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A Study of E-commerce's Future in Penetrating Fast-moving Consumer Goods (FMCG) Sales

ORIGINAL ARTICLE



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Abstract

The present paper explains the future of e-commerce in penetrating sales of Fast-moving consumer goods (FMCG) or consumer packaged goods (CPG), which may be purchased at a reasonable price and sold quickly. Electronic commerce, also referred to as e-commerce, is the buying or selling of goods through online services or the Internet. Technologies utilised in e-commerce include electronic data interchange (EDI), management of supply chains, marketing on the internet, electronic payment processing, inventory management systems, and automatic data collection systems. These companies are projected to increase their sales contribution to the FMCG sector in the upcoming year. Over the past few months, the purchasing environment has seen a significant transformation. Through this paper, we have attempted to analyze the complex network for FMCG companies and investigate the significance of e-commerce for FMCG products. The convergence of FMCG and e-commerce has fundamentally altered the dynamics of the retail industry, ushering in a new era of convenience, accessibility, and innovation. FMCG companies, traditionally reliant on brick-and-mortar stores for distribution, have embraced e-commerce as a strategic avenue to reach consumers directly and capitalize on the burgeoning online market.

Key Words

FMCG, E-Commerce, Consumer, Electronic Payment, Processing, Online Transaction Handling.

Introduction

Fast-moving consumer goods (FMCG), also known as consumer packaged goods (CPG), include products that are sold quickly and at relatively low cost. Products for the household, Snacks, groceries, fresh and frozen foods, beverages, and personal care items are a few examples. In the last twenty years, the FMCG sector in India has experienced significant change, especially with regard to the acceptance of online sales in a number of categories (Paswan, 2013). It is a highly innovative sector that gives the Indian economy a considerable GDP boost. The financial success of a company is the blueprint for its overall soundness.

(Haque & Afzal, 2017). FMCGs have a short shelf life due to high customer demand or to their perishable nature. These items are regularly purchased, consumed quickly, are inexpensive, and are marketed in huge quantities. When placed on the retail shelf, they likewise have a high turnover. E-commerce has risen tremendously, offering growth prospects for both large and small companies in the FMCG business. This growth has been facilitated by changes in consumer behavior, growing urbanization, increased disposable incomes, and internet penetration. The FMCG has experienced substantial change over the past few decades, particularly with the adoption of online sales in a range of categories. Due to changes in consumer behavior, rising disposable income, and increasing popularity of the internet, e-commerce has expanded quickly, providing development opportunities for both big and small businesses in the FMCG industry. Electronic data exchange (EDI), inventory control systems, online transaction processing, supply chain management, marketing on the internet, and automated data gathering systems are just a few of the technologies used in e-commerce. Here is a quick explanation of each:

- Electronic Data Interchange, or EDI, is the systematic electronic sharing of commercial documents between organizations. It facilitates the automation of transactions such as purchase orders, invoices, and shipping notices, reducing manual processing and errors.
- The transportation and holding of raw materials, inventories for work-in-progress, and completed commodities from the point of origin to the source of consumption are all included in supply chain management or SCM. Efficient supply chain management (SCM) in e-commerce guarantees prompt product delivery to clients while maximizing expenses and stock levels.
- Internet marketing encompasses various strategies and techniques to promote goods or services via the Internet. This covers internet advertising, marketing via email, content marketing, social media marketing, and search engine optimization (SEO). Attracting and keeping clients in the fiercely competitive world of e-commerce is made possible by effective Internet marketing.
- Real-time processing of online transactions is known as online transaction processing or OLTP. It ensures secure and efficient handling of customer orders, payments, and other transactions, providing a seamless shopping experience for online shoppers.
- Inventory Control Systems mean Monitoring and controlling stock levels across multiple locations in real-time. They help e-commerce businesses optimize inventory turnover, minimize stockouts, and avoid overstocking, leading to improved operational efficiency and cost savings.
- Automated Data Gathering Systems: These systems collect and analyze data from various sources such as customer interactions, website traffic, sales transactions, and market trends. Make online sales easier with a quote request, configure price quotes, and quote to cash. These technologies can help streamline the online sales process and enhance the value of the average order.
- In e-commerce, average order value is an indicator that's used to calculate the average total worth of all customer orders during a given period. It's calculated by dividing the total revenue generated by the number of orders. It is an important metric for businesses because it helps in understanding customer purchasing behavior and can be used to develop strategies to increase revenue, such as upselling, cross-selling, or offering discounts for larger orders.
- Customers can use the Request for Quote (RFQ) form to get quotes for goods or services they wish to buy. This can be particularly useful for e-commerce businesses selling complex or customizable products where pricing may vary based on specific requirements.
- **Configure Price Quote:** CPQ systems assist online retailers in streamlining the process of configuring, pricing, and quoting for goods and services that can be customised. These tools allow customers to select product options, configure features, and receive instant quotes based on their selections.
- **Quote to Cash (QTC):** This is the complete process of creating quotes, handling orders, and finally turning them into money. By automating and integrating the entire sales cycle from quoting to invoicing to payment collection, e-commerce businesses can accelerate the order fulfillment process, reduce

