CHAPTER IV

CONSUMER BEHAVIOUR AND SELECT FAST MOVING
CONSUMER GOODS MARKET: AN OVERVIEW

4.1. Introduction

The consumer is one who pays to consume the goods and services produced. They play a vital role in the economic system of a country. In the absence of their effective demand, the producers would lack a key motivation to produce, which is to sell to consumers. As a result of the social and economic development of contemporary societies, the study of consumer behaviour has undergone a well-built development process, during the past years consumer behaviour acquiring its own status among sciences. Due to the multiple interdependences and parameters emerged from the coalescence in consumer behaviour, there have been numerous approaches related to consumer behaviour concretized in fundamental theories and models. These theories and models of consumer behaviour have been developed at different moments in time and bear the peculiarities of the era; they are rather episodic than systemic approaches. Consumer behaviour involves the use and disposal of products and questioning how they are purchased. The product or services a consumer regularly use is of great interest to the marketer, because this can help them to find out how a product is best positioned in order to persuade consumers to increase their
consumption. Consumer decision-making models are widely used in consumer behaviour research.

4.2 Approaches to Consumer Behaviour

A number of different approaches have been adopted in the study of decision making, drawing on differing traditions of psychology. Writers suggest five major approaches. Every one of these five conceives alternate models of man, and emphasizes the need to examine quite different variables.\(^1\) The five approaches are economic man, psychodynamic, behaviourist, cognitive and humanistic.

4.2.1. Economic Man

Early research regarded man as entirely rational and self-interested, making decisions based upon the ability to maximize utility even as expending the minimum effort. While work in this area began around 300 years ago, the term economic man was first used in the late 19\(^{th}\) century at the start of more sustained research in the area.\(^2\) So as to behave rationally, a consumer would have to be aware of all the accessible consumption options, be capable of appropriately ranking each alternative and be


available to select the optimum course of action. In addition, the individuals are often described as seeking satisfactory rather than best choices.

4.2.2. Psychodynamic Approach

The psychodynamic tradition within psychology is widely attributed to the work of Sigmund Freud. This view posits that behaviour is subject to natural influence through instinctive forces or drives which act outside of conscious thought.³ Freud identified three facets of the psyche, namely the id, the ego and the superego.⁴ The key tenet of the psychodynamic approach is that behaviour is determined by biological drives rather than individual cognition or environmental stimuli.

4.2.3. Behaviourist Approach

In 1920, John B. Watson published a landmark study on behaviour which became known as ‘Little Albert’.⁵ This study concerned teaching a small child to fear otherwise benign objects through repeated pairing with loud noises. The study proved that behaviour can be learned by external events and thus largely discredited the psychodynamic approach that was predominant at the time. Essentially behaviourism is a family of

philosophies stating that behaviour is explained by external events, and that all things that organisms do, including actions, thoughts and feelings, can be regarded as behaviours. The causation of behaviour is attributed to factors external to the individual. The most influential proponents of the behavioural approach were Ivan Pavlov who investigated classical conditioning, John Watson who rejected introspective methods and Burrhus Skinner who developed operant conditioning. These developments relied deeply on logical positivism purporting that objective and empirical methods used in the physical sciences can be applied to the study of consumer behaviour.\textsuperscript{6} Initially, ‘between 1930 and 1950 Skinner founded radical behaviourism which acknowledges the existence of feelings, states of mind.\textsuperscript{7} The assumed role of internal processes continued to evolve in subsequent decades, leading to more cognitive approaches with a new branch of study ‘cognitive behaviourism’ claiming that intrapersonal cognitive events and processes are causative and the primary irreducible determinants of overt behaviour.\textsuperscript{8}


4.2.4. Cognitive Approach

The cognitive approach ascribes observed action to intrapersonal cognition. The individual is viewed as an information processor. This intrapersonal causation clearly challenges the explicative power of environmental variables suggested in behavioural approaches; however, an influential role of the environment and social experience is acknowledged, with consumers actively seeking and receiving environmental and social stimuli as informational inputs aiding internal decision making. The cognitive approach is derived in a large part from cognitive psychology which can trace its roots back to early philosophers such as Socrates who was interested in the origins of knowledge, Aristotle who proposed the first theory of memory and Descartes who explored how knowledge is represented mentally in his meditations. The cognitive psychology truly emerged as a mainstream and useful field of study with the development of the stimulus-organism-response model. There are distinct branches of cognitive psychology. Contemporary cognitive psychology has identified and developed a wide range of factors which are thought fundamental to these intrapersonal processes including: perception, learning, memory, thinking, emotion and motivation. Early stimulus-organism-response models suggest a linear relationship between the three stages with

