Factors Affecting Consumer Buying Behaviour and Decision Making Process towards FMCG Products

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Abstract – Behaviour of consumers plays a crucial role in marketing the FMCG used by consumers and it depends on various factors. In the current era of globalization, the customer needs and tastes are changing over time. Undeniably, the fast moving consumer goods (FMCG) is contributing high to the growth of Indian GDP. It is necessary for marketers to learn about the factors that are affecting the behaviour of consumers in buying fast moving consumer goods. The main purpose of this paper is to find out the factors that are affecting the buying behaviour of consumers in purchasing fast moving consumer goods. It was found that the behaviour of consumers vary by location, price, promotion, product and physiological factors. However, the effect of these factors affecting the decision of consumers would vary from one product to another.

Keywords: Fast Moving Consumer Goods (FMCG), Consumer Behaviour, Growth, Decision Making Process

I. INTRODUCTION

Fast Moving Consumer Goods (FMCG) are also called as packaged goods. The goods that are categorized as FMCG are also known as consumables which include groceries, beverages, toiletries, drugs and pulses that are often purchased by the consumers. A list of goods that is purchased includes detergents, toilet soaps, toothpaste, shoe polish, foodstuff, and accessories related to household and electronic items. These items are purchased on regular basis by consumers and will have low cost (Report, 2012).

Fast Moving consumer goods consist of both food and non-food items that a consumer needs in his/her day to day life. These items are purchased by consumers regularly and these are promoted on a large scale to grab the attention of consumers to buy their brand products by the manufacturers. These goods are often purchased at supermarkets, departmental stores, hypermarkets, etc. (Leon and Leslie, 2006). The marketers are using new sales location and outlets to sell their products and have accessible to the customers easily. There are a few traditional retailers who have come up with label brand to reap extra profits. Every individual would use these consumer products regularly.

The main aim of a manufacturer is to gain brand reputation and distribute the products in almost every store to make it easily available for consumers. Many multinational companies are using global brands that are powerful. Local brands are substitute to these brands. When you distribute the products to all the stores by using an effective supply chain, your product will for sure be available for a consumer when he/she need it. The supply chain of FMCG is a collection of both processes and its associated resources. This includes suppliers, producers of products, logistic service providers, warehouses, distributors, wholesales and other people who would make the product ultimately reach customers (Kotler, 2002). This sales force activity will let you to distribute the products on high scale. Every industry has to thoroughly carry out market research, consumer research, segmentation and positioning of product. By promoting and advertising the product, carrying out POS activities, or creating brand awareness, doing trial or purchase is a key activity. Many people are promoting their products on television to reach wider range of audience. Internet is another medium of promotion which is acquiring popularity and usage. However, today, to create an ad one need to have ample amount of money, good creativity and perfect planning.
A. **Objectives of the Study**

1. To understand the concept of FMCG products in India
2. To learn and understand the marketing scope of FMCG products in India
3. To find out the factors that are having a huge impact on the buying behaviour and decision making process of consumers
4. To pull out a few strategies that are useful for marketing of FMCG products

II. **FAST MOVING CONSUMER GOODS (FMCG)**

Fast moving consumer goods are the products that are consumed by every consumer in day to day lives. These are to be used within days, weeks, months and years due to their shelf life (Chengappa, 2000).

The Fast Moving Consumer Goods (FMCG) is also called as Consumer Packaged Goods (CPG). These products are available at cost-effective prices and will reap the manufacturers’ high turnover. However, the profits that are made on FMCG products are relatively low. When these products are sold in bulk, then the manufacturer would get huge profits (Baumgartner, 2002).

Fast moving consumer goods have very short shelf life due to high demand for the product or the product gets perishable quickly. Few of the products that are categorized as fast moving consumer goods include meat, vegetables, fruits, dairy products and baked items. These are perishable quickly. Few other goods such as alcohol, pre-packaged food items, soft drinks, cleaning products, toiletries would have high turnover rates.

The level of involvement in buying these products is low, so consumers do not think or take much time to buy these products.

