

# The Scenario of Marketing Innovation in FMCG Sector

Priyanka Khare<sup>1</sup>, Syed Haider Ali<sup>2</sup>

priyanka.khareincvns@gmail.com, Syedhaideraliabidi@gmail.com

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## Abstract

India is one of the largest emerging market with a total population above one billion. After post-liberalization the presence of MNC showing intense competition among companies for their product. They are coming with new products to attract customers. In such a cut-throat-competition era companies are coming with differentiated and innovative products to gain market share. Approximately 73 percent of the population lives in rural area while rest 28 percent in urban agglomerations. Since the major Indian population resides in rural area so there is a need to replace traditional urban strategy with innovative rural strategy. The current paper attempt to discuss the role of innovative marketing and innovative strategy in the market and it's impact on customers.

## Keywords

Innovation, FMCG, rural customers.

## Introduction

### FMCG an overview

FMCG products are those product which have short life span which are used for short time and are replaced within days , week, month or within a year. Since FMCG products are replaced rapidly so they are having high market demand. They operate at a lower margin. Some of the FMCG products are such as soaps, detergents, shampoos, toothpaste, shaving products, shoe polish, packaged foodstuff, and household accessories etc. A major portion of monthly budget allocated on these products. The industry are constantly extending and developing new product to enhance consumer's experience. Major players in FMCG industries are HUL, ITC, Nestle India, Dabur and P&G.

The major FMCG segments are- personal care, food & beverage, household care, tobacco and oral care. Food segment is the leading segment in FMCG sector. Taste and preference of customers are changing rapidly so the companies are adopting innovative process in response to technological development to match current customers requirement so there is a huge opportunities in the sector.

## Conceptual framework

### Innovation

According to the Government of India, National Knowledge Commission innovation is defined as a process by which varying degrees of measurable value enhancement is planned and achieved in any commercial activity. Innovation is a broad concept which is not limited upto launching new products, but it also includes the integration of marketing and technology knowing customer and providing them knowledge for purchasing a product and enhancing the customer's overall experience.

There are different types of Innovation which serves different objective as per need of the organization such as-

- A. Incremental innovation  
Small changes in existing products and services via improvements in technology or changes to the business model.
- B. Breakthrough innovation or Radical innovation  
Technological knowledge required to exploit. It usually originates from R&D or other forms of formal creative activity.

### Marketing Innovation

Marketing innovation is the application of new method of marketing involving a significant change in product price, product place, promotion and product design. It aims at better customer need satisfaction, capturing new market, positioning product in market and customer's mind by increasing sales. A firm can use innovative marketing for new as well as existing product. Innovative marketing is the new method or strategy adopted by a firm for it's product which is not previously used.

FMCG brands design, test, use USP, launch new product to gain customer intention. FMCG brands focuses on innovation as means of promoting their product. FMCG companies generally use penetration marketing to capture market. Innovative marketing is the new method or strategy adopted by a firm for its product which is not previously used. Innovation mainly require 4 things-

- 1. An identified need
- 2. Competent people
- 3. Suitable technology
- 4. Financial support

However, before undergoing innovation process it is necessary to identify the need of customers and competent people using required technology along with financial support for R & D purpose. Organizational innovation is linked with organizational goal, business planning and market competitive strategy.

## **Aim and Objective**

1. To study the importance of innovation in marketing.
2. To determine the impact of Innovation in marketing of FMCG products.

## **Research Methodology**

This study is based on secondary data. The study is conceptual and exploratory in nature. This study explored the need of innovation in marketing of FMCG products and explains the conceptual framework of innovation and its importance in marketing and FMCG sector. Secondary data is used from different research works for understanding the innovative marketing concept and its necessity in current globalised scenario.

## **Scope for research**

This research work has a wider scope for innovation is a continuous process and this research have the following scope-

- To understand the need for innovation.
- To identify the areas of Innovation.
- To understand the impact of innovation on customers

## **Review of literature**

According to Drucker, organization has only two basic functions-Marketing and Innovation for the success of a product. It is necessary to sustain in the market and increase it's customer base and it is only possible through continuous innovation. A lot of studies are already done in the area for knowing the importance of innovation and it's need in the current market scenario.

Hausler et al.(2006 )focused the study on relevancy of innovation in marketing science. They integrated areas of research on innovation in terms of marketing science and revealed from the study that innovation should be continuously improved for better performance of organization. Mohr & Sarin (2008) studied Drucker insight on market orientation and innovation and found that it was explored in respect of high-tech-companies: developing and implementing a marketing orientation through breakthrough innovation.