manual errors, and improve cash flow. Additionally, QTC solutions often include features such as pricing optimization and discount management.

The Indian e-commerce sector is projected to grow to \$200 billion by 2026 from \$38.5 billion in 2017. By 2034, India's e-commerce market, which is now growing at a YoY pace of 5%, is anticipated to overtake the United States as the second-largest. As e-commerce is predicted to increase from its current share of 4-5 percent to over 10 percent over the next few years, the results should continue to be outstanding once the COVID-19 pandemic is over.

By 2030, e-commerce is expected to account for 11% of all FMCG sales, according to reports from market research company Nielsen. The FMCG industry is expected to see increased rivalry because of the enormous growth and development potential in the e-commerce sector, where both offline and online retail tactics will be crucial.

A smoother shopping experience will improve the conversion rate of new customers and increase the AOV (average order value) of your existing customers. It will also streamline the negotiation process. Make online sales easier with a quote request, configure price quote, and quote to cash functionality right from your eCommerce platform. Streamline contract processes and make it easy to re-order on pre-negotiated personalized terms. Give business buyers custom pricing, ordering, checkout, and shipping options for the best experience. (Vanelslander, 2016) E-commerce platforms have provided FMCG companies with unparalleled opportunities to expand their market reach beyond geographical constraints. Through online channels, they can access consumers in remote areas and international markets, tapping into previously untapped segments of the population. This expanded reach has not only facilitated sales growth but also enhanced brand visibility and market penetration for FMCG companies.

The convenience factor inherent in e-commerce has revolutionized the way consumers shop for everyday essentials. From groceries and personal care items to household products, FMCG products are now readily available for purchase at the click of a button, anytime and anywhere. This convenience has resonated strongly with consumers, driving increased adoption of online shopping for FMCG goods. The proliferation of e-commerce has also unlocked new possibilities for data-driven insights and personalized marketing strategies.

E-commerce platforms generate vast amounts of data on consumer behavior, preferences, and purchasing patterns, which FMCG companies can leverage to gain actionable insights. By analyzing this data, FMCG companies can optimize product assortments, tailor marketing campaigns, and enhance overall decision-making processes, ultimately driving sales growth and competitive advantage.

Despite the numerous opportunities presented by e-commerce, FMCG companies also face challenges in navigating the complex e-commerce landscape. Intense competition, logistical complexities, and regulatory compliance issues pose significant hurdles that require careful navigation and strategic planning. However, by adopting e-commerce strategies and properly exploiting digital technology, FMCG companies may position themselves for success in the digital marketplace, capitalizing on e-commerce's transformative potential to promote development and modernization in the FMCG industry.

Literature Review

(Webster, Fouweather, & Beach, 2006) : The objective of this article is to investigate how a UK soft drink company developed its e-business strategy. Which is distinguished by strong retailers, tier-1 suppliers of industrial end goods, and ingredient/raw material producers farther upstream. With the introduction of e-business solutions for B2B activities, tensions have been formed at the tier-1 level, which will be examined in this paper. (Kumai, Agarwal, & Saraswat, 2021) The purpose of this study is to demonstrate how the COVID pandemic affects E-commerce, particularly for FMCG products. It makes use of both primary and secondary data. (Fornari, Grandi, & Fornari, 2018) The introduction of the Online network has sparked a new cycle of retailer competition that is characterized by consumers' growing mobility between physical and