Fast moving consumer goods are classified as the products that are often purchased by consumers. Few of the fast moving consumer products that are frequently consumed by the consumers include soap, cosmetics, teeth cleaning products, shaving products, detergents, toiletries and a few non-durable products including glassware, bulbs, batteries, paper products and plastic items (IBEF, 2018). FMCG also include consumer electronics, packaged food items, drinks, pharmaceuticals, though these are categorized separately.

Three best examples of Fast moving consumer goods companies include Nestle, Unilever and Procter & Gamble. The subset of Fast Moving consumer goods are Fast moving consumer electronics which would include MP3 players, digital cameras, GPS systems, cell phones, mobile phones, laptops, etc.

III. **GROWTH OF FMCG IN INDIA**

The FMCG sector of India is considered to be the fourth largest one across the globe with profits of over US $672 billion (IBEF, 2018). This contributes a high proportion to the GDP growth of India. It is predicted that the FMCG market share would double from US 1.1 Trillion by 2020 (IBEF, 2018).

![Figure 1: Growth in FMCG Industry of India (US$)](Source: IBEF, 2018)

The FMCG sector is likely to see a growth factor of around 60 percent in both rural and semi-urban areas of India by 2020. Hair care products, household items, male grooming, female hygiene, chocolates and confectionary items are found to be growing quickly. Today, urban India is consuming over 66% of these fast moving consumer goods while rural India is consuming over 34%. However, it is expected that rural India would increase the consumption of goods to 40% in key FMCG categories (IBEF, 2018). In urban areas people are most fond of using items like personal care, skin care, household care and female hygienic products. The demand for these products would be increasing day by day and are sold at an attractive price. In food segment, the processed foods, bakery, daily products observes a long term growth in both urban and rural areas. Growing population in both urban and semi-urban areas have resulted in the rise of consuming FMCG products. The manufacturer is likely to receive huge sales volumes in the coming years.

Key players in the FMCG sector are Hindustan Unilever Ltd, Nestlé India, AMUL, Dabur India, Asian Paints (India), and Cadbury India, Procter & Gamble Hygiene and Health care, Britannia, Pepsi, Coca-Cola and other companies. As per the study conducted by ASSOCHAM, companies like Hindustan Unilever Limited and Dabur India sales are on the rise in rural India. In fact, half of the sales of these products are from rural areas (Sauer, 2001). The products that are manufactured by Colgate Palmolive India and Marico have 37% of...
consumption while the products manufactured by Nestle India Ltd and GSK Consumer drive see a rise of 25% sales from rural India.

With the increase in urban areas, there is a steep rise in young population which is giving ample opportunities for FMCG sector to produce products that are used by youngsters to reap huge profits (Vibuti, 2014). The Finance Ministry has introduced Goods and Service Tax (GST) in 2017. This a great move that has increased the consumption, production and employment opportunities directly while reducing all indirect taxes that costs not less than 35% of total cost of consumer goods, which is the highest in Asian countries. The key thing to understanding from this is that, the India market is growing at a faster pace and is showing many business opportunities. In this viewpoint, we have decided to carry out a study on consumer behaviour and their buying decisions while buying FMCG products.

IV. CHARACTERISTICS OF FMCG INDUSTRY IN INDIA

Branding: It is important for the company’s manufacturing fast moving consumer goods to have a strong brand present and they should invest a huge amount of money in strengthening the brand (Sinha, et. al., 2012). With functional characteristics that are challenging to attain in this competitive market, branding would help you gain loyal customers and improve sales figure.

Distribution Network: This has given a breeze to the Indian retailing industry. However, due to poor infrastructure, manufacturers are unable to distribute their products to rural and a few parts of urban markets. FMCG companies are developing the best distribution network to distribute the products throughout India (Sinha, et. al., 2012). Once a strong distribution network is created, it reaps umpteen benefits to the manufacturer and keeps them ahead of its competitors.

