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Info Systems Pvt. Ltd.

The FMCG Industry Outlook

Global Resilience, Indian Acceleration



Executive Summary: The Global Landscape is a Resilient Giant

US\$6.6 Trillion

Global FMCG/CPG
Annual Revenue

~5% CAGR

Steady Growth Expected
Through 2029



- **A Resilient Giant:** The global FMCG industry remains one of the world's largest consumer sectors, demonstrating consistent mid-single-digit growth.



- **Mature Market Moderation:** Growth is slowing in developed economies due to market saturation and persistent consumer price sensitivity.



- **Emerging Market Engine:** Incremental expansion is overwhelmingly driven by high-growth markets like India and Brazil, fueled by rising incomes.



- **Persistent Pressures:** Inflation and raw material volatility continue to challenge margins, making cost efficiency a critical priority.

Bottom Line: While the global market is stable, the future of significant growth lies decisively in emerging economies.

Executive Summary: India is the High-Growth Engine



Market Scale

US\$245B Market Size in 2024
Projected to reach **US\$600+ Billion**
by 2027—one of the fastest growth
trajectories globally.



Core Drivers

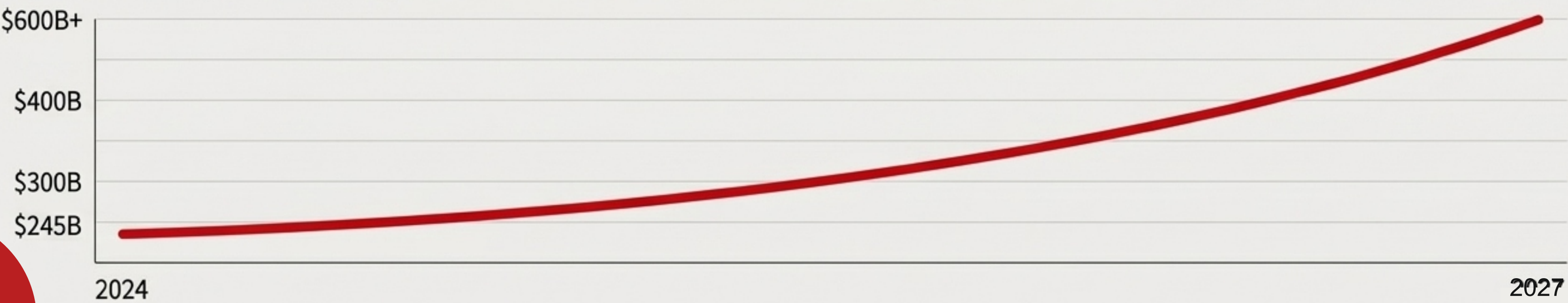
Growth is underpinned by rising
disposable incomes, rapid
urbanisation, and a large, young,
and aspirational population.



Strategic Shift

Consumer preferences are shifting
towards health, sustainability, and
convenience, compelling rapid
innovation across the value chain.

India's Projected Growth Trajectory (USD Billions)



Market Size & Growth: A Tale of Two Trajectories



- The global FMCG market is a mature **US\$6.6 trillion** industry growing at a steady **4-6% annually**.