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environmental and social stimuli acting as external antecedents to the organism. The modern theorists now acknowledge that information processing is conducted by an active organism whose past experience will influence not only the processing of such information but even what information is sought and received.\textsuperscript{10} Cognitivism assumes that the consumer is rational, discerning, logical and active in decision making. A cognitive approach is more appropriate in the examination of ethical purchasing behaviour. The complexity of such actions cannot be accommodated through behavioural models and, the benefits of ethical consumption are largely vicarious in nature, requiring extensive intrapersonal evaluation. There are two major types of cognitive models. Firstly, analytical models which provide a framework of the key elements that are purported to explain the behaviour of consumers. These models identify a plethora of influencing factors, and intimate the broad relationships between factors in consumer decision making.\textsuperscript{11} The theory of buyer behaviour and the consumer decision model are two of the most widely cited analytical models. Secondly, prescriptive models provide guidelines or frameworks to organize how consumer behaviour is structured. These models include the order in which elements should appear

\textsuperscript{10} Groome, et al. (1999). \textit{An Introduction to Cognitive Psychology}, Hove: Psychology Press.

and prescribe the effect that should be observed given certain causal factors. The widely referenced and used prescriptive models are the theory of reasoned action and the theory of planned behaviour.

4.2.4.1. Analytic Cognitive Models

The theory of buyer behaviour Howard developed was the first consumer decision-model in 1963. This model was developed further in 1969 by Howard and Sheth to become the Theory of Buyer Behaviour. It provides a sophisticated integration of the various social, psychological and marketing influences on consumer choice into a coherent sequence of information processing. The authors’ interest was in constructing a comprehensive model that could be used to analyze a wide range of purchasing scenarios, and as such the term buyer was preferred over consumer so as to not exclude commercial purchases. Input variables are the environmental stimuli that the consumer is subjected to, and is communicated from a variety of sources. Significative stimuli are actual elements of products and brands that the buyer confronts, while symbolic stimuli refer to the representations of products and brands as constructed by marketers through advertising and act on the consumer indirectly. Social stimuli include the influence of family and other peer and reference groups. The hypothetical constructs can be classified into two categories: those described as perceptual constructs, and those described as learning
constructs. Perceptual constructs include: sensitivity to information, perceptual bias, and search for information. The model draws heavily on learning theory concepts, and as such six learning constructs are represented: motive, evoked set, decision mediators, predispositions, inhibitors and satisfaction. According to this approach, consumer decision making differs according to the strength of the attitude toward the available brands; this being largely governed by the consumer’s knowledge and familiarity with the product class. In such situations, the consumer will undertake prolonged consideration before deciding which product to purchase, whether to make any purchase. As the product group becomes more familiar, the processes will be undertaken less conscientiously as the consumer undertakes limited problem solving and eventually routine problem solving. Howard and Sheth noted that the exogenous variables contained the history of the buyer up to the beginning of the period of observation. The five output variables of the model represent the buyers’ response, and follow the progressive steps to purchase: attention, comprehension, attitudes, intention, and purchase behaviour.

4.2.4.2. Consumer Decision Model

The consumer decision model was originally developed in 1968 by Engel, Kollat, and Blackwell and has gone through numerous revisions. The model is structured around a seven point decision process, namely, need
recognition followed by a search of information both internally and externally, the evaluation of alternatives, purchase, post-purchase reflection and finally, divestment. These decisions are influenced by two main factors. Firstly stimuli are received and processed by the consumer in conjunction with memories of previous experiences, and secondly, external variables in the form of either environmental influence or individual differences. The environmental influences identified include: culture, social class, personal influence, family and situation. While the individual influences include: consumer resource, motivation and involvement, knowledge, attitudes, personality, values and lifestyle. After a need has been acknowledged, the consumer embarks on a search for information, both internally through the consumers’ memory bank of previous experiences and externally. The depth of information search will be highly dependant on the nature of problem solving. Information is said to pass through five stages of processing before storage and use, namely, exposure, attention, comprehension, acceptance and retention.