Contract Manufacturing: FMCG companies would focus mostly on building brands, product development and creating distributed networks. At the same time, these companies are outsourcing production requirements to third party producers to meet the consumer demands (Sinha, et. al., 2012). There are many items that are manufactured by small scale industries only with SSI units are enjoying high tax incentives. The contract manufacturing is growing rapidly due to its importance and huge popularity.

Large unorganized sector: The unorganized sector has a huge space in FMCG sector (Sinha, et. al., 2012). Many companies are using their location advantages, regional presence to reach consumers in remote areas where large consumer products are highly in demand. The low cost of these products would give them high advantages.

V. GOVERNMENT INITIATIVES

Some of the major initiatives taken by the government to promote the FMCG sector in India are as follows (Veeck and Veeck, 2000):

- The Indian government has planned to spend on the rural areas in order to increase farmers’ income in the span of 5 years. Moreover, the government has also planned to reduce tax slabs/rates
- The Indian government has allowed 100% Foreign Direct Investment (FDI) in online retail of goods through automatic path to facilitate e-commerce businesses in India.
- The government of India has planned to train more than 500 million people by 2022 to encourage entrepreneurs to invest in the venture.
- The Indian government has prepared a new Consumer Protection Bill to ensure simple, speedy, accessible, affordable and timely delivery of justice to consumers
- Goods and Service Tax (GST) for FMCG products is considered beneficial for the FMCG industry.

VI. FACTORS INFLUENCING CONSUMER BUYING BEHAVIOUR

Everyone is a consumer. We consume goods to survive in this world every day. We consume the products based on our needs, preferences, tastes or liking and buying capacities.

What consumer is buying, how they are buying, from where they are buying and when they are buying and how much quantity they are buying would depend on the family sized, social and cultural background, perception, self-concept, attitudes, belief values, motivation, social class, personality and various other factors. While buying any product, one would think of whether or not to buy or from which place they want to buy. In certain areas, there would be rich people who can afford to buy the items in huge quantities in shorter period of time. In poor societies, people could not meet their day to day needs. The marketers would understand the needs of every consumer and their buying behaviours (IBEF, 2018). However, to understand this, they have to do extensive research on internal and external
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environment and then come up with right marketing tactics (Kardes, et al., 2011).

In 1950s, the concept of marketing came into existence and the need of studying consumer behaviour was on need of the hour. Marketing will starts with the understanding of consumer needs and ends with their satisfaction. When everything is enveloped with a consumer, it is crucial for one to study their behaviour to sell their products better. First, it all starts with buying a product (Fullerton, 2013). Goods can either be purchased in groups or by a person. Goods are bought to meet the day to day needs or for comforts or luxurious living in small or bulk amounts. For this, exchange is critical. This exchange happens between a buyer and a seller. This can also be between two consumers.

Consumer behaviour would largely depend on their buying decision or physical activities that will involve acquiring, evaluating, using and throwing of products and services.

The definition here will give you a clear cut picture that it is not just buying of product or service that needs the attention of consumer, but it also depends on the process before consumer starts buying a product. Buying a product in between the process once the consumer understands its pros and cons. There should be extensive internal and external research to be conducted. After doing the research, the consumer would take a desired action of buying the product and then after buying the behaviour of consumer is important. This gives the result of whether or not the product is selling out successfully in the market.

To thoroughly understand the customer likes and dislikes, you would need to carry out a thorough research on the consumer buying behavior. The researches would let you find out the following

- What is the consumer thinking about the company’s product and its competitors?
- How to improve the product based on the received feedback?
- How consumers are using the product?
- What is the attitude of consumers towards your ads and product?
- Role of consumer in a family?

Consumer behaviour is the key part and is a multidimensional process that is challenging to understand. Undeniably, the decision of buying or not would totally depend on their behaviour.