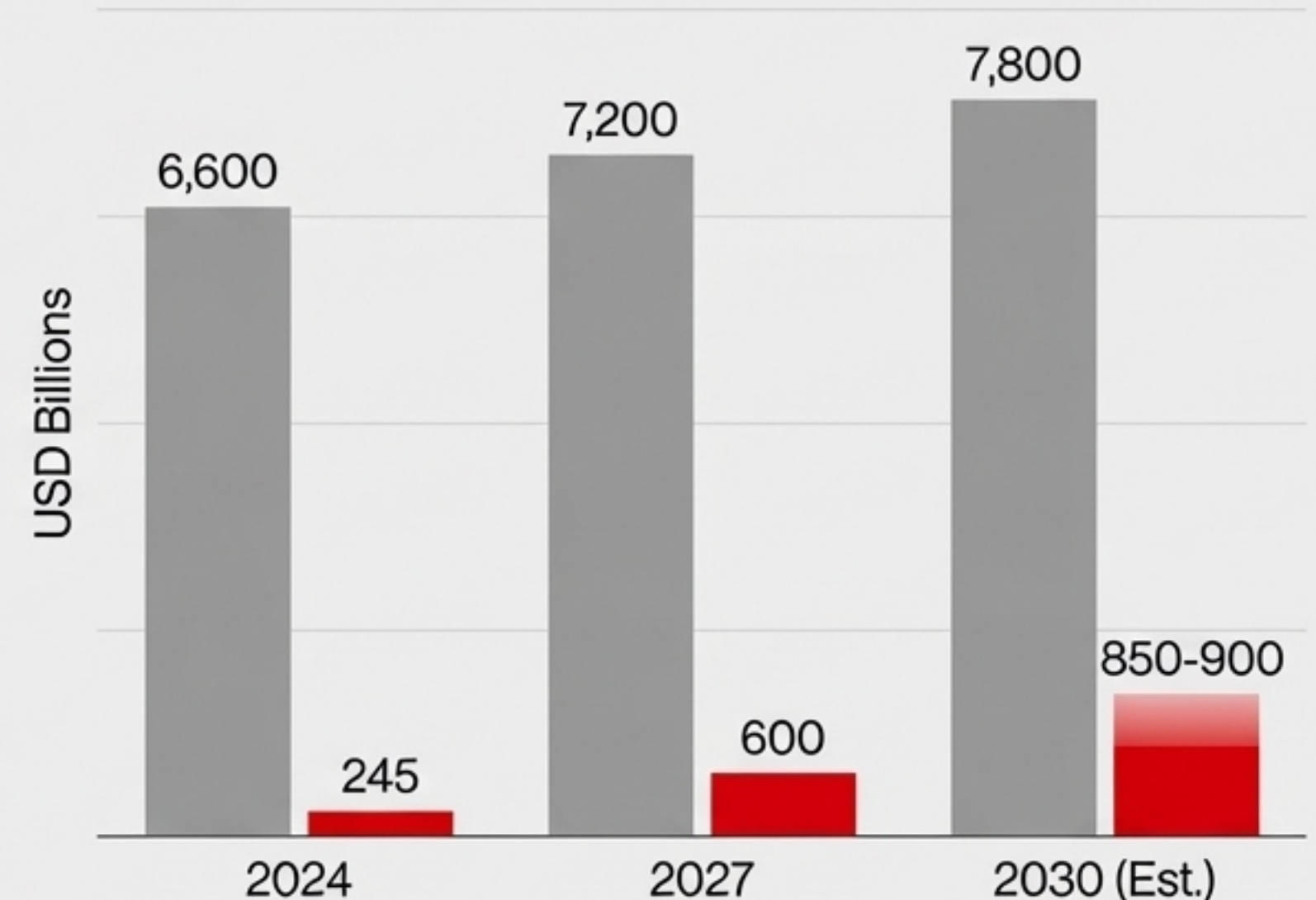


- In stark contrast, India's FMCG sector is the **fourth-largest contributor to its GDP**, poised to more than double by 2030.



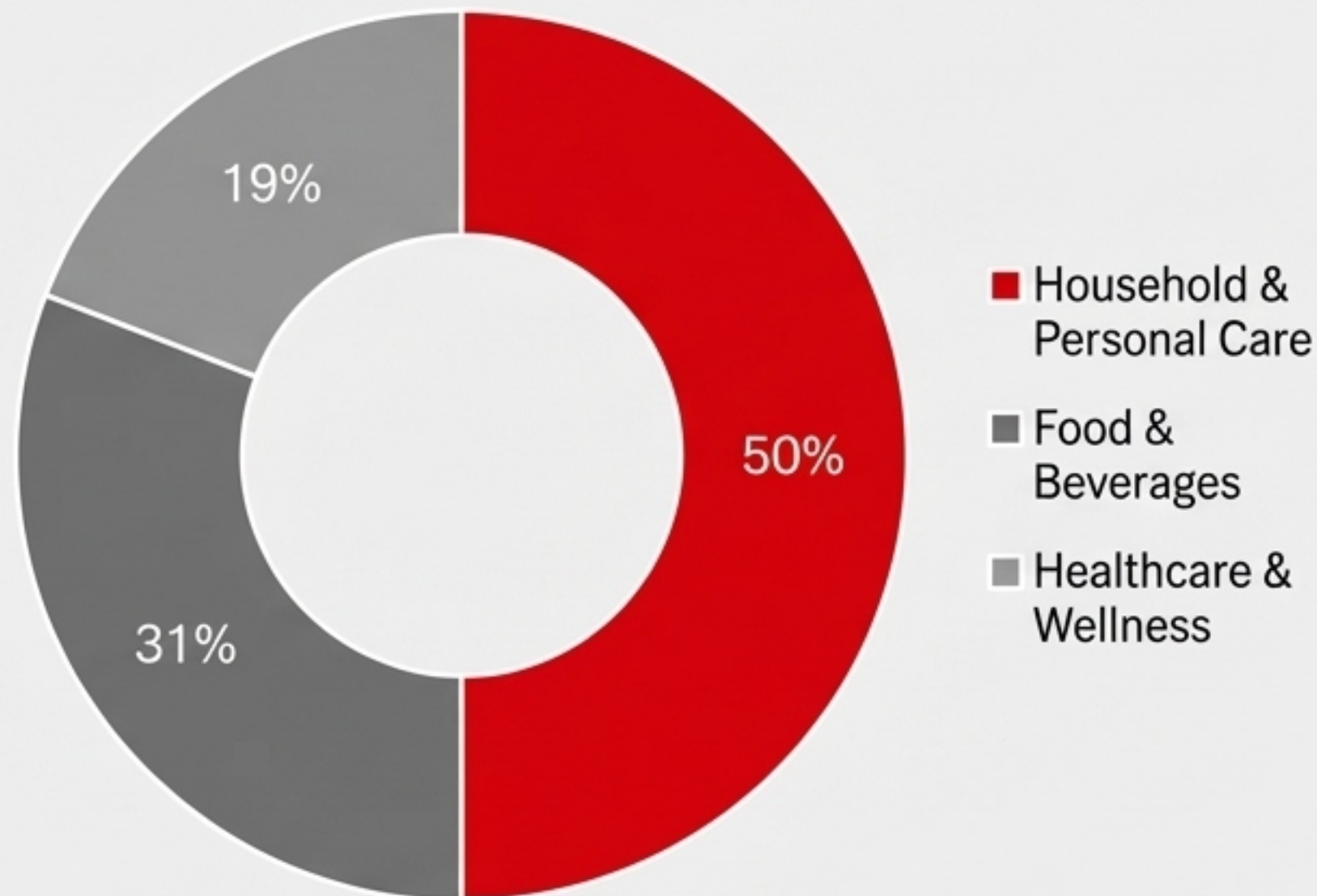
- This establishes India as a critical **growth outlier** and a primary target y target for capital allocation.

