



## Industry overview

India's fourth-largest industry, fast-moving consumer goods (FMCG), is driven by a growing preference for branded products, easy access and changing lifestyles. The urban segment is the largest contributor (~55%) to the overall FMCG sector in India. As per CRISIL MI&A, the FMCG market in India was valued at Rs 4,500 billion in FY 2021, with packaged food accounting for 50%, and personal and home care segments for 30% and 20%, respectively.

Counterfeiting in the FMCG segment is highly prevalent as per the industry research and consumer survey, it is perceived to be as high as 25-30%. The level of harmfulness is perceived to be higher for FMCG products, especially in the food segment, yet about 42% of the consumers willingly purchased counterfeit FMCG products as per the consumer survey. About 28% of the survey participants have come across counterfeit FMCG products at least once.

Table 7: Stakeholder/reports for counterfeit expectations-FMCG

Stakeholders	Counterfeit expectation
Survey: Consumer's perception	25-30%
Manufacturers/ industry experts / Associations	20%+
Distributor / Retailers	20-25%
FICCI study 2012	23-26%
FICCI CASCADE 2015 industry report/ AC Nielsen study 2013	30%
FICCI CASCADE 2019 industry report (US Market)	7-10%

### Consumers

As many as 35-40% of consumers found the FMCG products they had purchased to be fake, but none complained to the manufacturer or consumer forum. They lodged a complaint with the shop owner, who provided an exchange or refund.

### Retailers and distributors

Retailers and distributor agree that look-alikes and copy products are present in the FMCG distributors market, especially in non-urban areas and low-income-group markets.

### Industry players – manufacturers/ industry experts

The fake FMCG market is growing faster than the overall FMCG market. Nearly 3 lakh crore FMCG products circulated in India are counterfeit as per the FICCI MASCRCADE2021 report. Counterfeiters take advantage of the large unorganised FMCG market and use advanced packaging technology to imitate the original products and replace them with inferior substitutes. Alternatively, they sometimes pass off brands with similar-sounding names as originals. Detergents, disinfectant liquids, cosmetics and packaged food have higher presence of counterfeiting in the FMCG segment.

Source: CRISIL MI&A

### Extent of counterfeiting: City-wise consumers who have come across counterfeit products in the FMCG sector

According to FICCI cascade report 2021, the fake/counterfeit FMCG market is growing at an annual rate of 44.4%, which is higher than the growth rate of the overall FMCG market.

Trade of counterfeits and pass-off products is a serious concern for companies in the FMCG sector. The top brands within any category – be it packaged food, detergents or soaps – are affected the most by counterfeiting. As per FICCI report, the grey market size is 26% in FMCG - personal goods and 23% in FMCG - packaged food as per the study conducted in 2012. Complete fake products, look alike products and adulterated products all make up counterfeit products in the FMCG segment.

In the FMCG industry, there is a thin line between counterfeit and adulterated products. Branded products can be counterfeit, but adulteration in unbranded products is pure adulteration. But since both these categories are harmful, they are considered counterfeit products because they are not selling what they claim it to be. A research report by UP-based Harcourt Butler Technical University stated that Kanpur, which is one of the biggest markets for edible oil, has about 70% of adulterated mustard oil in the markets. Kanpur supplies mustard oil to other states. They found 70% adulteration in more than 120 samples of oil of 30 big companies. In 15% of the samples, mustard was less than 20%.

The prevalence of counterfeiting in the FMCG segment is across India, the

wholesale market across the country becomes the major point of entry of these products in the supply chain. Counterfeiters of FMCG products take advantage of the unorganised market and use advanced packaging technology to imitate original products and replace them with inferior substitutes; alternatively, the culprits sometimes pass off brands with similar sounding names as originals. The packaged food sector is most vulnerable to counterfeiting, and it is particularly dangerous because consumption of non-standard or low quality food can cause serious health ailments or even be life-threatening. Low quality counterfeits reduce consumer confidence in branded products. Counterfeits not only hurt the company's top line, but also weaken the brand image.

Moreover, counterfeiting is prevalent in this sector because it is relatively easy to do so and requires small investments.

### Products with high volume sales and higher margins are most prone to counterfeiting

The prevalence of counterfeiting is very high in products with high volume sales such as water, salt, flour, sugar, tea, soap, shampoo, milk, and toothpaste, along with higher margin products such as mustard oil, ghee and premium tea.

