Impact Of Digitalization In Fast Moving Consumer Goods Industry In India

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ABSTRACT

While some individuals shop for groceries on a daily basis, others go grocery shopping once a week just to bulk up. Having said that, it is essential for everyone to buy food. The term "fast-moving consumer goods" (FMCG) is shorthand for things that are inexpensive, much sought after, and sell out rapidly. Because customers buy and use these products often, stores and supermarkets label them as "fast-moving" because they disappear off shop shelves so quickly. In India, the fast-moving consumer goods sector is a major economic driver. Household and personal care makes up half of the fast-moving consumer goods (FMCG) industry, which is the fourth biggest in the economy. Changing lifestyles, rising incomes, more knowledge, and better access have been the primary growth factors for fast-moving consumer goods (FMCG). There was a $56.8 billion FMCG market in December 2022. The forecasted total revenue for the FMCG market is roughly $615.87 billion, with a compound annual growth rate (CAGR) of 27.9% from 2021–27.

The study shows that there are different opinions on digitization and that it is a wide-ranging issue. However, when people think of digitization in the fast moving goods business, particularly in the food sector, they usually picture the tools and processes that help sell food online. The current surge, on the other hand, is attributable to the fact that people are becoming used to buying online and are hence requesting this functionality for their grocery shopping as well. Companies in the food business can’t help but consider digitization in response to customer demands for digital solutions, as customers are the industry's most important players. Electronic commerce (e-commerce) opens up a worldwide market and frees retailers from some availability constraints, allowing customers to buy things whenever and wherever they want, according to today's literature.

Due to the wide range of temperatures and relatively short shelf life of many items, the food business has its fair share of unique issues. This presents both a barrier and an opportunity for online food sellers in terms of delivery. Everyone involved in the sector is aware of this, thus they're all working to find a delivery solution. But it’s debatable that the food sector as a whole has to expand if e-commerce is going to be a viable and lucrative business model for enterprises. This includes the FMCG digital market.

Keywords: Digitalization, FMCG, Consumers, E-Commerce.

I. INTRODUCTION

1.1 Fast Moving Consumer Goods: Definition and Concept

For decades, going to a supermarket or grocery shop has been an integral part of most people's daily lives (Levy, Weitz & Grewal, 2019). While some individuals shop for groceries on a daily basis, others go grocery shopping once a week just to bulk up. Having said that, it is essential for everyone to buy food. The term "fast-moving consumer goods" (FMCG) is shorthand for things that are inexpensive, much sought after, and sell out rapidly. Because customers buy and use these products often, stores and supermarkets label them as "fast-moving" because they disappear off shop shelves so quickly. Fast-Moving Consumer Goods include things like packaged food, toiletries, drinks, stationery, etc drugs, plastics, personal care items, cleaning supplies, and less priced consumer gadgets like headphones and mobile phones. The meat, dairy, baked goods, fruits, and vegetables that are part of the FMCG category are some of the most perishable items on the market. Store sales, holidays, and other seasonal events can have an impact on fast-moving consumer goods sales. Fast-Moving Consumer Goods (FMCG) include food and drink, which are products that have a high turnover rate and sell rapidly (Dupre & Gruen, 2004). One of the biggest sectors in India's retail business, the food retail industry remains mostly untapped. Rising product costs, particularly for necessities, and consumer-driven development drove expansion in India's fast-moving consumer goods (FMCG) industry. The fast-moving consumer goods (FMCG) industry employs over 3 million people in India, making up about 5% of the country's total manufacturing workforce. For the fiscal years 2022–2023, analysts predicted a revenue growth of 7–9% for the country's fast-moving consumer goods sales.
1.2 Digitalization: Meaning and concept

By incorporating digital technology into an existing company strategy, digitalization may open up new avenues for value creation and income generation. This entails incorporating digital technologies and tools into a company's management, communication, production, and customer service processes, among others. To survive and prosper in today's cutthroat market, digitalization has become a must for companies. It helps businesses adjust to the ever-shifting demands of consumers, enhance their operations to be more efficient, and adapt to new market situations with ease. Digitalization is the practice of streamlining and improving processes and workflows via the use of digital information. To thrive in today's technology-driven society, embracing a digital culture is essential.

1.3 Digitalization and FMCG industry

The retail industry in particular has seen a shift in business practices throughout the last several years. The advent of new digital technology has completely altered the retail sector and the way companies operate generally (Rogers, 2016). Businesses must realize they must change their ways of thinking if they want to keep providing value to their consumers (ibid). Various parts of the retail business are continuing to embrace digitization, which has been around for a while (Levy et al., 2019).