Global vs. India FMCG Market Size (USD Billions)



Indian Market Deep Dive: Where the Revenue Lies

India FMCG Market Split by Category (%)



Dominant Segments: Household & Personal Care represents half of the market and is a key battleground for incumbents.

Growing Appetite: Food & Beverages is a massive segment driven by the shift towards packaged and convenience foods.

Emerging Focus: Healthcare & Wellness is the fastest-growing segment, fueled by post-pandemic consumer consciousness.

Insight: Innovation in personal care and F&B is critical, but the wellness category represents a significant whitespace opportunity.

Competitive Landscape: Global Titans Meet Local Champions

Global Leaders

-  **Core Strength:** Global Scale & Brand Dominance
-  Incumbents like **Procter & Gamble, Unilever, Nestlé,** and **Coca-Cola** leverage immense scale, R&D, and brand equity.
-  Their focus is on dominating high-volume, scale-driven categories globally.

Indian Players

-  **Core Strength:** Local Agility & Insight
-  Strong domestic players like **Hindustan Unilever, ITC, Dabur,** and **Godrej** possess deep distribution networks and local consumer understanding.
-  Competition is intensifying with the rise of agile, digitally-native D2C brands like **Mamaearth.**



Distribution Channels: From Kiranas to Quick-Commerce



Traditional Trade (Kiranas)

>60% of Sales: Still the backbone of Indian retail, especially in rural areas, though its share is gradually declining.

Challenge: Fragmented, low-tech.



Modern Trade

Rapid Expansion: Supermarkets and hypermarkets are growing quickly in urban and Tier-2 cities.

Opportunity: Higher basket sizes, premium product placement.



E-commerce & D2C

Fastest Growing Channel: Driven by quick-commerce, online grocers, and brand-owned D2C platforms.

Imperative: Requires a seamless omnichannel strategy.

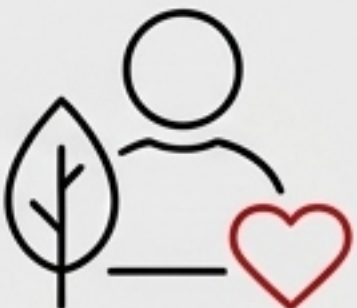
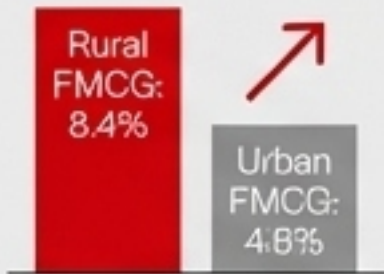
Supply Chain Modernization: Adoption of digital B2B platforms, AI forecasting, and real-time tracking is becoming essential to serve all channels efficiently.

Consumer Behaviour: The Post-Pandemic Omnichannel Shopper



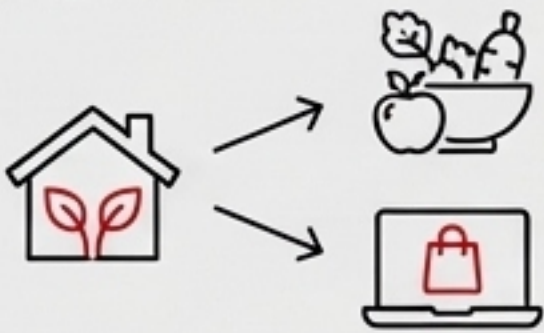
Value Conscious

Price remains a top concern, especially in emerging markets. Demand for **small packs and value offerings** continues to be strong. Rural FMCG volume is up ~8.4% vs 4.6% in urban areas (Q2'25).



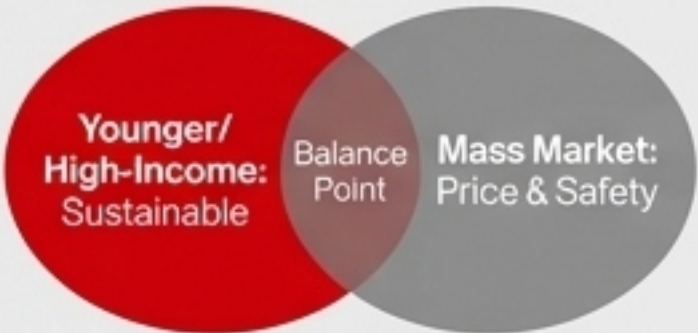
Health & Wellness Focus

A clear shift towards premium, convenience-led, and **health-oriented products**. Post-COVID 'at-home lifestyle' habits and online shopping persist.