As per our industry interactions, high volume products witness high instances of completely fake products and lookalike products as they can be easily manufactured at a low cost and with little resources. However, in high value products such as premium tea, ghee, mustard oil and detergents, the instances of adulteration are higher where in low quality products are mixed within the original products.

Counterfeit products enter the supply chain when sold directly to end users by manufacturers or they offer high margins up to 40-50% to distributors and retailers to promote these products. The end users get counterfeit products at a 10-20% lower price than the MRP or sometimes at the same MRP.

Counterfeiting is mostly prevalent in tier II/III cities and villages because consumers are less loyal and less aware about brands than urban customers, and hence they become an easy target for counterfeiters. The spell-alike, look-alike products' performance or efficacy is not at par with the original products and can cause serious harm to consumers.

DELHI NCR	AGRA	JALANDHAR	MUMBAI	AHMEDABAD	JAIPUR
15%	17%	17%	21%	41%	14%
INDORE	KOLKATA	PATNA	CHENNAI	BANGALORE	HYDERABAD
60%	42%	29%	38%	24%	29%

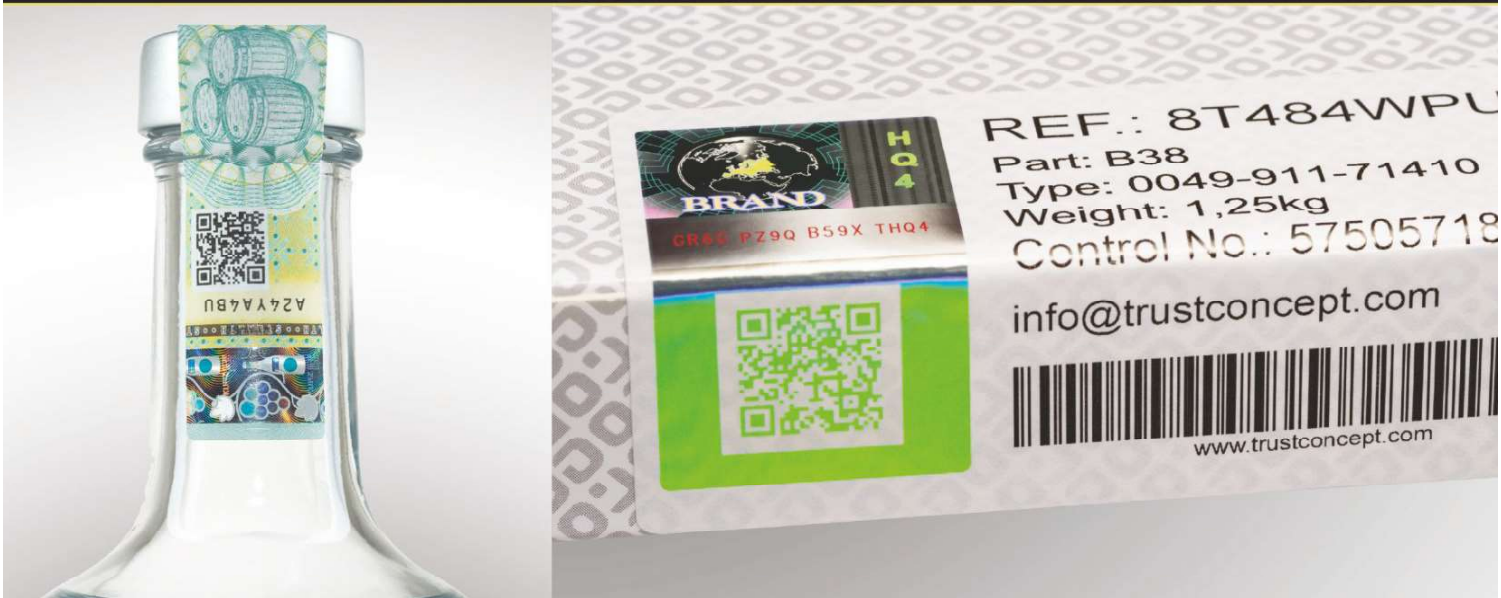
Figure 13: City wise extent of counterfeits-FMCG

Source: Consumer survey, CRISIL MI&A



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## Lower cost is driving the purchase of counterfeit products

As per the consumer survey, about 42% of the consumers willingly purchased counterfeit FMCG products out of which 38% of the consumers brought the products due to lower costs, while 26% brought them due to unavailability of original products. Price and the notion that copied products are of good quality drive consumers to buy counterfeit FMCG products. Lack of well-known brands in the interior markets of India creates demand for unorganised players to enter the market with look-alike products.