Additionally, businesses in the food industry must adhere to rules and product expiration dates while maintaining a sustainable perspective. Unlike milk, which has a best before date and an expiration date, books do not. Customers have high expectations for the freshness of the food they buy, which is easy to see in a physical store but more challenging to achieve when shopping online. On the other hand, suppliers will face new demands as supermarkets transition to digital. The fast-moving consumer goods (FMCG) industry cannot manage digitalization on its own; suppliers and manufacturers also need to chip in and undergo changes to alter the current economic climate.

According to Levy et al. (2019) and DLF (2018), digitization is already pervasive and will only grow in significance for all industry players that want to preserve their current positions. As indicated earlier, some sectors, such as the publishing and consumer electronics industries, have already fully embraced digitization, whereas the food business is only just starting out (Demartini et al., 2018). According to Jansson and Andervin (2016), the process of digital transformation is like going surfing: you can't stop the waves from coming and going no matter how hard you try. There will always be fresh waves, some larger than others, but the truth is that even for businesses, there will be both large and tiny waves. For a concise overview of digitization generally and its impact on the food business in particular, see Jon Kabbat-Zinn (1994). The food business must be ready to ride the digital wave when it comes because the moment is now. Changes are inevitable; food sector suppliers and FMCG players must prepare for and respond to them (DLF, 2018). In this context, "digital transformation" refers more to the act of change than to the possession of cutting-edge technology. The success of the change depends on the timing and method of its implementation (Weill & Woerner, 2018). Managers and executives in these companies need to step up and steer the ship through the digital transformation. In order to better satisfy consumer expectations and needs and increase customer value, digital transformation will cause organizations to rethink their business models. (Berman, 2012).

1.4 FMCG IN INDIA: STATISTICS AND RECENT TRENDS

In India, the fast-moving consumer goods sector is a major economic driver. Household and personal care makes up half of the fast-moving consumer goods (FMCG) industry, which is the fourth biggest in the economy. Changing lifestyles, rising incomes, more knowledge, and better access have been the primary growth factors for fast-moving consumer goods (FMCG). The growing demand for eco-friendly goods is another factor that affects shoppers' decisions. Although most of the increase occurred in metropolitan areas, both semi-urban and rural areas have been seeing strong expansion over the last decade.

Established corporations, both local and international, make up the bulk of the industry's major participants. Established fast-moving consumer goods (FMCG) companies like Johnson & Johnson, Himalaya, Hindustan Unilever, ITC, and others are facing competition in the Indian market from newer, more consumer-focused companies like Pee Safe, Azah, MamaEarth, and Bey Bee. Popular household brands in each of these categories vary by area or economic class. Furthermore, advertising is critical because it determines the extent to which a product or brand reaches its audience, which in turn affects consumer spending. Buyers in India have become more practical as a result of the country's increasing inflation rate. Due to increased raw material costs, fast-moving consumer goods businesses are raising product pricing. As part of what is known as "grammage reduction," they are simultaneously increasing retail pricing and decreasing package sizes. Also,
businesses have been focusing this strategy on low-unit pricing goods.

1.4.1 FMCG MARKET SIZE IN INDIA

There was a $56.8 billion FMCG market in December 2022. The forecasted total revenue for the FMCG market is roughly $615.87 billion, with a compound annual growth rate (CAGR) of 27.9% from 2021–27. More over 35% of India's total annual FMCG sales in 2022 came from rural areas, while 65% came from urban areas. Spending and a bountiful harvest could help revive demand in rural areas in the next fiscal year (FY24). Revenues in the industry increased by 8.5% and volumes by 2.5% in the previous fiscal year. Price increases caused by inflationary pressures contributed to an 8.4% increase in the sector's value between January and June of 2022. Compared to Q1's 6% year-over-year growth, the FMCG sector's value increased by 10.9% in Q2, 2022.

One of the world's highest average smartphone use rates is in India, where 780 million people utilize the internet and where the average individual spends around 7.3 hours each day on their device. From 759 million in 2022 to 900 million in 2025, the number of active internet users in India will rise significantly. Indian consumers spent $1,891.90 billion in 2021. For the FMCG industry as a whole to recover, the country's rural areas are vital, as they account for roughly 35% of yearly sales. Evolved consumers, who tend to be well-off and spend an average of about Rs. 5,620 (US$68) per year, currently make up 17% of all fast-moving consumer goods (FMCG) purchases made online.