Marketing strategy is the main plan of manufacturer that they have to strictly follow to stay ahead of competitors or place to attain a desired objective. To have a solid marketing strategy and to sell the product quickly, you would need to do cost-benefit analysis. There would be umpteen benefits that a product would offer. For instance, to buy a motor bike, you would be looking and would buy it to commute to office, status, pleasure, comfort and have an ownership on vehicle. The cost it would incur for a consumer to maintain a motor bike would include buying a bike, expenses to maintain, gasoline, parking, injury risk, and taking the frustration of traffic jams. The thin line between total benefit and total it would cost to a consumer decides the consumer value (Siddiqui and Agarwal, 2017). To give high consumer value, you would need a solid marketing strategy. The entire process involves analyzing the market to target a selected audience and then come up with right strategies that would juggle between product, price, promotion and distribution to offer the best product to consumers. The product would create an impression in the customer minds before actually he buys the product and also afterwards.

VII. MARKETING STRATEGY AND CONSUMER BEHAVIOUR

(i) Marketing Analysis
   - Consumer
   - Company
   - Competition
   - Condition

(ii) Marketing Segmentation
   - Identify product related needs
   - Group customers with similar need sets
   - Describe each group
   - Select target market

(iii) Marketing Strategy
   - Product
   - Price
   - Distribution
   - Communication
   - Service

(iv) Consumer Decision Process
   - Problem recognition
   - External and internal information search
A. Market Analysis

To analyze a market, the marketer should have sound understanding of the 4C’s. This includes consumer, conditions, competitor and the company (Perreau, 2014). There is a study that is conducted to learn about the consumer value, which is the key objective of a company. To give the better of the best one should learn about the consumer needs, company offers, competitors and most importantly the environment which is economic, physical, technological, etc.

a) The consumer

To learn about the consumer, researches are done. At times, you would need to carry out motivational research to bring hidden attitudes, emotions and feelings. Many companies would send questionnaires to consumers to learn about their satisfaction after using the product, what they are expecting in the next products and ideas to improve or develop a new product (Perreau, 2014). Based on the feedback received from consumers, changes are made in marketing mix and advertising the products.

b) The external analysis (company)

The external analysis is carried out after receiving valuable feedback from industry analysts and marketing researchers (Perreau, 2014). The internal analysis is carried out to understand the financial condition, sales quantum, force and other factors in the company. The study factors would let you to better understand consumer needs.

c) The competition

After doing marketing analysis, strengths and weaknesses of the competitors, strategies, anticipated moves to be taken in the future and reaction of companies are listed out. Plans and moves are made based on this. The companies would change their marketing mix after analyzing the competitors market and come up with the best of the best product from its competitors (Perreau, 2014). This is a challenging task that is easy to discuss, but tough to do. It is the job of a researcher to get accurate information about competitors and their next moves.

d) The conditions

The operating conditions of every firm are also required to be considered. The factors that require to be carefully studied are economy, government regulations, physical environment and technological developments (Perreau, 2014). The above stated factors influence customer’s needs. For instance, decline in environmental surroundings might lead to innovation of products to prevent pollution. Now days people are fitness freak and seek for safe environment hence this would result in new products being invented to cater the needs of the customer. But if market hits recession, it turns necessary to introduce strategies to be deployed to balance the flow of money.

B. Marketing Segmentation

The markets are segmented depending upon their size. Those which are part of a larger sector but homogenous and have a pattern in the requirements is grouped together to be name as segmented as per their needs

a) Need set

It specifies and assures the existence of products that meet more than one need of the customer. For example: An Automobile can be regarded as a product that fills time saving needs, fun needs, status and transportation needs. Hence, companies try to find these needs and then identify them with respect to different products. After this, they group all in various segments as per the needs they fulfill.

b) Demographic and Psychographic Characteristics

In this the companies try to find the characteristics associated with products. They mark the pattern in which a particular product is brought and consumed.

c) Target Segment

After completion of all the above stated process, it is now the job of the company to Target the customers known as Target segment considering ways by which the company can provide best valued product to the customer along with earning a profit (Riley, 2012). The companies that would seem to draw maximum benefit to company is selected from the
segment. It should be noted that different companies would incorporate different strategies and so it is necessary to adjust the market mix strategies as per the environmental condition.

