CHAPTER I
INTRODUCTION AND DESIGN OF THE STUDY

1.1 INTRODUCTION

The “Fast Moving Consumer Goods” (FMCGs) sector is one of the booming sectors of the Indian economy. This sector has experienced an outstanding growth in the past decade. This sector comprises of four main segments, which include personal care, household care, food & beverages, and health care products. Personal care products are oral care, hair care, toiletries, soaps and cosmetics; household care are fabric wash and household cleaners; and food and beverages include health beverages, soft drinks, cereals, dairy products, bakery products, chocolates and so on. Health care products include over the counter products as well. FMCGs sector is an important contributor to India’s Gross Domestic Product (GDP) and is also the fourth largest sector in the Indian economy, responsible for providing employment for more than three million people in downstream activities which are generally carried out in smaller towns and also in rural India.

The liberalization of the Indian economy had far reaching consequences, which led to the entry of global brands in the Indian market. Earlier companies focused their marketing efforts on the urban market targeting the educated consumer. However with the saturation of markets in the urban sector, many companies focused their attention towards the fast growing rural sector. And also the rural markets in India are still evolving, and the sector poses a variety of
challenges. The consumption patterns, tastes and needs of the consumers are entirely different from the needs of urban consumers. While it is evident that urban consumer has adapted himself to the fast changing consumerism much faster than the rural consumer due to higher exposure to media and changing lifestyle, the rural consumers are not far behind. Hence the buying behavior of consumers has become a hot topic for discussion because rural India, in recent days, is enthusiastically consuming everything from shampoo to motor cycles and this “rural predilection” is being considered as one of the significant topics of market analysis.

1.2 FAST MOVING CONSUMER GOODS

Products which have a quick turnover and relatively low cost are known as Fast Moving Consumer Goods (FMCGs). FMCGs are those that get replaced within a year. FMCGs generally include wide range of frequently purchased consumer products such as toiletries, soap, cosmetics, tooth cleaning products, shaving products and detergents, as well as other non-durables such as glassware, bulbs, batteries, paper products, and plastic goods. FMCGs also include pharmaceuticals, consumer electronics, packaged food products, soft drinks, tissue paper, and chocolate bars. Fast moving consumer goods are also known as Consumer Packaged Goods (CPGs).
1.3 IMPORTANCE OF THE STUDY

The study focuses mainly on the consumer behaviour towards select fast moving consumer goods in Puducherry, but with the prevailing trend, it is necessary to focus on the essence and emergence of vibrant marketing efforts from the FMCGs companies. Thus while more number of companies are entering the rural and urban markets, with a variety of products, it is very much essential on the part of the companies to study the rural and urban consumer behaviour on FMCGs. This study tries to highlight the consumer behavior before the purchase, at the time of purchase, post-purchase and also the factors influencing the consumer behavior towards FMCGs in Puducherry.

1.4 RESEARCH GAP

This research has reviewed 70 studies, which include 46 Indian and 24 foreign journals. The review of related literature regarding the consumer behaviour in fast moving consumer goods is analysed from different sources. From the analysis of the review of literature, it is found that all the studies have attempted to examine the consumer behaviour towards various categories of products. But no attempts have been made to study the consumer behavior towards the brand wise selection of FMCGs in Puducherry. So this was identified as a research gap after analyzing the review of available related literature. Hence, by this present study an attempt has been made to study the consumer behaviour towards select fast moving consumer goods in Puducherry. The reviews of related literatures have been detailed in second chapter.
1.5 STATEMENT OF THE PROBLEM

Fast Moving Consumer Goods (FMCGs), are the products that are sold quickly at a low price. The profit from these products is relatively very small and the selling is in large quantities and hence the cumulative profit on such products is large. The production of fast moving consumer goods companies has massive competition and they are forced to find new strategies to sell their FMCGs. They try to do this by learning the consumers’ common needs and buying motives and consequently to develop a solution. This is very difficult because the consumers have different needs, attitudes and expectations due to vast changes in the standard of living and life styles. Nowadays the consumers are very dynamic, and their taste and preferences are also changing very fast. The consumers are also looking for product differentiation and the convenience offered. Further, they have certain expectations from the branded items in terms of its quality, price and packaging. The money spent on advertisement makes the consumers aware of the latest brands available in the market. The market conditions do not assume an organized functioning pattern. The status of marketing needs to be understood in view of social dynamics and various economic and operational gap theories. Thus, an appropriate planning for market in terms of trade for channel infrastructure, technology and behavioral dimensions need greater emphasis for achieving better economic efficiency. Various problems are faced by the consumers in selecting the fast moving consumer goods, though the FMCG have specific characteristics of forming the small value, it becomes a significant part
of a family budget. Hence, it is imperative on the part of the researcher to study brand wise consumer behavior in the purchase decision of FMCGs. Puducherry district being a conglomeration of rural and Urban People and notable industrial centre, the research work has been undertaken with the given objectives dealing with the following questions centered around Puducherry.