Source: India Brand Equity Foundation

II. LITERATURE REVIEW

2.1 Digitalization

The rapid advancement of digital technology has led to the digital transformation and digitalization, which in turn have forced companies and organizations to rethink and reorganize their business models (Dornberger, Inglese, Korkut & Zhong, 2018; Rogers, 2016; Weill & Woerner, 2018; Hänninen, Smedlund & Mitronen, 2017). Brennen and Kreiss characterized digitalization as "the way various spheres of social life are reorganized around digital communication and media infrastructures" (2016, p.1). The process of digitization—the conversion of analogue data to digital form—is the origin of the phrase digitalization. One of the most notable developments that has transformed society and corporate practices is digitalization, which represents the shift that may have occurred as a result of digitization (Dornberger et al., 2018; Parviainen et al., 2017).

Rogers (2016) echoes this sentiment when he lists five areas where digitization alters traditional business practices. Rogers (2016) begins with the client viewpoint as the first domain. Customers in the digital era are ever-present, and they wield even greater sway thanks to the digital tools at their disposal. Consequently, businesses must engage with their clients on social media. Digitalization blurs the lines between collaboration and competition in the second area, which is competition. To deal with external threats, it will be feasible to work with a rival company; this way, both companies may push each other and the industry can
grow (ibid). The third area of digitization is data, which entails managing and making use of the existing information. Thanks to advancements in technology, a wealth of previously inaccessible data and information is now at our fingertips, opening up exciting new avenues for research and development in the corporate world. Businesses rely on the data for their day-to-day operations (ibid). Retailers may now digitally gather so-called big data from their suppliers and day-to-day operations via loyalty cards, receipts, and other digital means. (Grewal, Roggeveen & Nordfält, 2017; Nordfält & Ahlbom, 2018).

2.2 Digital transformation

Weil and Woerner (2018) and Schallmo & Williams (2018) both agree that digitalization is more about processes of change and transformation than it is about the most cutting-edge technology. However, according to Jansson and Andervin (2016), established technology is crucial for effectively implementing digital changes. There has to be well-developed technology to back the process of converting information from analog to digital (ibid). Innovations in technology give rise to new goods and services that alter customer habits and open up previously unimagined domains of use. Digital transformation is a mix of technological advancements and a shift in company philosophy, organizational structure, and operational procedures (Hinings et al., 2018). For digital transformation to be effective, innovation in digital technology and the change process must be in sync. The organizational structure has to evolve and adjust to keep up with the rapid pace of digital advancements.

In addition, according to Matt, Hess and Benlian (2015) and Schallmo & Williams (2018), there are four dimensions to digital transformation: technological use, changes in value creation, structural changes, and financial aspects. These dimensions impact the entire organization of the company involved (see figure 4). Consumer value will shift as a result of new product and service introductions made possible by technological advancements. As a result, the company will have no choice but to reorganize itself, bringing in fresh faces and new digital initiatives. But you can't make these changes without considering the money side of things. According to Matt et al. (2015) and Jansson & Andervin (2016), leaders and top management need to instill a sense of urgency in order to take action and complete the change at the appropriate moment.

They go on to say that the ripeness level will rise if managers and executives stop playing catch-up and instead lead the digital transition (Heavin & Power, 2018). The group as a whole will only follow the leaders if they demonstrate what they preach. The organization's goals and objectives for the digital transformation should be well-defined (Jansson & Andervin, 2016). In addition, digital leaders in the modern day need to know the company and how it might benefit customers, according to Rogers (2016). Being quick on one's feet and able to change direction quickly are necessities. But bigger companies may not be fast enough since it takes longer to execute changes in bigger organizations (ibid).

Innovation, according to Jansson and Andervin (2016), will eat away at traditional practices, making life difficult for businesses that resist change. The industry's business model will alter and digital disruption will ensue (Jansson & Andervin, 2016; Weil & Woerner, 2018; Hänninen et al., 2017). According to Rogers (2016) and Skog, Wimelius & Sandberg (2018), digital disruption happens when new technologies and business models transform the value proposition of goods and services. Emergence of new markets always leads to the demise of older ones. (Rouse, 2014; Bradley & O’Toole, 2016).