C. Marketing Strategy

Various strategies are undertaken to provide customer value. When it comes to marketing strategy, the 4-ps are solely directed towards the Target segment.

a) Product

It is something that can be offered to the customer. Being tangible by nature, a product is expected to cater the needs of the customer and also provide some value.

b) Price

It is the amount that a customer needs to pay in order to acquire the right to access the product.

c) Distribution (Place)

Goods that need to flow in the market can be distributed using any of the various channels available. From wholesalers to retailers, agents to direct selling, distribution are an important factor in determining the actual transfer of goods to customer (Riley, 2012). These provide the customer with time, place and possession facility.

The channel through which a product needs to flow depends on it. While some goods require the use of a middleman, some can be sold directly to end users.

d) Promotion

The driving factor in marketing strategy is promotion. A unique way to change the mindset of the customer. Advertisements, personal selling, publicity all together contribute towards driving maximum profit for the company.

e) Service

Services refer to the added benefit provided to the user while buying a product. This in a way helps increase the sale of a product or a service. For example: Buying a car can provide you with free checkup services to avail. These services are provided in the company's cost. These auxiliary services aim at providing value to end users. The above advantages help the customer from being concerned about the unavoidable risks. As a result the customer is satisfied with his decision to buy that particular product or service.

D. Consumer Decision Process

The customer needs to go through a series of steps in the decision process. It starts with making a decision in order to solve any existing problem (Riley, 2012). For example, consider the temperature in the house needs to be cold. For this, the first thing that needs to be done is to perform a search operation to determine ways by which the cold atmosphere can be achieved. It could be done either by an air conditioner or a cooler. Post finding the ways, a cost benefit ratio analysis is performed to find the most optimal decisions. That is determining which of the said ways would provide maximum profit to the company. Being highly flexible and effectively meeting the user’s needs is what a decision would stand by leading to purchase and consumption of the product by the user.

VIII. APPLICATIONS OF CONSUMER BEHAVIOUR IN MARKETING

According to Thangasamy and Patikar (Thangasamy and Patikar, 2014), application of principles based on consumer behaviour is stated below:

a) Analyzing Market Opportunity

The study of the behaviour of users helps to determine and identify the needs of the customer that cannot be fulfilled. This seeks examining the pattern and conditions prevailing in the consumer's lifestyle, market area, and economic influences (Siddiqui and Agarwal, 2017). This could in a way unveil the unsatisfied desires of the user. The idea to increase the number of households with dual income, large prominence on convenience and respite has led to the urgent needs of gadgets such as washing machines, air conditioner, vacuum cleaners, child care center etc. One of the astonishing products that led to dissatisfaction of customers was mosquito repellent.

b) Selecting Target Market

A detailed thesis of market opportunities can help in finding various segments of customers each having distinct and unique needs and desires. Notifying the various segments of customers, finding how they respond to a particular product and what influences them to purchase a product help marketers to design or strategic products in such a way that eventually meets the needs and wants if specific customer (Hoffman and Turley, 2012). For example: A recent research, drafted that segments of people do not prefer buying bottles of shampoo having a price of RS 60 or more and would rather opt for small sachets that ensure multiple wash in a single sachets. This helped marketers to increase their production of shampoo in sachets thereby increasing their overall sale.

c) Marketing Mix

Once the needs and wants of the customer are identified, it is the job of the marketers to determine the right mix of the 4ps, product, price, promotion and place. Even here the study of consumer
behaviour is important in identifying answers to various questions.

1. **Products**

The marketers created and design the products that would eventually satisfy all the needs of the customer that were previously unfulfilled (George, 2010). They further layup Decisions regarding the product's shape, size and features of the same. They are also expected to determine and place an attractive package containing warranties, service and accessories of the product sold. Nestle was the first to bring the concept of Maggie in capsicum flavor. Relating to this they shifted their innovation based on geographic locations and ended up introducing sambar, mixed vegetables and dal Atta noodles as well.

2. **Price**

The second driving factor in the marketing mix is the product's price. It is of immense Importance to have the product priced at a range both suitable for consumer and marketers. It is their duty to decide the price of the product which directly influences the revenue generated by the company. Can the marketer’s higher, lower or same amount as companies in competition. Will reduces prices elevate sales, are their monetarily sensitivity, should the marketers give discounts?