digital contact points. The current paper uses a supply-side analytical method to highlight the factors that are influencing the future directions of e-commerce in the grocery industry. (Sharma, 2020) Covid-19 impacts many e-commerce enterprises. The Covid-19 scandal is likely to have a lasting impact on online shopping. The paper from IBM claims that the COVID-19 pandemic boosted the industry by about five years. (Shruthi & C, 2020) : The goal of this research is to examine the FMCG sector's SWOT analysis to identify issues with customer purchasing patterns Throughout the COVID-19 epidemic. In this study, the months of March to July 2020 were chosen. To collect online data from 200 respondents, a sampling method was used. (Hossain, Hasan Polas, Rahman, Islam, & Jamadar, 2020) : The article's major goal was to investigate the impact and consequences of the Novel Coronavirus on Bangladesh's FMCG industry. The qualitative approach was used to attain the research goal by conducting focus group discussions on Internet platforms. The study examined a vast variety of data sources, including books, journal articles, government documents, policy reports, and conference papers. Electronic literature databases such as Google Scholar, ScienceDirect, Emerald, and Scopus were used to search the journal articles in the Library Catalogue and reference lists of retrieved articles and textbooks. (Rai, Singh, Sharma, Bharti, & Shukla, 2021): The study's main goal is to see how the pandemic affects people's purchasing habits and attitudes and develop a set of design characteristics that effectively meet customer needs, focusing on tailored approaches to fulfill their requirements. It makes use of both primary and secondary data. (Rimawan & Atikah, 2018): The study aims to harness the rapid evolution of internet technology to facilitate e-commerce for Atikah's Closet Online Shop, catering to diverse customer needs. The Waterfall model is used to conduct a structured analysis across the Systems Development Life Cycle (SDLC). This model guides through problem identification, customer needs analysis, implementation design, integration, system testing, application, and maintenance phases, offering a realistic software development process.

Objective of the Study

1. Investigate the impact of E-commerce on FMCG products.
2. Identify the potential impact of E-commerce on FMCG sales penetration.
3. To research E-potential Commerces in the FMCG Industry.

Sources of Data

The study relies on secondary data. The study's information was collected from numerous FMCG businesses' annual reports, as well as books, journals, periodicals, and data obtained from various websites.

Key Advantages of E-commerce in the FMCG Industry

1. **Wider Reach:** E-commerce allows FMCG companies to reach customers beyond geographical limitations. With online platforms, they can access consumers in remote areas.
2. **24/7 Accessibility:** Unlike physical stores with set opening and closing times, e-commerce platforms are accessible 24/7. This provides consumers with the convenience of shopping whenever they want, leading to increased sales potential for FMCG companies.
3. **Convenience:** E-commerce offers unparalleled convenience to consumers. They can browse, compare products, and make purchases from the ease and convenience of their homes.
4. **Data Analytics:** Online platforms generate vast amounts of data on consumer behavior, preferences, and purchasing patterns. FMCG companies can use analytics technologies to get insight into customer patterns, optimize product offers, and modify marketing campaigns accordingly.
5. **Cost Efficiency:** E-commerce removes the requirement to maintain physical businesses, lowering overhead costs such as rent, utilities, and manpower. This cost efficiency can translate into competitive pricing for FMCG products, attracting price-sensitive consumers.
6. **Streamlined Supply Chain:** It enables FMCG to streamline its supply chain processes, from inventory

management to order fulfillment. This results in improved efficiency, reduced lead times, and better inventory turnover.

- 7. Flexibility and Agility:** E-commerce platforms offer FMCG companies the flexibility to quickly adapt to changing market conditions, consumer preferences, and trends. They can easily update product listings, adjust pricing, and launch promotional campaigns in real time.
- 8. Direct-to-Consumer (DTC) Sales:** E-commerce enables FMCG companies to create direct contacts with customers, cutting out intermediaries such as wholesalers and retailers. This allows them to capture a larger share of the retail margin and gather valuable feedback directly from customers.
- 9. Brand Building and Customer Engagement:** E-commerce provides FMCG companies with a platform to build their brand presence and engage directly with consumers through various digital channels, including social media, email marketing, and content creation.
- 10. Data-Driven Insights:** E-commerce generates vast data regarding customer behavior, preferences, and market trends. Businesses leverage data analytics and business intelligence tools to derive actionable insights, optimize marketing strategies, and drive informed decision-making for business growth and optimization.

