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FAST MOVING CONSUMER GOODS SECTOR: CONCEPT, CHARACTERISTICS OF MARKETING

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Резюме

В данной статье анализируется понятие рынка FMCG - быстрореализуемых потребительских товаров народного потребления. Будучи относительно дешевыми и быстро продаваемыми, товары FMCG являются одним из крупнейших секторов исследования в мировом бизнесе. В статье предлагаются методы маркетинга, модель торгового маркетинга в рынке FMCG, FMCG и розничная сеть, тенденции в сегменте FMCG.

Ключевые слова: FMCG, маркетинг, торговля, экономика

Түйін

Бұл мақалада FMCG –яғни тез сатылатын тұтыну тауарлары нарығы туралы талдау жүргізіледі. Арзан, әрі тез сатылатын күнделікті өмірге керекті FMCG тауарлары туралы дүниежүзі бизнес әлемінде ең ірі табыс көзі болып табылады. Бұл мақалада сонымен қатар, FMCG нарығындағы алу сату методтары, маркетинг стратегиясы, бөлшектеп сату, FMCG сегментіндегі жаңаша тенденциялар қарастырылады.

Кілт сөздер: FMCG, маркетинг, сату, экономика

Abstract. This paper analyzes the concept of Fast Moving Consumer Goods –sector. Fast moving consumer goods, being relatively cheap and quickly sold, are one of the largest sectors of the business world. The study tries to propose a list of marketing methods model of trade marketing in the FMCG market, FMCG and retail network, trends in the segment of FMCG.

Introduction

Trade is a functional sector of the economy which is closely interrelated with other sectors and which ensures the promotion of goods and services to consumers (organizations, population) across the country and within the framework of foreign economic activity. Trade efficiency and modern business development gives a multiplicative effect throughout the economy, allowing other industries to reduce the costs of marketing, logistics, sales and, ultimately, to reduce the wholesale and retail prices.

Today manufacturer of market orientation is well aware that without a competent product positioning in the market, a precise definition of consumer preferences cannot be achieved.

FMCG (fast moving consumer goods) - are goods that are relatively cheap and quickly sold. Fast moving consumer goods are one of the largest sectors of the business world, which is alternatively called as CPG (Consumer packaged goods) industry and primarily deals with the production, distribution and marketing of

consumer packaged goods. These goods are commonly consumed by the consumers at a regular interval.

Some of the prime activities of FMCG industry are purchasing, selling, marketing, financing, etc. Moreover, the industry engaged in supply chain, operations, production and general management. Thus, fast-moving consumer goods (FMCG) or consumer packaged goods (CPG) generally defined as products that are sold quickly and at relatively low cost.

Examples: Examples include non-durable goods such as toiletries, soft drinks, over-the-counter drugs, toys, processed foods and other consumables. Moreover, durable goods or major appliances such as kitchen appliances are commonly replaced over a period of several years. Terms were coined by Neil H. Borden [1]. Fast moving consumer goods have a short shelf life as a result of high consumer demand that they are generally necessities and since the product deteriorates quickly. Some fast moving consumer goods—such as dairy products, meat, fruits and vegetables, baked goods are fast perishable. Goods such as alcohol, toiletries, soft drinks, pre-packaged foods and cleaning products have high turnover rates. Though the profit margin made on fast moving consumer goods products is relatively small and they are generally sold in large quantities. Thus, the cumulative profit on such products may be substantial. The fast moving consumer goods are probably the most classic example of low margin and high volume business [2], [3] Furthermore, fast moving consumer goods industry provides a wide range of consumables, and accordingly the amount of cash circulated against these goods is also very high. In addition, the competition among fast moving consumer goods manufacturers is also growing and as a result, investment in this industry is also increasing.

Fast inventory turnover, a wide range of products, a continuing need for FMCG products in the retail sector requires an efficient distribution, such that the desire to buy a maximum availability will appear.

The FMCG industry is determined by a well-established distribution network, low operating price, low penetration levels, lower per capita consumption and high competition between the segments [4]. Sales promotion is significant marketing activity for fast moving consumer goods which imply the most of manufacturers' marketing budgets become 16% of their revenues [5]. However, manufacturers examine the effectiveness of this practice in two aspects, first is the retailer to endure and support price cuts over time may fail [6],[7]; second aspect is competitors who may reciprocate with their own promotion [8], and for promotion consumer may have "lie-in-wait"[9].

Marketing: Marketing of FMCG is characterized in that:

- Each product is inexpensive, so when it is sold there is no excess profits, however with a stiff and growing competition in the segment, trade should continue to increase and to generate revenue;

- In the FMCG market, product promotion should be carefully selected at all stages - from production to the buyer - to capitalize on the low cost of goods;
- The main tasks in marketing FMCG is facing the consumer - to form a stable customer, who is often unconscious or quickly aware of the need to purchase FMCG.
- The fight for customers in FMCG segment is conducted on two vectors: for the retail shelf and heart of the consumer.

FMCG and retail network. Supermarket chains have gained strength because they could sell FMCG goods at low prices within a wide range and they are constantly available. Buyers used to buy basic perishable products in hypermarkets - such as milk and eggs - in specialized stores, or stores of the format “shop around the corner.”

Trends in the segment of FMCG.

Today we can observe several obvious trends in the FMCG market:

- Slowdown in the industry;
- Intense battle for market share between producers;
- Changes in retail formats (increase in the share of retail chains);
- Acceleration of growth introducing new products while reducing the life cycle of products.