Sustainability Preference

Younger, higher-income consumers are willing to **pay more for sustainable products**, but price and safety remain the ultimate deciding factors for the mass market.



The Omnichannel Consumer

Consumers seamlessly switch between physical retail, e-commerce, and D2C. They expect **integrated, consistent brand experiences** across all touchpoints.



Sustainability: The New Competitive Differentiator



Regulatory Pressure: Intensifying mandates on recyclable packaging and carbon-reduction targets are accelerating the shift to **circular-economy** models.



Supply Chain Focus: **FMCG** supply chains account for the majority of emissions, making **decarbonisation** of sourcing and logistics a strategic priority.



The Consumer Dilemma: While consumers value sustainability, **price and safety** remain decisive purchase factors. Cost-effective eco-innovation is critical.



A Strategic Advantage: Strong sustainability performance is becoming a key differentiator, influencing brand trust and long-term valuation. Leaders like **Unilever** and **Nestlé** are scaling investments.

Technology Trends: The Rise of the Smart Enterprise

Automation

Automation of routine tasks, from distributor management to financial reporting, improves efficiency and reduces operational costs.

AI & Analytics

AI embedded in ERP drives **demand forecasting, pricing, and promotion optimization**. Advanced analytics on first-party data delivers sharper consumer insights.

Cloud
ERP

Real-Time Visibility

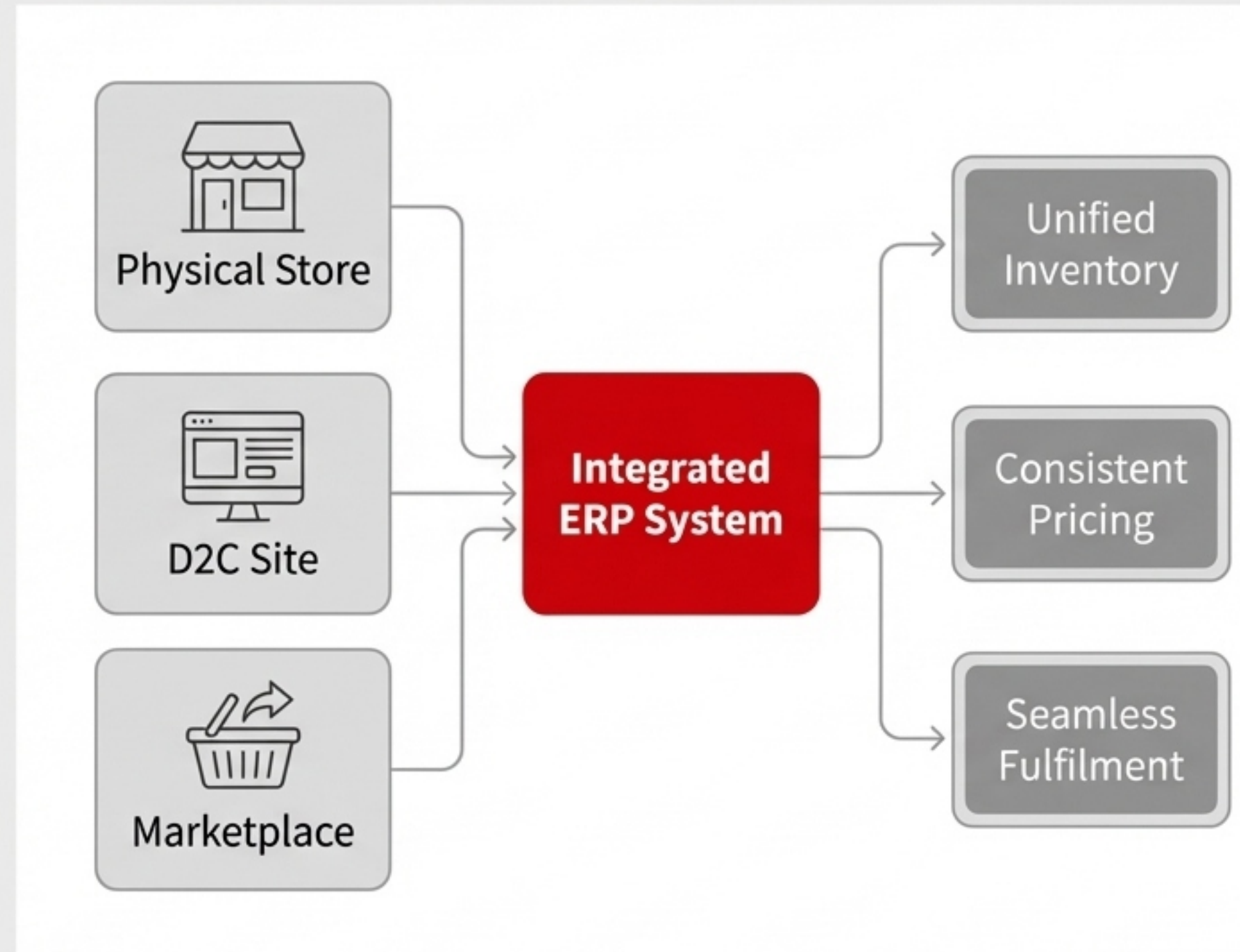
ERP-centric digital architectures are moving to the cloud to enable **real-time visibility** across the entire value chain, from sourcing to sales.