1. What are the factors that are highly influencing the consumer behavior in the purchase decision of FMCGs?

2. What are the factors that make the level of awareness, knowledge and loyalty of consumer regarding FMCGs?

3. What are the factors that are highly influencing the consumer behavior at different stages viz., pre, during and post- purchases?

The research inputs derived would help the manufacturers to take up fresh strategies to attract new customers and maintain a healthy and loyal relationship with the existing customers by way of offering post purchase benefits to retain them.

1.6 SCOPE OF THE STUDY

Fast Moving Consumer Goods are substantially used to enhance and protect the health and physical appearance and also the dignity of the people among their counterparts. The spending on these products shows an increasing tendency. This is due to increase in income levels, fascination towards culture, improvement in sanitary conditions; beauty awareness among teenagers etc., this has increased the usage of FMCGs. Hence the researcher has chosen three
FMCGs for the present research. The commodities chosen for the research are health care products, household care products, food and beverages. With this backdrop the consumer behavior towards select fast moving consumer goods in Puducherry, has been chosen for this study. The study is confined to Puducherry district alone.

1.7 OBJECTIVES OF THE STUDY

The objective of the study is to understand the consumer buying behaviour towards FMCGs. For this, the objectives of the research work are as under:

1. To study the factors influencing the consumer’s purchase decision on the basis of product, price, place and promotion.

2. To ascertain the consumer behaviour in their pre-purchasing decision based on need for recognition, brand awareness, knowledge and loyalty.

3. To examine the consumer behaviour at the time of purchase towards select fast moving consumer goods in Puducherry.

4. To analyze the factors influencing post-purchase behaviour of select fast moving consumer goods in Puducherry.

5. To offer suitable suggestions to improve the consumer behaviour towards fast moving consumer goods in Puducherry.
1.8 TESTING OF HYPOTHESES

$H_0^1$: There is no significant difference between factors influencing consumer purchase decision on the basis of a) product, b) price, c) place and d) promotion of FMCGs and demographic profile of the respondents.

$H_0^2$: There is no significant difference between pre-purchase behaviour of select fast moving consumer goods and demographic profile of the respondents.

$H_0^3$: There is no significant difference between consumer behaviour at the time of purchase of select Fast Moving Consumer Goods and demographic profile of the respondents.

$H_0^4$: There is no significant difference between post-purchase behaviour of select fast moving consumer goods and demographic profile of the respondents.

$H_0^5$: There is no significant difference between factors influencing purchase decisions and product, price, place and promotion.

1.9 OPERATIONAL DEFINITIONS

1.9.1 Consumer

An individual who buys products or services for personal use is called a consumer who can also make the decision whether to purchase or not to purchase an item at the store, and someone who can be influenced by marketing conditions and advertisements.
1.9.2  Perception

The process by which people translate sensory impressions into a coherent, incomplete and unverified (or unreliable) information which is equated with reality for most practical purposes and guides human behaviour in general.

1.9.3  Consumer Perception

Consumer perception applies the concept of sensorial feeling towards marketing and advertising. Just as sensory perception relates to how humans perceive and process sensory stimuli through their five senses. Consumer perception pertains to how individuals form opinions about companies and the merchandise they offer through the purchases they make.

1.9.4 Consumer Behaviour

Consumer behavior is the study of how individuals, groups and organizations, select, buy and dispose of goods, services, ideas or experiences to satisfy their needs and wants.

Consumer behaviour may be defined as the decision process and physical activity of individuals engaged in evaluating, acquiring, using or disposing of goods and services. Several aspects of this statement need emphasis and elaboration so that their meaning can be fully appreciated.

1.9.5  Consumer Buying Behaviour

The process by which individuals search for, select, purchase, use, and dispose of goods and services, in satisfaction of their needs and wants. This can be seen in consumer decision making.
1.9.6 Consumer Decision Making

A Process by which consumers identify their needs, collect information, evaluate alternatives, and make the purchase decision. These actions are determined by psychological and economical factors, and are influenced by environmental factors such as cultural, familial and social values.

1.9.7 Quality

Quality is a customer determination based upon a customer’s actual experience with a product or service, measured against his or her requirements-stated or unstated, conscious or merely sensed, technically operational or entirely subjective-and always representing a morning target in a competitive market.