4.2.4.3. Theories of Reasoned Action and Planned Behaviour

Prescriptive cognitive models were first developed in the 1960’s when marketing researchers increasingly focused on beliefs and attitudes as determinants of consumer buying behaviour. The most influential work in this area was by Martin Fishbein. His model proposed that a person’s
overall attitude toward an object is derived from his beliefs and feelings about various attributes of the object. While this model provided a significant contribution in the area, it was developed further. This revised model became known as the theory of reasoned action. Behaviour is said to be approximately equal to behavioural intention, which can be derived from a combination of the consumer’s attitude toward purchasing the product and the subjective norms about the behaviour. The relative contributions of attitudes and subjective norms will not necessarily be equal in predicting behaviour, depending on the individual consumer’s propensity to care about others’ views, the consumption situation, or the product type under consideration, with conspicuously consumed products tending to be influenced to a greater degree by the subjective norm variable than less conspicuous products would be. Another notable change in approach seen in TRA is that attitude toward the behaviour is measured rather than simply the attitude toward the object. For a variety of reasons, it is purported that behaviour is not always within the complete control of the actor, and as such an additional variable mediating between intentions and behaviour is necessary. Ajzen provided the theory of planned behaviour, which is an extension of the TRA. The construct perceived behavioural control is formed by combining the perceived presence of factors that may facilitate or impede the performance of behaviour and the perceived power of each of these factors. In the TPB, behavioural intention is controlled by a dynamic
mix of the attitude, subjective norm and perceived behavioural control variables.

4.2.5. Humanistic Approach

There are a growing number of academic writers who stress the limitations of the cognitive approach and develop new approaches to further understanding of specific aspects of behaviour. These new approaches can be described as humanistic as they seek to explore concepts introspective to the individual consumer rather than describe generic processes. The three most pressing areas for research were identified by Nataraajan & Bagozzi in 1999. Firstly cognitive approaches rely upon the assumption of the consumer being a rational decision maker. Secondly, emerging work has started to examine concept of volition. Thirdly, the almost universal acceptance of egoism in marketing theory at the expense of altruism; there is a lack of research that has examined the influence of altruistic motives on any consumer behaviours. The humanistic approach includes theory of trying and model for goal directed behaviour.

4.2.5.1. The Theory of Trying

The theory of trying provides an interesting alternate approach to the models previously considered. Rather than examining explicit behaviour, the model assesses trying to act. Subjective norms, attitude toward the process or means of trying, attitudes and expectations of success and
attitudes and expectations of failure are posed as the key antecedent
variables to intention to try; itself the key precursor to trying. Past
behaviour has been found to influence consumer choice. Bagozzi suggests
that consumers have behavioural goals in many situations, and they must
expend effort and make purposive endeavour to fulfill these goals. To date
the theory of trying has mostly been applied to health related decisions.

4.2.5.2. The Model of Goal Directed Behaviour

The model of goal directed behaviour draws heavily on the theory of
planned behaviour, with each of its constructs being represented. The model
of goal directed behaviour is seen to provide a composite view of decision
making that has benefited from the wealth of research that has been
undertaken in the field. Desire is argued to be a stronger predictor of
intention than attitudes, subjective norms or perceived behavioural control,
and appears to be consistent with recent research in developmental, animal
and social psychology.

4.3. Select Fast Moving Consumer Goods Market

In this section, the select fast moving consumer goods markets are
narrated:
4.3.1. Toilet Soap Market

Toilet soap is an important day to day requirement of any consumer. It is generally used for cleansing one's body. Soaps, depending on the other ingredients, may also moisturize the skin and/or kill bacteria that can cause odour or diseases. Soap whether it may be scented or unscented, flavoured or not flavoured, may be in gel or in bar, liquids, soaps has become a part of daily lives. Over the years, the transformation in the soap market has been immense. When first introduced in India at the end of the nineteenth century, all soaps were positioned as cleansers. However, as the markets developed, the reasons for buying soap also evolved. Some special attributes such as unique ingredients, impact on skin and complexion, brand name, fragrance, freshness, protection from pimples, etc. are promoted to attract the customers.

Toilet soaps can be classified broadly into men’s soaps, women’s soaps, kids and baby soaps. There are few specialty soaps like the glycerin soaps, sandal soaps, specially flavoured soaps, medicated soaps. Toilet soaps also can be classified into four categories namely premium, popular, economy and carbolic soaps. The premium category includes Dove, Mysore Sandal, Pears and some international brands. Brands in the popular category include Cinthol, Santoor, Rexona, etc. Likewise, Fairglow, Godrej, etc. come under economy brands. Carbolic brands include Lifebuoy and Nima
bath soap. Over the years, the popular segment has witnessed rapid growth and has been the category driver. Consumers shift from the premium segment as and when they see better value in the popular category. At the same time, consumers upgrade from the economy segment due to increasing disposable income in both urban and rural areas.