Key Outcome: A shift from reactive decision-making to proactive, data-driven strategy enabled by an integrated digital core.

Technology Trends: Integrating Physical and Digital Worlds

- FMCG e-commerce is experiencing rapid growth, particularly in urban India, driven by:
 - **Quick-Commerce Platforms**
 - **Direct-to-Consumer (D2C) Brands**
 - **Online Grocery Marketplaces**

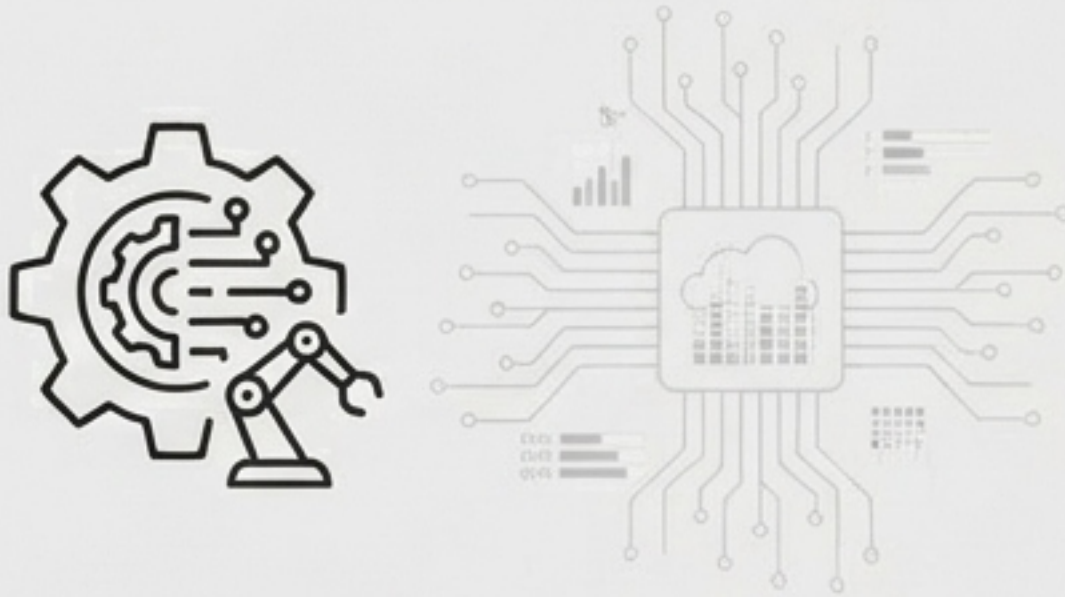
The key challenge is managing complexity by integrating ERP with marketplaces and payment systems.



****The Goal:**** A unified commerce platform ensuring a single source of truth for inventory, pricing, and customer data, regardless of the sales channel.

Technology Trends: Building for Resilience and Efficiency

Smart Manufacturing



Leveraging **IoT, robotics, and AI planning** for data-driven production scheduling and operational excellence.

Resilient Sourcing



Supplier diversification and localised manufacturing to reduce dependence on single sources and mitigate geopolitical risks.

Advanced Logistics

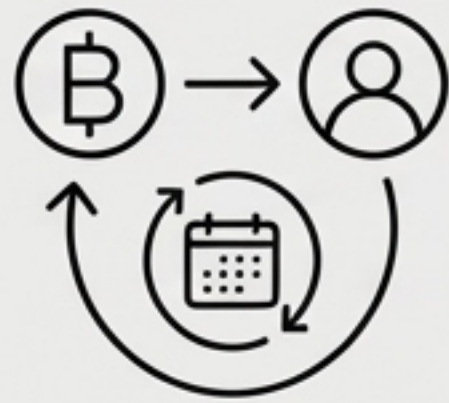


Investment in **cold-chain expansion, traceability technology, and route optimisation** to improve responsiveness and compliance.

Strategic Shift: Moving from a 'Just-in-Time' model to a 'Just-in-Case' model, balancing cost efficiency with operational resilience.