1.9.8 Fast Moving Consumer Goods (FMCGs)

FMCGs generally include wide range of frequently purchased consumer products such as toiletries, soap, cosmetics, tooth cleaning products, shaving products and detergents, as well as other non-durables such as glassware, bulbs, batteries, paper products, and plastic goods. FMCGs also include pharmaceuticals, consumer electronics, packaged food products, soft drinks, tissue paper, and chocolate bars. Fast moving consumer goods are also known as Consumer Packaged Goods (CPGs).

1.9.9 Initiator

The person who first suggests or thinks of an idea of buying a particular product or service i.e., who initiates the buying decision.
1.9.10 **Influencer**

He is a person whose view or advice carries some weight in making the final decision.

1.9.11 **Decider**

He is the one who ultimately makes a buying decision or any part of it, i.e. whether to buy, if yes, what to buy and where to buy. A decider may be one or more people.

1.9.12 **User**

He is the person who ultimately uses or consumes the product. A company needs to identify him who plays these roles because they affect product design, promotion and other marketing strategy.

1.10 **RESEARCH METHODOLOGY**

The study is based on both primary and secondary data. The interview schedule for consumers, with four sections, was developed and finalized. The first part of the schedule contained demographic profile with optional questions. The second part contained statement about consumer behavior towards the purchase of FMCGs (household products, personal care products and food products). The third part contained consumer pre-purchase behaviour. The fourth part contained consumer behaviour at the time of purchase. The fifth part contained post-purchase behaviour of the consumers with Likert’s five point scale. The last and sixth part contained attitude towards unfair trade practices with Likert’s five point scales.
1.10.1 Primary Data

The primary data were collected directly from the sample consumers through a well-devised interview schedule. Incomplete and inaccurate responses were dropped out. Among the respondents who often select three fast moving consumer goods viz., personal care products, food products and household products form as samples for the purpose this study. For data collection the researcher visited the residence of the respondents more than once according to their convenience and leisure.

1.10.2 Secondary Data

The secondary data relating to the study were collected from books, journals, research articles, magazines, reports, newspapers and websites. The researcher also visited the library of Indian Institute of Management, Bangalore for the collection of some relevant materials.

1.10.3 Sampling Design

Purposive sampling method was adopted for the study. The study is confined to Puducherry district only. The researcher decided to select a sample size of 500 respondent consumers. Puducherry district comprises of four Taluks namely, Bahour, Ozhukarai, Puducherry and Villianur. From each taluk 125 respondents were selected for the study constituting an equal of 25 per cent for each of the four Taluks. These 500 respondents are chosen from different age groups. The required information was collected with the help of structured and
unstructured interviews and through discussions with these respondents. The sampling structure is given in Table 1.1.

### Table 1.1

**Selection of Sample Distribution**

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Taluks</th>
<th>No. of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Bahour</td>
<td>125</td>
<td>25</td>
</tr>
<tr>
<td>2.</td>
<td>Ozhukarai</td>
<td>125</td>
<td>25</td>
</tr>
<tr>
<td>3.</td>
<td>Puducherry</td>
<td>125</td>
<td>25</td>
</tr>
<tr>
<td>4.</td>
<td>Villianur</td>
<td>125</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>500</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Primary data

**1.10.4 Statistical Tools Used for the Analysis**

The processing, classification, tabulation, analysis and interpretation of data were done with the help of SPSS package. The following statistical techniques had been applied depending on the nature of data collected from the respondents, Percentage analysis, descriptive analysis (mean and standard deviation); Independent samples T-test, one way ANOVA, correlation, regression and factor analysis. The reliability and validity analysis of the data in this study has been analysed using Statistical Package for Social Sciences (SPSS v 16.0).

For analyzing the data collected during the investigation, the following statistical values were used according to the relevance of its application.
1.10.4.1 t-test

In order to test the significant difference between the means among male and female consumers, ‘T’ - test is applied as shown below:

\[
t = \frac{\bar{X}_1 - \bar{X}_2}{\sqrt{(n_1 - 1)\sigma_{s_1}^2 + (n_2 - 1)\sigma_{s_2}^2}} \times \frac{1}{\sqrt{\frac{1}{n_1} + \frac{1}{n_2}}}
\]

With degree of freedom = \((n_1 + n_2 - 2)\)

Where

- \(t\) = Value
- \(\bar{X}_1\) = mean among the male respondents
- \(\bar{X}_2\) = mean among the female respondents
- \(\sigma_{s_1}^2\) = Variance in the male samples
- \(\sigma_{s_2}^2\) = Variance in the female samples
- \(n_1\) = number of male respondents
- \(n_2\) = number of female respondents

In the present study, the ‘t’ test has been administered to find out the significant difference between the male and female respondents regarding the consumer behavior towards FMCG in Puducherry.