In India, bath soap market is steadily developing very fast and day by day many new varieties, flavours, and fragrances are added and new strategies are identified by various companies to exist in the market. The growth is comparatively higher than the population growth in India. The reason for this growth is because of consumers’ increasing awareness towards hygienic standards. In India, toilet soaps are marketed through more than 5 million retail stores. The market size of the Indian soap industry is around Rs.7129 crores. The market is flooded with several, leading national and global brands and a large number of small brands, which have limited markets. The Indian soap industry includes about 700 companies with combined annual revenue of about $17 billion. The leading players in this market are HUL, Godrej Soaps, Wipro, Reckitt and Benckiser, etc. The rest of the market is highly fragmented, with companies having strong presence in select segments. However, the per capita consumption of toilet/bathing soap in India is very low at 800g.
Competition amongst the multinational companies has intensified, leading to shrinkage of margins. For the purpose of gaining a competitive edge, Indian companies are now re-launching their brands with value additions to woo customers across India. Soap manufacturers originally targeted their products to the lowest income strata in urban as well as rural areas. Now, the rural market is emerging more than 60 per cent. Interestingly rural consumers’ demand is increasing, which makes more and more soaps brands being launched in the discount segment. This discount segment mainly concentrates on lower income strata of consumers.

4.3.2. Detergent Market

As a result of rapid urbanization, the demand for better quality household products is constantly on a rise. To cater to this increasing demand of quality washing powders, most of the top detergent brands in India are continually introducing better packaged detergents that are offering a host of benefits in a single wash. Washing powders were categorized into four segments, namely economy (selling at less than Rs.25 per kg), mid-priced (Rs.25- Rs.90 per kg), premium (Rs.90-Rs.120 per kg) and compact (selling at over Rs.120 per kg). The compact, premium and medium priced segments together accounted for 20 per cent of the volume share and 35 per cent of the value share.
The detergent market in India consists of two major categories, namely the hand-wash and the machine-wash categories. Powder detergents and bar-detergent form a major portion of the hand-wash segment. On the other hand, in the machine-wash segment, the powder detergents and liquid detergents are the main types. The machine wash sale has been dominated by powder detergents, with a 98 per cent share in the market, which has a size of Rs. 18700 million. The hand-wash category, which has a size of Rs. 85466.80 million, is also dominated by the powder detergents but by a smaller percentage compared to the machine-wash category. The remaining contribution comes from the bar detergents. The size of the Indian detergent market is roughly estimated to be Rs. 12000 crores. Detergent cakes accounted for 40 per cent of the synthetic detergent used, while powder accounted for the rest. Characterized by immense competition and high penetration levels, the Indian detergent segment is ruled by players like Hindustan Unilever Limited, Nirma, Henkel and Proctor & Gamble. In India HUL holds a 38 per cent market share in the washing powder segment.

4.3.3. Noodles Market

From the days of a fringe dish targeted at children, the noodles as a food have come a long way. Today, it has evolved as a mainstay meal even for grown-ups. With changing social ethos and the rise of demographic
profile, the fast food category is witnessing feat after feat in recent times. In the early eighties, the conservative and typical food consumption era, the concept of ‘ready-to-cook’ food was alien to the Indian market. People were doubtful to experiment with food especially food meant for their children. Despite the unfavourable circumstances, Swiss giant Nestle with its brand Maggi took the challenge and launched itself in 1983. The brand’s appropriate realization of target segment, effective positioning and effective promotion and sales made Maggi the most-loved noodle brand in India.

Market estimates put the noodles sector in the country currently at around Rs.1300 crore and growing at around 15% to 20% annually. Whether it is Glaxo Smith Kline's Horlicks Foodles, Hindustan Unilever’s Knorr Soupy Noodles, or ITC's Sunfeast Yippee, every one wants to seize a share of the consumer’s palate and wallet. GSK, Hindustan Unilever, and ITC are players which have got well-oiled supply chain networks, vast distribution reach and intricate marketing network in both urban and rural areas. Though, the only serious competition Maggi had until now was from the Japan-based Nissin Group's Top Ramen. Recently, Maggi brand of noodles is banned in the Indian market.

4.4. Summary

An endeavour was made to give a brief description about two aspects in this chapter namely consumer behaviour and select fast moving
consumer goods markets. In regards consumer behaviour, any person engaged in the consumption process is a consumer. His behaviour includes both mental and physical actions. The major theories of consumer behaviour can be grouped with economic man, psychodynamic, behaviourist, cognitive and humanistic. Consumer behavioural models describe the decision-making process of consumers. In case of select fast moving consumer goods, their market size, major brands and players are discussed.