To answer all of the above queries, the marketers must have a clear idea regarding how its products are perceived by the consumer. How important is a price of the product and is it tremendously responsible to drive sales. This can be known only by a detailed study of how customer behaves when it comes to buying FMCG goods.

3. **Promotion**

It is strategies deployed to popularize products in the market. The most important ways to advertise the products or services is through sales promotion, publicity, direct selling, marketing, etc. It depends solely on the marketer to choose which particular method would be more convenient and efficient as compared to others. The driving method must be able to reach out to customers in a smooth way. It could be such that only posting advertisements in television marketwise products or sometimes it turn necessary to combine advertisements along with sales promotion to drive maximum benefits. The company must have entire knowledge regarding the kind of customer they Target, their corresponding locations, which products affect then and by what means. The appropriate channel must be used to elevate their sale.

For products related to industries, they hardly need any kind of promotion techniques.

Advertisements are also not required to promote industrial goods. All they need is brochures comprising of all technical details related to the product along with a sales person visiting the customer’s place to demonstrate and further spread the word. The sector that requires maximum promotion in terms of advertising is the FMCG. While the industries related to pharmaceutical drugs require personal selling to increase sales, insurance firms utilize both advertisements and personal selling.

4. **Distribution**

The next important feature is to determine the channel through which the product needs to flow in the market. Choosing to sell the products through selective retail outlets or in varied supermarkets is the decision of the marketer. The marketer needs to choose whether the particular product needs to be sold in the existing stores that might have products of varied brands or to create a brand owned store selling only that particular product. Does the location satisfy the consumer area of interest or the company should adopt measures incorporating direct marketing.

All these can be answered only through a detailed study of consumer behaviour regarding purchase of a product or a service. For instance, when Eureka Forbes launched vacuum cleaners, hardly people had much knowledge regarding its use and consumption. Hence the company shifted its strategy to direct selling where the salesperson would visit the door to door demonstrating the products along with detailed benefits of the same. This is in a way help the company boosts its sales and gain popularity.

**d) Use in Social and Nonprofit marketing**

The studies related to the consumers behaviour help to design strategies by social, nonprofit governmental organizations in way increase the readiness of their programs such as family planning, crime against women, AIDS awareness, environmental concern and safe driving along with UNICEF, Red Cross and Cry etc. all utilize an understanding of the consumer behaviour in a way boosting their products and services and also motivating and influencing more people to support these nonprofit organizations.

**IX. CONCLUSION**

In today era the revolution created in the market place gives way to customize goods and services and advertise them to generate more profit as
compared to old tools. By doing things in such a way it enables marketers to maintain a healthy relationship with their customers just like the grocers, jewelers and salesperson have done in the past few years and in the most effective and efficient way. Digital media marketers help marketers to scrutinize data responsible for determination and influence customer purchase behaviour. Also, these technologies help customers to gain tremendous knowledge about a product or a service.

It could be concluded that almost every FMCG has shown tremendous growth in past twenty years and would continue to do so in future. In future, more innovative ways could be found to sell products, using technology to create a support chain, innovative products, varied ideas with the goal to satisfy customer’s needs and wants. To support government must create an enabling environment and tackle issue related to urban sector to help industries rise to a peak. On the other hand, with the share of unorganized market in the FMCG sector falling, the organized sector development is expected to rise with increased level of brand consciousness, additionally augmented by the development in modern retail. Another important point propelling the demand for food services in India is the developing youth populace, essentially in the urban regions. India has a large base of young consumers who shape most of the workforce and, due to time imperatives, barely get time for cooking. Online portals are expected to assume a key role for companies endeavoring to enter the hinterlands. The Internet has contributed bigly, encouraging a cheaper and more convenient means to increase an organization's reach. It is estimated that 40 per cent of all FMCG purchases in India will be online by 2020, thereby making it a US$ 5-6 billion business opportunity. By the year 2025, e-commerce will contribute around 10-15 per cent sales of few categories in the FMCG sector.

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