Krishnan (2012) focused his studies on innovation strategies and tried to understand role of innovation for Indian market leaders and found that it focuses on affordability for business model innovation and they also need new organization process model for breakthrough innovation. Dixit (2011) studied competitive and innovative strategy focused on rural India and found that companies can tap rural market since there is a huge prospects for marketers and it is all about creating awareness and promoting culture.

Sharma (2013) studied Marketing strategy at different stages of PLC and revealed that different stages require different competitive and innovative strategy to position and sustain product in market.

The study by Prajapati&Thakor(2012) focuses on competitive and innovative promotional tools used by toothpastes companies for rural market. It was revealed that rural consumers are more concerned about quality, brand name. So the influence factor in buying toothpastes for them is promotional schemes such as price off, special discount. According to Srinivasu (2014) prices across retail format to retail format differs and retail sector should work on local basis rather thenational so that product and price discrimination can be made and FMCG companies can overcome intense competition with the innovative promotional efforts,competitive strategy brands which are able to position themselves and increase sales. Hussain et al.(2012) studied impact of innovation in FMCG in respect of loyalty and satisfaction and found that there is a direct relationship of innovation with customer satisfaction,loyalty, quality,perception,pricing so marketers can work on these things by innovating them and can increase purchase rate and gain market share. Chris and Paul (2010) studied product innovation in FMCG for developing understanding of product innovation as a whole .It was focused on development of packaging into innovation process and it was revealed from the study that product development in marketing is largely market driven and basically focused on the development of core product. Anchlia & Motwani (2012) focused their studies on Innovation mix and revealed from the study that for innovation focus should be on opportunities, problem, clear understanding of issues. This will help in innovating in small ways.Gopal &George(2014) studied the packaging in FMCG sector which act as a competitive tool and have a wide scope of innovation for gaining customers.

Further, the studies were carried out by different researcher to explore marketing innovation. Saxena (2011) focused the study on marketing innovation in FMCG sector through different models which provide suggestion to bring innovativeness in marketing. Bressoud (2013) carried studies on innovation in FMCG by testing it in experimental versus real store and found virtual store testing is not successful which is a new method in comparison to real store.

Desai (2013) focused the study on dimensions in marketing regarding rural retail innovation and found that along with changing business practices those firm will only get success which will offer product at affordable cost along with earning ROI.

Rao (2013) studied innovation in rural retail marketing and revealed from the studies that those companies will only be successful which will offer product at affordable cost and can get return on investment. Upadhyay (2012) focused his studies on innovative selling in rural India and found that rural market is very large as compared to urban market so there is huge opportunities for marketers to attract them through innovating product, price, packaging and marketing strategy.

Malmarugan (2008) studied ethics as an innovative approach and found that companies are using code of ethics and including it in their culture.They are also using it as a commercial practice in their business planning. Shanker et al.(2011) focused their studies on shopper marketing and found that digital marketing activities,multichannel marketing store,atmospheric and design as innovative ways of innovation.Shopper decisions are influenced by the alignment of incentives of the shopper retailers and manufacturing.

## Research Limitation

1. Firstly the analysis was done on the basis of earlier research work on marketing innovation in FMCG Sector.
2. Secondary the direct opinion of customers and marketers of the FMCG companies is not collected and evaluated for deriving conclusion ,the study being conceptual in nature.

## Conclusion

The challenge for FMCG industry is to tap new customers and retain them,For this purpose it is necessary to make pace with technological change and to satisfy the changing tastes and preference of customers. .Companies should offer the product with affordable cost,new packaging ,design. Innovation process should be continuous and it should cater to local needs rather than global .Innovation varies at different stages of Product life cycle so the marketers should have a clear understanding of issues and problem regarding a brand,Innovation should also focus to the need of rural customers since a major population lives in rural area.

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## Authors



Prof. Syed Haider Ali, presently working as a professor and Head Department of Business Administration, KhwajaMoinuddinChishti Urdu, Arab-Farsi University, Lucknow. He has worked as a Founder Director in Goel Institute of Higher Studies (GIHS), Lucknow(May 2010-June 2013). He also worked as Prof. and Associate director in Goel institute of Technology and Management, Luknow(July 2009-May 2010) and Associate Prof./Reader in L.B.S. Institute of Management and development Studies, Lucknow(Dec 2005-June 2009). He also worked as lecturer in Integral University, Lucknow. He attended several seminar/conference and published 7 research papers in reputed journal.



PriyankaKhare, pursuing research work for Ph.D. degree in Management in the Department of Management, Uttar Pradesh Technical University, Lucknow, India. I have done my MBA from ICFAI University Dehradun. I have qualified NET-2010 and working from last 6 years as lecturer in the department of Management, presently teaching in Aurous Institute of Management, Lucknow.

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