1.10.4.2 One Way Analysis of Variance

The one way analysis of variance, i.e. ANOVA has been applied in the present study. This analysis is applied when the variables are in internal scale and the number of groups in the sample. In order to find out the significant difference
among the groups of samples regarding a particular variable, the ‘F’ statistics has been computed through the ANOVA.

\[
F_{\text{Statistics}} = \frac{\text{Variance between groups}}{\text{Variance within groups}}
\]

It was compared with the table value of ‘F’.

In the present study, the ‘F’ statistics has been computed to find out the significant difference between demographic profiles and consumer purchase behaviour, influencing factors (product, price, place and promotion), brand awareness, brand knowledge, brand loyalty, before-purchase, at the time of purchase and post-purchase.

1.10.4.3 Reliability and Validity Test

Test of significance was computed to the reliabilities and validities of the tests and scales by employing the formula \( t = r \times \sqrt{(n-2)/1-r^2} \) as suggested by Edwards. The reliability and validity are statistically significant.

1.10.4.4 Factor Analysis (FA)

The multivariate statistical technique is applied to find out the interdependence of the variables, its reliability and validity of the variables in each construct.

In the present study, the Factor Analysis has been used to find out the reliability and validity of various variables included namely consumer purchase
behaviour, influencing factors (product, price, place and promotion), brand awareness, brand knowledge, brand loyalty, before-purchase, at the time of purchase and post-purchase.

1.10.4.5 Regression Analysis

Regression is a statistical relationship between two or more variables. When there are two or more independent variables, the analysis that describes such relationship among the variables is called multiple regression analysis. This analysis is also adopted when one dependent variable is performing the function of two or more variables. It is useful in producing the level of dependent phenomenon, if the levels of independent variables were given. This linear multiple regression analysis problem is to estimate the co-efficient $B_1$, $B_2$ and so on $B_j$, $B_0$ such that the expression,

$$Y = B_0 + B_1X_1+B_2X_2+\ldots+B_jX_j$$

Where

$$K = 1, 2, 3 \ldots$$ provided a given estimate of individual Y score based on the X scores.

1.10.4.6 Correlation Analysis

Correlation analysis deals with the relationship between two or more variables. Correlation is the statistical analysis which measures and analyses the degree or extent to which two variables fluctuate with reference to each other.
Correlation means the relation between two series or group of data there exist some casual connections. Correlation was applied and the formula of the Correlation is furnished below.

\[
R = \frac{\sum xy}{\sum x^2 \times \sum y^2}
\]

Where
- \( r \) = Correlation coefficient
- \( x \) and \( y \) = Variables
- \( xy \) = Sum of total products

1.10.4.7 Research Instrument

An interview schedule is prepared to collect the responses from consumers who use luxurious commodities. The interview schedule consists, of 5-point Likert scaling questions to measure the factors influencing the purchase, factors motivating them to buy the products, pre-purchase behaviour and post purchase behaviour. Categorical type variables were used to study the demographic profile and information pertaining to the consumer perception towards fast moving consumer goods.

1.11 PILOT STUDY

The pilot study was conducted among 50 consumers. The reliability of variables in each construct was confirmed through the pilot study. On the basis of the results of the pilot study, a certain modification has been carried out in the
statements or variables. Accordingly, the interview schedule has been restructured and the final schedule was prepared for conducting the field work.

1.12 RELIABILITY AND VARIABILITY

1.12.1 Reliability

The responses were scored and these sets of scores of each test were tested through product moment correlation for working out the reliability co-efficient. Test of significance was computed to the reliabilities and validities of the tests and scales by employing the formula $t = r \times \sqrt{(n-2)/1-r^2}$ as suggested by Edwards. The reliability and validity are statistically significant.

