

Introduction

The consumer products industry is comprised of a variety of products, such as toiletries and cosmetics, small appliances, consumer durables, consumer electronics, and other household items. This industry has seen steady growth since the Industrial Revolution, and with the rising markets of Russia, China, and India starting to demand more commodities, this growth is expected to continue into the future.



Industry Composition

The consumer products industry is very hard to define because of its rather eclectic nature and its close relationship to many other industries. For our purposes, it can be described as enveloping practically every item an individual can purchase, especially in the areas of toiletries and cosmetics, appliances, electronics, beverages and food, and other generic household items.

Analysts often divide it into two categories, durable and nondurable. The former includes items with staying power, like home furnishings. The latter includes more ephemeral merchandise, with a life expectancy of fewer than three years, like personal care items.

The consumer products industry is a powerful industry, as it accounts for two-thirds of the volume of trade in the world economy. Due to its close relationship to other industries, the consumer products industry plays an important role in the global economy. It is the source of a significant portion of the gross domestic product (GDP) of many countries, and also acts as a driver for other industries, especially advertising and retail. These last two industries are very important to the consumer products industry as they typically invest in consumer products companies.

Industry Leaders and Fragmentation

* All amounts are given in Billions USD

Company	Country	Sales	Profits	Market Value
General Electric	161	121.5	-7.8	126.8
Mitsubishi	179	68.3	5.1	46.4
Procter & Gamble	161	66.4	10.1	184.5
Unilever	216	60.6	6.8	155.8
Itochu	179	49.7	3.6	28.8



Profitability and Demand Drivers

Primary Demand Drivers:

- Population growth
- Consumer preferences

Profitability Drivers:

- Product innovation
- Effective sales and marketing
- Efficient operations

Trends

Recently in the industry, there has been an increasing reliance on technologies. The interactive qualities of the internet and the cost-effective benefits of other technology are increasingly being utilized to help create a closer relationship between consumers and more efficient enterprises. These include:

- Customer relationship management (CRM) applications, programs which collect information about customer behavior, have also seen a rise in importance as companies strive to better understand their target market to increase sales and market presence.
- Radio-frequency identification (RFID), which is used to tag product shipment and gather information used to boost supply chain efficiency. The increased use of this technology is being pushed by the retailers who sell the consumer products.
- Many companies now have interactive websites where consumers can play product based games and purchase goods.

Aside from technology, the consumer products industry has also seen a rising inclination for companies to engage in mergers, acquisitions, or alliances. This is for many reasons including reducing risk when creating new products or expanding into new markets, reaching new demographics, increasing operating efficiencies, reducing capital outlays, or cutting costs.

Recently, with American and European markets becoming increasingly competitive, manufacturers of consumer products are turning towards emerging markets in boom nations like India, China, Russia, Brazil, and Turkey. While there are obvious benefits to this, there are also several risks involved with producing internationally. Emerging economies often play by different rules than developed ones, and the governments can be prone to corruption, impeding the profitability of businesses.