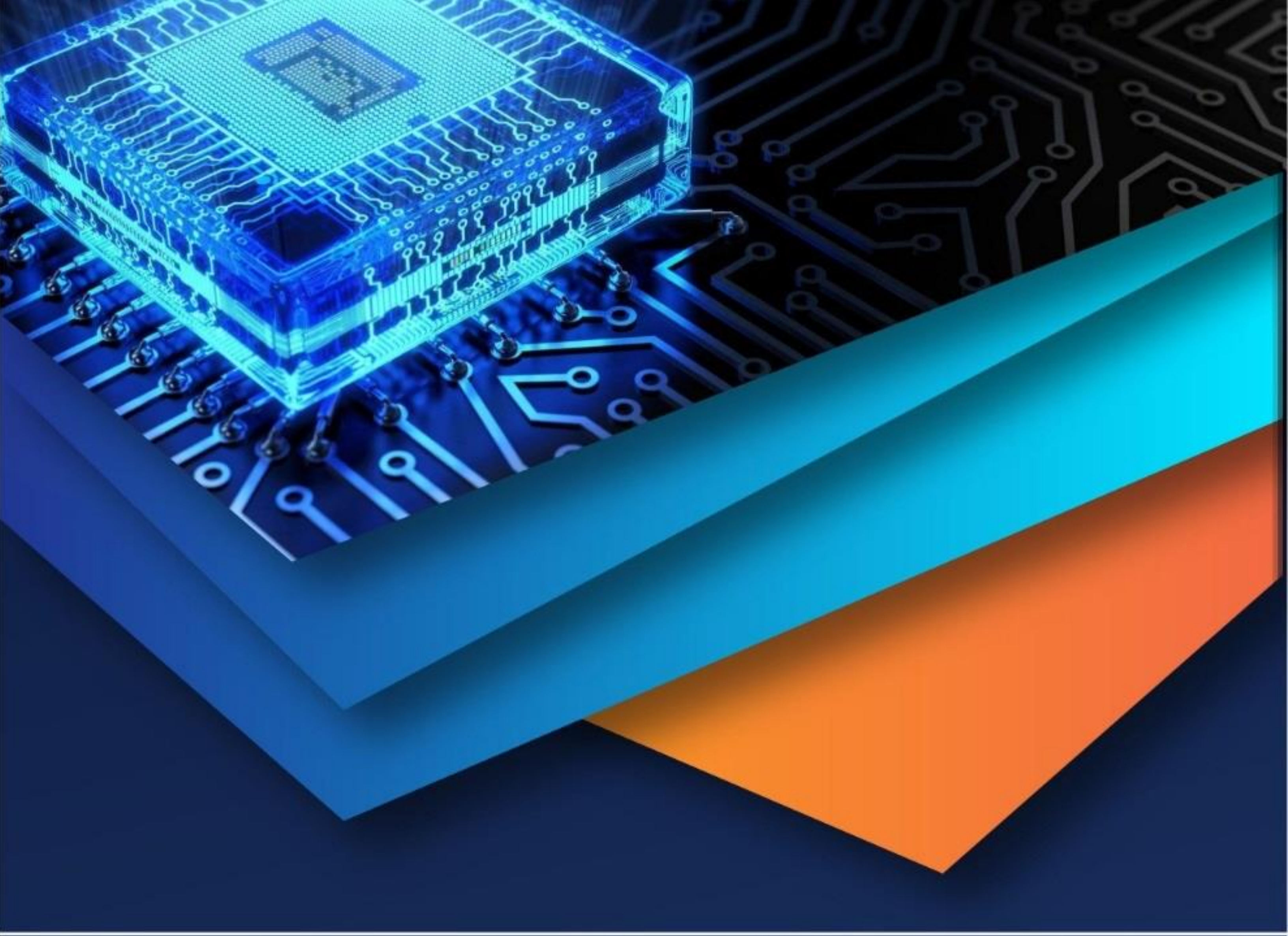

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