2.2.1 E-commerce

All types of transactions that take place online are collectively known as electronic commerce (e-commerce) (Chaffey, 2015). E-commerce is defined as buying and selling products using the Internet. In addition, according to Grefen (2010), e-commerce is a subset of e-business, which is defined as "digital business" that deals with the exchange of goods and services online, and e-business itself is founded on the collection of data via the use of technology. On the other hand, (Chaffey, 2015; Laudon & Traver 2018; Akbari 2016) concur with Kalakota and Whinston (1997) that there is another definition of e-commerce that includes online services like customer assistance. The number of people shopping online continues to rise, and many brick-and-mortar stores are following suit (Turban et al., 2017). Online shopping has changed the way companies operate, created new types of employment that did not exist a decade ago, and led to the rise of almost all startups (Laudon & Traver, 2018). In addition, they claim that everyone may now access new worldwide marketplaces that are transparent in pricing thanks to e-commerce. Nogoev, Yazdanifard, Mohseni, Samadi, and Menon (2011) state that e-commerce has evolved in tandem with the contemporary world, which is characterized by growing globalization. Customers still need to physically visit stores during certain hours and use cash when making in-store purchases in more conventional forms of retail business.
Therefore, e-commerce is not only worldwide, but it also has the added benefit of being ubiquitous, or accessible at all times and in all places. (Laudon & Traver, 2018).

### 2.3 Research Gap

The majority of research on digitalization and digital transformation has focused on the banking sector and the fast moving consumer goods industry, according to a review of the current literature. Yet, the topic of digitization in the food business has received surprisingly little research. As a result, we need to fill this enormous void by studying the effects of digital revolution on the food business.

### III. RESEARCH METHODOLOGY

#### 3.1 Aim of the study

Examining the effects of digitization on India's fast-moving consumer goods sector is the driving force behind this study. By delving into the perspectives of digitization within India's food business and its effects on this sector, this study aims to address two research issues. By accomplishing its stated goal, this study contributes to the body of knowledge on the topic.

#### 3.2 Objectives

This research aims to examine the effects of digitization on the food sector and other fast moving consumer items.

#### 3.3 Research Design

The researchers in this study opted for a qualitative approach. Because it allows for a more thorough grasp of the issue, a qualitative research technique is better suited to this thesis. This research project is more suited to a qualitative research technique than a quantitative one since goal is to investigate a phenomena instead of to test a theory. In addition, an exploratory research methodology is appropriate and used in this study since it permits inquiry without ensuring a definitive response, which is ideal given that the research seeks to understand the effects of digitalization on the food business (Saunders, Lewis & Thornhill, 2007). On addition, the lack of prior literature on the subject makes an exploratory study an appropriate research design for this project (Saunders et al., 2007). Because there is a known gap in the area under investigation, an exploratory research strategy is appropriate for this study. To acquire a thorough grasp of the topic and achieve the study's goals, an exploratory qualitative research design is ideal since it permits the latitude in data collecting that is necessary. (Easterby-Smith, Thorpe, & Jackson 2015; Kvale & Brinkmann, 2009).

#### 3.4 Research Methodology

This qualitative study uses convenience and purposive sampling to gather data from six people working in three different top fast-moving goods food retailers in the Punjabi area. It focuses on the digitalization of FMCG, specifically in the food industry. Since there aren't any preexisting theories or extensive literature on topic, this research employs an inductive technique by thematically analyzing the data to draw conclusions.

#### 3.4.1 Primary Data

Managers from the chosen restaurants in Jalandhar, Amritsar, and Ludhiana provided the main data. In choosing participating businesses, we looked for professions that would be a good fit for the subject, ideally including regular interaction with digital questions. Additionally, having the individual in a managerial role was ideal since it demonstrated that they have enough subject-matter expertise. The goal was to have two people from each firm participate so we could learn more.
3.4.2 Interviews

To get to the bottom of how digitization impacts the food business, we relied on semi-structured in-depth interviews as our main data source. To get a feel for their perspective on digitalization and its role in their firm and the industry at large, we asked them open-ended questions that began with the most important “how,” “why,” and “what” inquiries. This kind of questioning is useful for in-depth interviews, according to Saunders et al. (2016) and Yin (2018).

Analysis Method

Because this study is qualitative in nature, the analysis is likewise based on that methodology. According to Saunders et al. (2016), theme analysis is a standard procedure for examining qualitative data. This study used a multiple case study methodology, which, according to Easterby-Smith et al. (2015), helps to collect a large quantity of data.

However, due to the interconnected nature of the major concerns, it would be impossible to separate them into several themes, even if the interviewees offered varying perspectives on these topics. At first glance, the codes may have seemed to have nothing to do with the themes in which they eventually appeared.

IV. CONCLUSIONS, SUGGESTION AND RECOMMENDATIONS

The study shows that there are different opinions on digitization and that it is a wide-ranging issue. However, when people think of digitization in the fast moving goods business, particularly in the food sector, they usually picture the tools and processes that help sell food online. The current surge, on the other hand, is attributable to the fact that people are becoming used to buying online and are hence requesting this functionality for their grocery shopping as well. Companies in the food business can't help but consider digitization in response to customer demands for digital solutions, as customers are the industry's most important players. Electronic commerce (e-commerce) opens up a worldwide market and frees retailers from some availability constraints, allowing customers to buy things whenever and wherever they want, according to today's literature. But e-commerce presents special difficulties for the food business since their goods aren't always well-suited to

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Table 1
internet sales. It is especially difficult for the food business to be accessible via digital channels due to the short shelf life of their products, the number of temperature zones they need, and the fact that many perishables are susceptible to every individual's taste.