Technology Trends: New Models for Monetisation

Direct-to-Consumer & Subscription



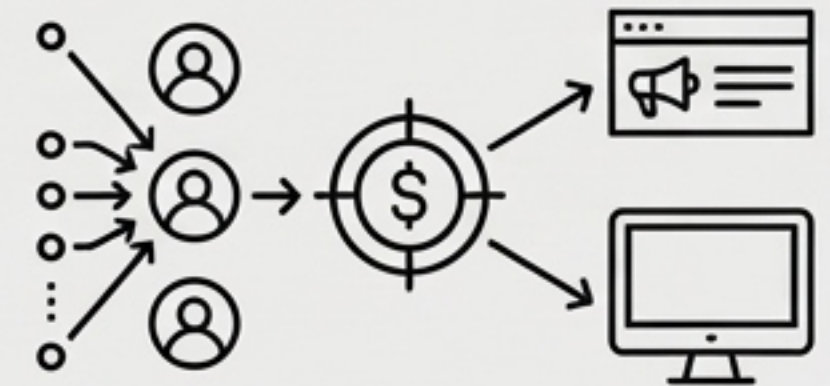
Brands are bypassing traditional retailers to build direct relationships. **Subscription models** create recurring revenue streams and enhance customer lifetime value.

Wellness-as-a-Service



Moving beyond products to offer services, such as **personalized nutrition plans**. Leverages brand trust to enter adjacent high-margin service categories.

Retail Media Networks



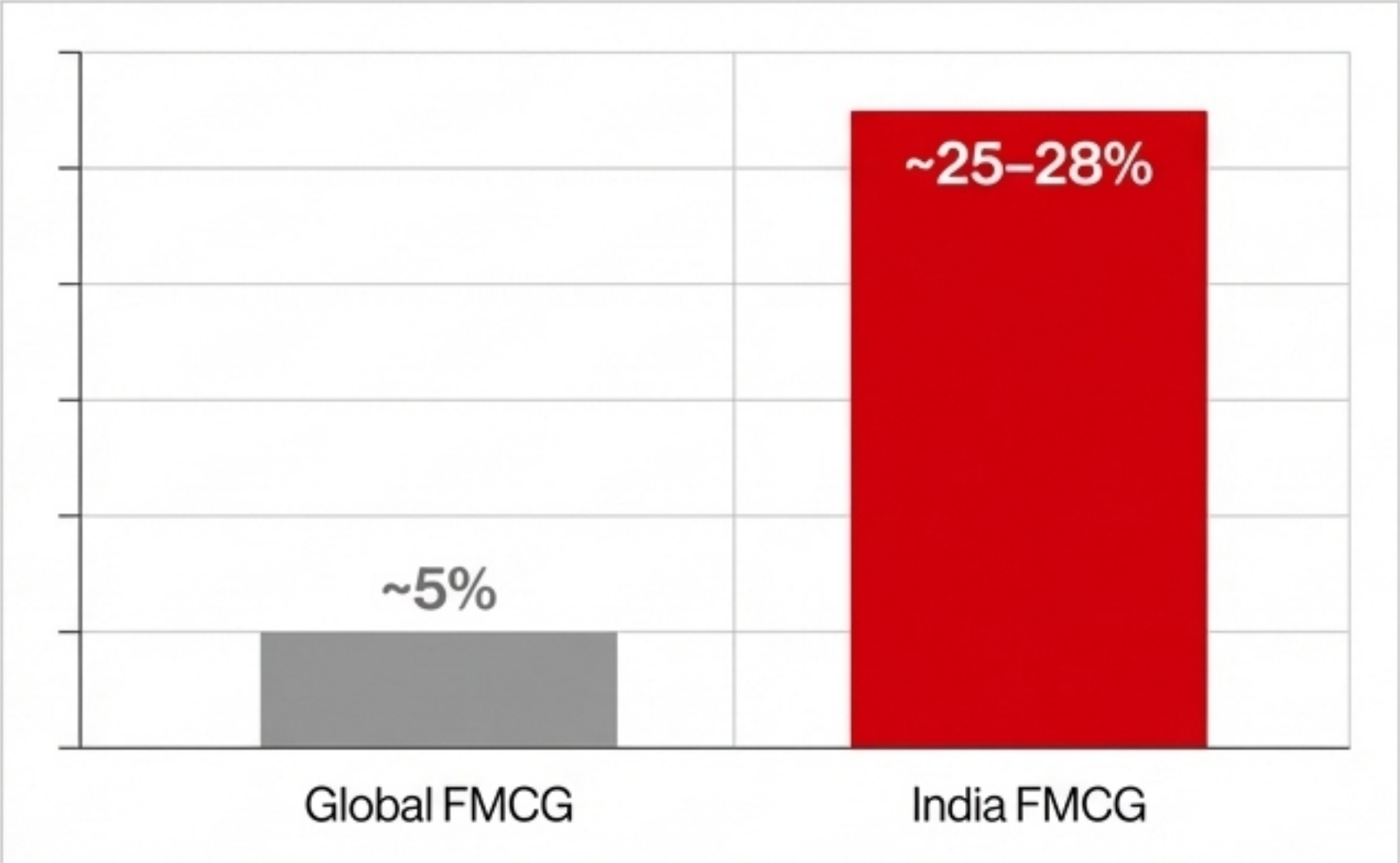
FMCG players are monetising vast first-party data by **creating advertising platforms**, opening a new, high-margin revenue stream.