1.12.2 Validity

Both Face and Content validities were established in the study. The face validity was done by the investigator and the content validity was established by the experts in the field of investigation. Face validity, is to measure whatever the researcher had in mind, namely, what he thought he was measuring. The rationale behind content validity is that to examine the extent to which a measuring instrument provides adequate coverage of the topic under study. The results are furnished in Table 1.2.
### Table 1.2
Reliability and Validity Measures for the Study

<table>
<thead>
<tr>
<th>S. No</th>
<th>Test</th>
<th>N</th>
<th>Reliability Co-efficient</th>
<th>Validity Co-efficient</th>
<th>Level of Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Purchase decision influences on the basis of product</td>
<td>8</td>
<td>0.72</td>
<td>0.62</td>
<td>0.001</td>
</tr>
<tr>
<td>2.</td>
<td>Purchase decision influences on the basis of Price</td>
<td>5</td>
<td>0.75</td>
<td>0.61</td>
<td>0.001</td>
</tr>
<tr>
<td>3.</td>
<td>Purchase decision influences on the basis of Place</td>
<td>4</td>
<td>0.52</td>
<td>0.65</td>
<td>0.001</td>
</tr>
<tr>
<td>4.</td>
<td>Purchase decision influences on the basis of Promotion</td>
<td>8</td>
<td>0.79</td>
<td>0.72</td>
<td>0.001</td>
</tr>
<tr>
<td>5.</td>
<td>Situations lead to need recognition</td>
<td>15</td>
<td>0.62</td>
<td>0.82</td>
<td>0.001</td>
</tr>
<tr>
<td>6.</td>
<td>Importance do you attach to the store choice and in-store atmosphere</td>
<td>12</td>
<td>0.94</td>
<td>0.82</td>
<td>0.001</td>
</tr>
<tr>
<td>7.</td>
<td>Post-purchase behaviour of the Consumers</td>
<td>15</td>
<td>0.88</td>
<td>0.75</td>
<td>0.001</td>
</tr>
<tr>
<td>8.</td>
<td>Brand Awareness</td>
<td>6</td>
<td>0.79</td>
<td>0.82</td>
<td>0.001</td>
</tr>
<tr>
<td>9.</td>
<td>Brand Knowledge</td>
<td>6</td>
<td>0.62</td>
<td>0.71</td>
<td>0.001</td>
</tr>
<tr>
<td>10.</td>
<td>Brand Loyalty</td>
<td>8</td>
<td>0.64</td>
<td>0.82</td>
<td>0.001</td>
</tr>
<tr>
<td>11.</td>
<td>Attitude towards Unfair Trade Practices</td>
<td>5</td>
<td>0.77</td>
<td>0.92</td>
<td>0.001</td>
</tr>
<tr>
<td>12.</td>
<td>Evaluation of Alternatives</td>
<td>9</td>
<td>0.82</td>
<td>0.79</td>
<td>0.001</td>
</tr>
</tbody>
</table>

*Source: Computed from Primary Data*

### 1.13 PERIOD OF THE STUDY

The study covers both primary and secondary data. The primary data were collected over a period of six months from January 2014 to June 2014 for the purpose of analysis and evaluation. This period is considered to be normal for a study like this.
1.14 LIMITATIONS OF THE STUDY

The limitation of the study has been identified as follows.

1. The study is based on the reported responses evoked through the schedules and direct interview technique rather than on direct observation of what consumers actually do. Sometimes respondents were unwilling to answer and it was difficult to convince them and elicit answers for all the questions.

2. The research work was carried out only in Puducherry district and it cannot be expected that the behaviour of Puducherry consumers will be the same as that of the consumers of other states of India.

3. No specific theoretical model on consumer behaviour is applied in this present study.

4. Even though, there are so many fast moving consumer goods, the study is confined only to household product, personal care product and food products. The branded products alone are taken for the study.

5. As Puducherry has four pockets located many kilometers away in different parts of south India the researcher has chosen Puducherry District alone.

1.15 CHAPTER SCHEME

The present study is divided into Five Chapters for neat and clear presentation.

The First Chapter deals with the “Introduction and Research Design” which includes introduction, need for the study, research gap, statement
of the problem, selection of the study area, objectives of the study, hypothesis, operational definitions, research methodology, sampling design, statistical tools used, scope of the study and period of the study. The limitations of the study and chapter scheme are also included in this chapter.

The **Second Chapter** deals with the “**Review of Literature**” and also covers the related previous literature and research gaps of the study.

The **Third Chapter** gives a bird’s eye view on “**Consumer Behaviour towards FMCGs - An Overview**” and also covers the consumer behaviour, need for the study of consumer behaviour, scope of consumer behaviour, factors influencing consumer behaviour and the process of consumer behaviour.

The **Fourth Chapter** presents the “**Analysis of the Consumers’ opinions towards FMCGs in Puducherry**”, such as factors influencing the pre-purchase and post-purchase behaviour” and their level of satisfaction of the sample consumers in Puducherry.

The **Last Chapter** gives “**Summary of Findings, Suggestions and Conclusion**” and scope for future research.