Plus, on top of the existing poor margins in the sector, this causes expensive demands in product transportation and handling, which makes it unprofitable for industry players. This, together with the industry's lag in digitization and the fact that digital channels only account for around 2% of sales, discourages enterprises from investing much in digitizing their sales processes. It is difficult to advocate for a shift away from offline channels when they yield 98% of the income and are more lucrative. But as online shopping becomes the norm for customers, players in the food business are making do with less lucrative means just to keep up with the competition. New, online-only rivals are putting further pressure on businesses that were already well-established before the digitization age, which is driving this trend. Along with entering the internet market comes the need to overcome obstacles in order to turn a profit from the channel that is being considered for the future. Making delivery efficiently is a major obstacle.

In addition to dealing with a wide range of temperatures and the relatively short shelf life of many items, the food business has other distinct difficulties. This presents both a barrier and an opportunity for online food sellers in terms of delivery. Everyone involved in the sector is aware of this, thus they're all working to find a delivery solution. But it's debatable that the food sector as a whole has to expand if e-commerce is going to be a viable and lucrative business model for enterprises. This includes the FMCG digital market. Digitalization can only begin to flourish and become lucrative when all market participants put their efforts into it, according to the suggestion. Which will cause a sea change, from the perspective of businesses, as they can guarantee higher profit margins, and from the perspective of consumers, as more of them begin to purchase online? The interviews concluded by acknowledging that the food business is only starting its digitization journey and that there are many obstacles to overcome before it can be considered sustainable. Nevertheless, it is still feasible to extract good aspects that might be significant down the road. A grocery bag, for instance, is worth more on the internet than in-store, and fast-moving consumer goods companies allegedly have to cap orders at certain amounts. The food business has great hopes for the future of online meal delivery if the problems, mostly related to delivery, can be resolved to increase the profitability of the orders.

4.1 Theoretical implications

This research helps close a knowledge gap in the literature by outlining the ways in which the food business will undergo transformation as a result of digitization. When it came to digitization, the existing literature mostly covered the e-commerce side. Although e-commerce is a significant component of digitalization, it is far from the only one. Empirical evidence reveals that digitalization in the fast moving goods business, particularly in relation to the food sector, encompasses much more than just e-commerce. In addition, previous research has mostly focused on non-food related businesses, therefore this study helps to shed light on the food industry from a different angle. This article also shows that, unlike other retail sectors, the food market is complicated owing to factors like temperature, logistics, and consumer behavior in general when it comes to purchasing food. Therefore, a new approach to food sector management is required to successfully navigate the digital transformation.

4.2 Managerial implications

Organizations in the food business must realize that now is the moment to embark on the digital journey, based on the facts that digitization is just starting and will increase rapidly. Organizations in the food sector may benefit greatly from this contribution since it clarifies the impact of digitalization on the business and provides them with tools to adopt digital strategies.

4.3 Future research

In this study, we were able to get a clear picture of how the food business is interacting with technology. The study did, however, touch on a number of intriguing topics that might be good candidates for further investigation in the future. This study is well-suited for future research since it delves into the effects of digitalization on the food business. From what we can tell from the available data, digitalization in the food sector is still in its early stages. This opens the door to the possibility of doing this study in the future to see how far down the digitalization curve the industry has been. Still, it's conceivable to piece together this study and learn about the industry's digitization evolution across time, so it's not like the research is useless or something. The function of artificial intelligence in the food business is another intriguing area for potential future studies.
The interviewees were unanimous in their prediction that artificial intelligence would soon have a major impact on the food business. The interviews also revealed that artificial intelligence is still a relatively unpopular field, suggesting that this area might be better suited for future studies.

The interviews also touched on the topic of marketing, but did not go into it further. Many people have brought up the fact that the food sector is, in general, a rather conventional industry. Consequently, it would be fascinating to study how the food industry’s marketing environment evolves due to the advent of new digital platforms. The marketing strategies of FMCG companies should mirror the reality of their sales activities shifting to digital platforms if this is really the case. Consequently, it is intriguing to investigate the evolution of marketing and the modifications that are necessary to bring it up to speed with the rest of the operations.

REFERENCES