Financial Outlook: India's Explosive Revenue Trajectory

Key Insights

- Global FMCG sales are projected to grow at a mature **~5% CAGR**.
- ⚙ India's market is set to **nearly triple by 2027**, showcasing an exceptional CAGR driven by volume growth, category expansion, and rising rural consumption.

FMCG Revenue CAGR Comparison (2025–2029 Est.)



Investment Rationale: The massive gap in growth rates clearly communicates the logic for prioritizing **capital allocation towards India**.
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Financial Outlook: The Persistent Pressure on Profitability

Key Insights

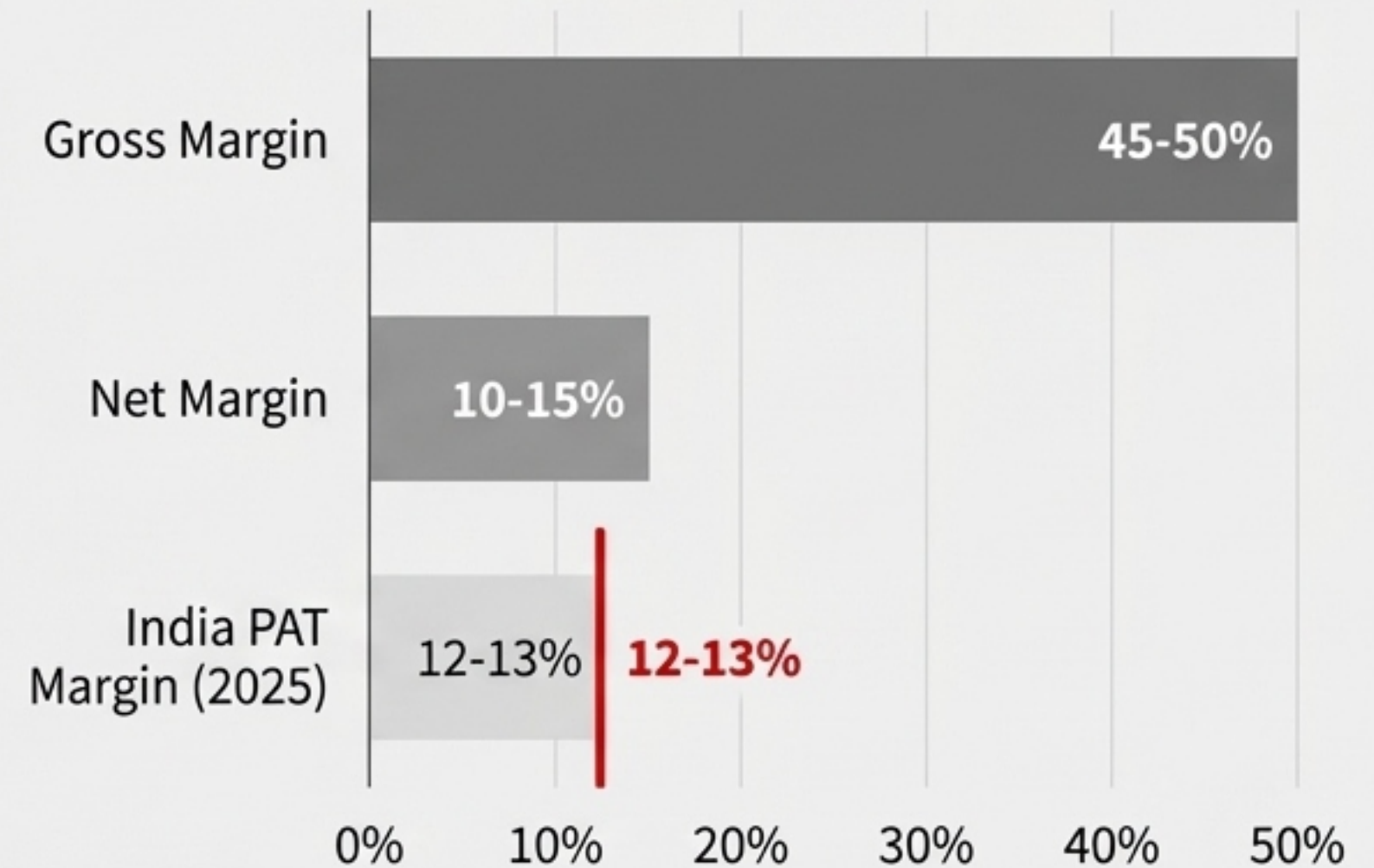


FMCG margins are structurally thin due to intense price competition. Globally, EBITDA margins declined **~1-1.5%** between 2018-2022 due to inflation.



Indian companies have maintained resilient **~12-13% PAT margins** through pricing and cost optimisation, but volatility in energy and raw material costs remains a primary threat.

FMCG Margin Benchmarks (%)



Capital Expenditure: Investing in Future Growth and Resilience

Global Trend: Stepping Up Investment



Global FMCG firms increased CapEx by **~7.5% per annum** from 2020-2022, focusing on supply chains, demand forecasting, and automation.

India's Expansion: Building Capacity



Indian players are in an active expansion phase, with **₹5,000+ crore** of new manufacturing capacity planned, supported by strong demand and policy measures.