## Types of counterfeiting in FMCG

- **Look-alikes:** The packaging design of these products in terms of colours is almost similar to original or popular brands, while packaging carries a different name. For example, Lalita Amla resembles Dabur Amla, Fighter biscuits resemble Tiger biscuits, Fasline resembles Vaseline and Fair and Life resembles Fair & Lovely.
- **Duplicates:** These are actual replicas of original brands but their shape,

design, colour, packaging and ingredients are substandard. For instance, premium tea is mixed with low quality tea leaves, ghee is made with urea, mustard oil is mixed with substandard oil. Duplicate products can cause serious harm to consumer health.

## Methods adopted by the industry to check counterfeiting

Most FMCG companies have anti-counterfeiting departments, which hire third-party consultants to keep a check on counterfeiting. These follow the following process:

Tata Consumer Products, Hindustan Unilever, Godrej Consumer, Dabur, and Emami regularly engage with third party investigators, police, and government to conduct raids and seizures. FMCG manufactures are also setting up in-house brand protection department to keep a close watch on the supply chain, as well as using anti-counterfeiting solutions, such as QR codes, holograms, tamper proof packaging, real-time track and trace, etc. However,

they are hesitant to talk about this issue openly. Also, there is lack of communication with consumers. To lower counterfeiting in the segment, consumer needs to be educated on using mobile app scanners to check QR codes, and check holograms and packaging details before using the products. That said, ~35% of consumers who came across counterfeit FMCG products were unaware that the products were counterfeit, as per the survey. This is the highest among all segments.

To be sure, few brands have started providing clear and informative visual guides of their products, showcasing how consumers can differentiate real and fakes. For instance, Bisleri went viral with its *#HarPaaniKiBottleBisleriNahin* campaign. Brands are also opting for security hologram labels to ensure enhanced brand protection, identify signs of tampering, and help easily identify fake products.

- Leads** —> Internal/external source
- Investigation** —> Third-party investigations
- Evidence** —> Identification/proof of purchase
- Action** —> Civil/Criminal court
- Post Raid** —> Sales impact analysis  
—> Follow-up to check resurfacing

**Figure 14: Methods adopted by the industry to check counterfeiting**

Source: CRISIL MI&A



## Laws to protect against counterfeiting

The Food Safety and Standards Act, 2006 consolidated laws and established the Food Safety and Standards Authority of India, which lays down standards for food articles, and regulates its manufacture, storage, distribution, sale and import, to ensure safety for human consumption.

## Key markets for counterfeit FMCG products

As per CRISIL MI&A, FMCG counterfeiting takes place across India. However, it is higher in Bihar, Delhi, Madhya Pradesh, and Uttar Pradesh.

## Instances of counterfeit FMCG seizures in India

ASPA reported a total of 102 incidence of FMCG counterfeiting in 2021 v/s 121 in 2020. Packaged goods sub-segment saw higher incidence (75-85% share) as compared to personal goods.

**Table 8: Instances of counterfeit FMCG seizures in India**

Sr no.	DD/MM/YY	Location	Incident
1.	13-03-2022	Ghazipur, Uttar Pradesh	Two shopkeepers selling fake salt arrested
2.	09-03-2022	Kausambi, Uttar Pradesh	Two arrested with fake tea
3.	16-02-2022	Panchkula, Haryana	Factory of counterfeit toilet cleaner unearthed
4.	04-02-2022	Indore, Madhya Pradesh	Fake asafoetida worth Rs 50 lakh seized
5.	15-12-2021	Bhind, Madhya Pradesh	Salt sold under fake Tata brand in Bhind; 106 kg recovered
6.	14-09-2021	Khandwa, Madhya Pradesh	FDA Department caught fake branded water from beverage Factory
7.	04-08-2021	New Delhi	Fake detergent powder manufacturing factory located in Narela; owner arrested
8.	31-07-2021	Gorakhpur, Uttar Pradesh	Police raided and seized 375 litres of fake mustard oil
9.	25-06-2021	Aligarh, Uttar Pradesh	Fake energy drinks and injections seized
10.	20-01-2021	Gwalior, Madhya Pradesh	Fake milk and ghee made from urea, acid, detergent powder, and wax