Future of E-commerce in Penetrating Sales of FMCG

- 1. Increased Adoption of AI and Machine Learning:** E-commerce platforms will increasingly leverage AI and machine learning algorithms to enhance personalization, recommend products, and optimize the shopping experience. For example, Amazon's recommendation engine uses machine learning algorithms to analyze customer behavior and offer relevant FMCG products, resulting in higher sales and satisfaction.
- 2. Rise of Direct-to-Consumer Brands:** DTC brands in the FMCG space are disrupting traditional distribution channels by selling directly to customers through e-commerce platforms. These brands often offer unique products, transparent pricing, and compelling brand stories to attract and retain customers.
- 3. Augmented and virtual reality integration:** E-commerce platforms will use Augmented and Virtual Reality technologies to improve the online purchasing experience for FMCG products.
- 4. Focus on Sustainability and Eco-Friendly Products:** Consumers are increasingly prioritizing sustainability and environmentally friendly products in their purchasing decisions.
- 5. Integration of Social Commerce:** Companies will increasingly use social commerce capabilities like shoppable posts, live streaming, and influencer relationships to directly engage with customers and drive revenue via social media platforms. Examples include Instagram's shoppable posts and TikTok's partnership with Shopify to enable in-app shopping experiences.

Potential of E-commerce in FMCG Industries

- 1. Market Size and Growth:** With the growing acceptance of e-commerce, FMCG companies have access to a vast online consumer base, driving sales growth in the digital space.
- 2. Changing Consumer Behavior:** Consumer preferences are shifting towards online shopping, due to factors such as convenience, wider product selection, and competitive pricing.
- 3. Convenience and Accessibility:** Consumers can shop for groceries, personal care items, household essentials, and Other FMCG products from the convenience of their homes or on the go using mobile devices, leading to increased sales opportunities for FMCG companies.
- 4. Omnichannel Strategies:** This allows them to reach consumers through multiple touchpoints, including e-commerce platforms, Websites for companies, mobile applications, social media, and physical stores, ensuring a consistent buying experience across all channels.

- 5. Direct-to-Consumer Sales:** E-commerce enables FMCG companies to establish direct relationships with consumers, bypassing traditional distribution channels such as wholesalers and retailers. This allows them to capture a larger share of the retail margin, gather direct feedback from customers, and build brand loyalty through personalized interactions and experiences.
- 6. Digital Marketing Opportunities:** E-commerce platforms offer FMCG companies the opportunity to run targeted digital marketing and advertising initiatives. Through tactics such as search engine optimization (SEO), social media marketing, email marketing, and influencer partnerships, FMCG brands can increase their online visibility, drive traffic to their e-commerce platforms, and convert leads into customers.
- 7. International Expansion:** E-commerce facilitates international expansion for FMCG companies by breaking down geographical barriers and reaching consumers in new global markets. Cross-border e-commerce allows FMCG brands to tap into global consumer demand, diversify revenue streams, and expand their global footprint without physical infrastructure in every market.

Findings

- The expectation of e-commerce's share of overall FMCG sales increasing to 11% by 2030 indicates a significant growth trajectory for online retail in the FMCG sector.
- This growth is likely driven by variables such as expanding internet penetration, rising customer trust in online purchasing, and improvements in logistics and delivery infrastructure.
- The opportunities the e-commerce market presents are attracting traditional FMCG players and new entrants.
- Competition in the FMCG sector is projected to heat up, with businesses competing not only on product quality and cost, but also on the efficacy of their offline and online retail strategies.

Conclusion

In conclusion, e-commerce has emerged as a crucial tool for Businesses of any size, facilitating not only sales but also customer engagement on a global scale. The rapid expansion of Online buying has evolved the retail landscape worldwide, driven by widespread internet access and the ubiquity of smartphones. This shift has created unprecedented growth opportunities for businesses across various industries. The COVID-19 pandemic further accelerated the adoption of e-commerce, with internet retailing experiencing a significant surge in popularity. Despite economic challenges, e-commerce has remained resilient, serving as a lifeline for businesses and consumers alike during times of uncertainty. Looking ahead, the momentum of e-commerce is expected to persist, with continued growth forecasted in the coming years. Businesses must adapt to this evolving landscape by prioritizing digital strategies, enhancing their online presence, and embracing innovation to capitalize on the vast opportunities offered by e-commerce. Overall, e-commerce is not just a trend but a fundamental Change in the way businesses operate and interact with consumers. As technology advances and consumer preferences evolve, e-commerce will remain a driving force in shaping the future of retail.

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