Efficiency Gains: Higher Output Per Dollar



In North America, the CapEx-to-revenue ratio fell **~23%** from 2012-2022, indicating improved capital efficiency. This highlights a key trade-off between heavy investment and short-term margin pressure.

Operational Deep Dive: Benchmarking for Efficiency

FMCG operates on high velocity and asset turnover. Leading players focus on OEE improvement, Just-In-Time supply chains, and working-capital optimisation.



Inventory
Turnover

8–12x



COGS
(% of Sales)

50–60%



Return on Capital
Employed (ROCE)

15–25%



Return on
Assets (ROA)

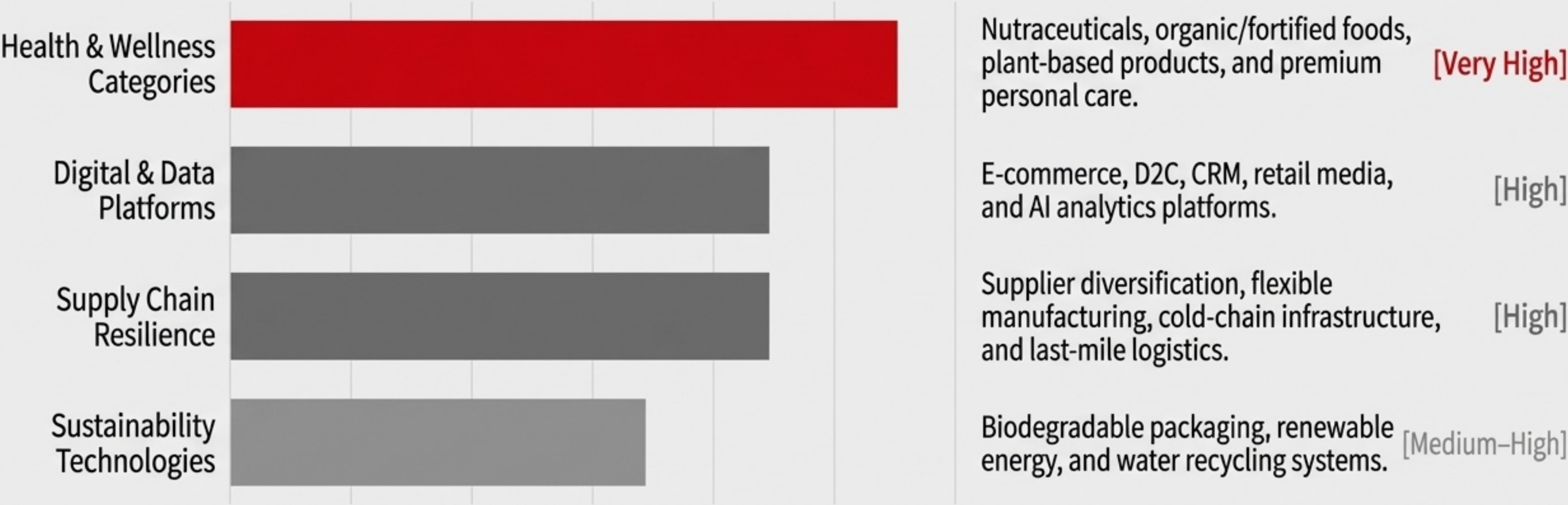
<10%

High asset turnover and asset-light models like contract manufacturing are critical due to low ROA.

Investment Areas: Where Capital is Being Deployed

Strategic focus is shifting towards growth-oriented and resilient categories.

Strategic Investment Priorities



Risk Areas: Navigating a Volatile Landscape



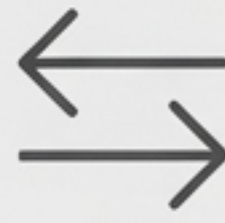
Macro & Geopolitical

Inflation, commodity volatility, and trade disruptions threatening margins and supply.



Regulatory

Stricter health and environmental rules (sugar taxes, plastic bans) increasing compliance costs.



Competitive

Intensifying pressure from private labels and agile D2C brands driving faster product cycles.



Consumer Behaviour

Income volatility can trigger trading down and brand switching, weakening loyalty.



Supply Chain & Operational

Logistics disruptions, single-source dependency, and cybersecurity threats.



Strategic Imperatives: A Blueprint for Winning

- 1. Deep Consumer-Centricity**
Build 360° consumer views using AI and omnichannel data to personalize everything from assortment to promotions.
 - 2. Advanced Revenue Growth Management (RGM)**
Use AI-driven pricing and trade-spend optimisation to protect margins in a value-conscious market.
 - 3. Agile Portfolio Optimisation**
Continuously pivot towards high-growth segments (health, wellness) and target 20-30% of revenue from new products.
 - 4. End-to-End Technology Rewiring**
Modernise the core with cloud ERP, AI, and automation to improve productivity and shorten decision cycles.
 - 5. Sustainable & Resilient Operations**
Embed ESG into core strategy and build agile, regionally diversified supply chains to navigate volatility.
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