Before making an appropriate decision about the popularity of fast moving consumer goods, opinion of the consumer and the view of the marketer have been taken into account. Those products which are mostly purchased can be considered as top selling products, and other factor here is brand loyalty. A large number of consumers always purchase a particular brand as they are satisfied with its quality. Price is a prominent factor as well. From marketer’s perspective, the volume of sales, margin, distribution network and stock turnover are the crucial factors for a product to become bestselling. Thus when both of these opinions are analyzed and matched with real facts and figures, then just a clear picture appears [10]. The following 10 companies are Forbes’ highest-ranking FMCG companies, respectively, among its top 2,000 for 2010 [11].

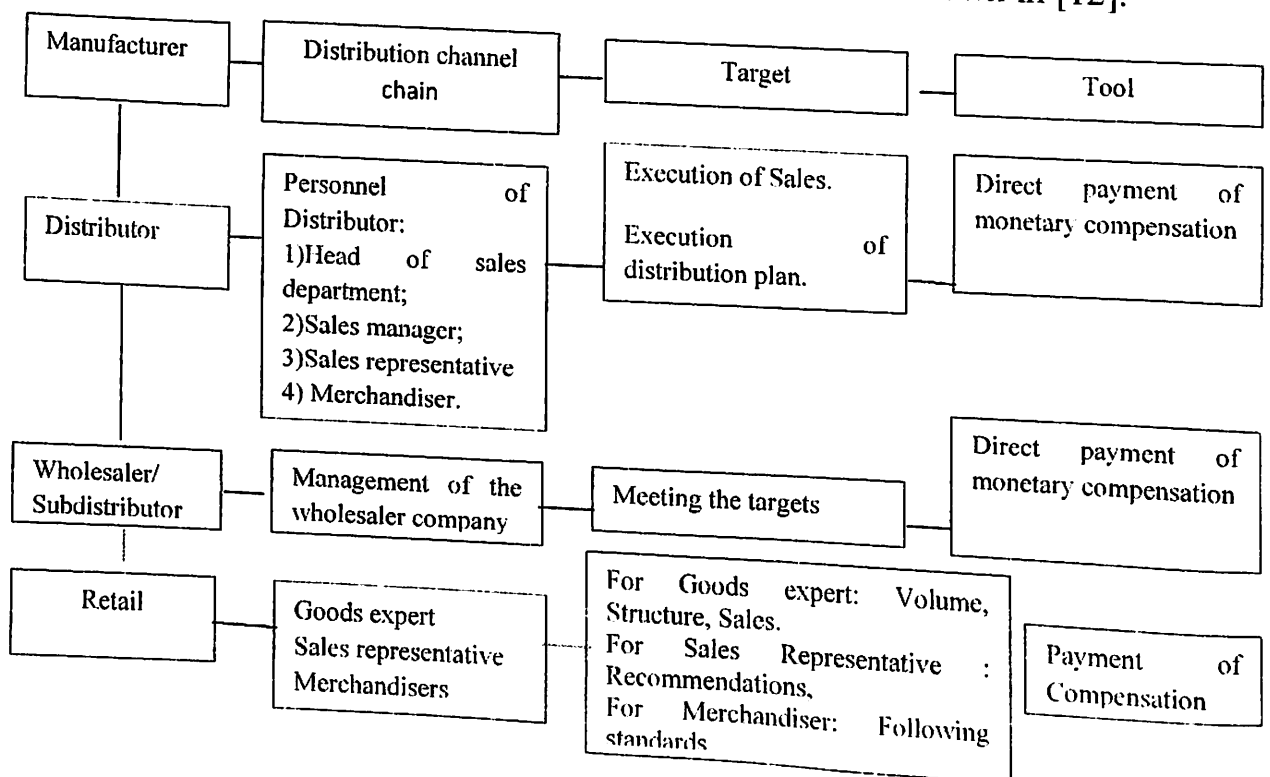
Top 10 fast moving consumer goods	Number on the overall list	Country of origin
Proctor & Gamble	29	The United States
Nestlé	36	Switzerland
Anheuser-Busch	70	America
Unilever	85	British-Dutch
Coca-Cola	104	Atlanta
PepsiCo	106	New York
Kraft Foods	109	The United States
Philip Morris International	132	The United States
British American Tobacco	133	Britain, America
Nokia	135	Helsinki, capital of Finland

Table1. Top Ten Companies in FMCG sector [10]

The system of FMCG trade marketing. The objectives of these activities can be either short-term (awareness and increase sales) and structural (the formation of loyalty), including:

- An increase in sales due to the growth and expansion of distribution of the product line;
- Increase the representation due to the growth in sales volumes;
- Familiarizing participants with the product distribution channel, receiving feedback;
- Expert evaluation of commodity items most in demand, carried out by decision-makers of purchase process;
- Increase the number of loyalty partners - participants in the channel of distribution (to enter the retail network, the formation of a greater commitment than with loyalty to other companies / brands to create the best trading conditions);
- Attract the attention of consumers to the product due to the extended calculations, and product placement in attractive locations;
- Attract the attention of decision-makers on the purchase of goods representatives of companies by tracking calculations in stores competitors (about 30% of the brick and mortar retailers to monitor other outlets in retail chains, this figure is close to 90%);
- Increase the number of positions in the assortment matrix (the distributor or the ultimate retail outlet);
- Improving the quality of the calculations.

Figure 1- Model of trade marketing in the FMCG market is shown in [12].



Conclusion

The FMCG sector is important to economy of country. Marketing MCG is one of the purest and most sophisticated forms of selling there is. FMCG played a major role in the rise of consumerism. It's not hard to see just how deeply they penetrate our domestic lives. Power has shifted from the manufacturers of FMCG to the retailers who use "power buying" and their own "private label" brands to maximize their profits. FMCG has emerged as a fast, customized and large market.

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