CHAPTER II

REVIEW OF LITERATURE

2.1 MEANING AND DEFINITION OF CONSUMER BEHAVIOUR

Consumer behaviour is defined as the process of decision making and the physical activity involved in evaluating, acquiring, using and disposing of goods and services. Consumer behaviour concentrates on how individuals will take decisions to spend their valuable resources such as money, time and effort on related items of consumption. This encompasses what they buy, where they buy, when they buy the products, how often they use the products, how they evaluate the products after buying and how they dispose off (Khan, 2007). According to Hawkins (2007) consumer behaviour is the study of organizations or groups, individuals and the processes the consumers use to select, secure, dispose of services and products, ideas or experiences in order to fulfil needs and the effects which all these processes have on the society and consumer. All the marketing decisions are based on the knowledge and assumptions of the consumer behaviour.

Likewise Beltch and Beltch (2007) point out that it encompasses the activities and process of the people when selecting, searching for, buying, using, disposing and evaluating of products and services in order to fulfil their desires and needs. Hoyer and MacInnis (2008) explain consumer behavior is the totality of decisions made by the consumers with respect to consumption, acquisition and disposition of time, services, goods, people, activities, ideas and experiences by (human) units of decision-making.

Schiffman et al (2007) point out that consumer behaviour is the behavior consumers display in purchasing, searching for and disposing of services and products which they expect will fulfil their needs.

Sheth and Mittal (2004) describes consumer behaviour as the activities of physical and mental accounting undertaken by business and household customers which result in actions and decisions to purchase, pay for and use products and services.
Batra et al (2009) points out that consumer behaviour refers to the processes of the mental and emotional and the observable behaviour with respect to purchasing, searching for and post consumption of a product or a service. According to the American Marketing Research consumer behaviour is defined as the dynamic interaction of the cognition, affect, environment and the behavior of which the individual performs the exchange aspects of their lives. (Bennett Ed, 1995). Sandhusen (2000) defines that the consumer behavior is the study of why, how, where and when people do or do not purchase the products.

According to Jha and Singh (1998) consumer behaviour is about all the social, physical and physiological behaviour of potential customers as customers become aware of evaluation, purchase and inform others about the goods and services. Mooij Ed (2010) points out that the buyer behaviour or the consumer behaviour is the process by which a customer decides what, whether, who, when and from whom to purchase products and services. Tyagi and Kumar (2004) state that the consumer behaviour is dynamic since the customer’s actions are always changing.

Hoyer and Maclnnis (2008) argue that consumer behaviour reflects the consumer’s ability to decide and act on the whole with respect to level of using something, taking possession of and free use of services, experiences, products, ideas and people by the level of decision making. Similarly, Hawkins (2006) has defined that Consumer behaviour is the study of organizations, individuals or groups and the processes they use to choose, use, dispose and protect services, products, ideas or experiences to satisfy the influences and requirements that these processes have on the society and customers. This view of consumer behaviour is wider than the traditional one which paid much more attention to the purchaser.

Bateman (2002) Consumer behaviour is defined as the study of individuals, groups or organizations and the processes they use to select, safe, use and dispose of products, services, experiences or ideas to satisfy needs and the effects that these processes have on the consumer and society. Although it is not necessary to memorise this definition, it brings up some useful points:

1) Behavior occurs either for individual or in the context of a group (e.g. Friends’ influence what kinds of clothes a person wears) or an organization (people on the job make decisions’ as to which products the firm should use).
2) Consumer behavior involves the use of and disposal of products as well as the study of how they are purchased. Product use is often of great interest to the marketer because this may influence how a product is best positioned or how we can encourage increased consumption, since many environmental problems result from product disposal (e.g. Motor oil being sent into the sewage system to save on recycling fee or garbage pilling up in landfills) is also an area of interest.

3) Consumer behavior involves services and ideas as well as tangible products.

4) The impact of consumer behavior in society is also of relevance. For example aggressive marketing of high fat foods or aggressive marketing of easy credit may have serious, strong and far reaching effect for the national health and economy.

2.2 CONSUMER BEHAVIOUR W.R.T FMCG SECTOR

Gupta and Mittal (2007) describe that the sector of Fast Moving Consumer Goods (FMCG) is very significant for Indian economy. 46 per cent of the consumers prefer to buy from the nearest retail stores and shops. 27 per cent of the consumers like to pay in cash and 24 percent of the consumers prefer to pay on credit. 38 percent of the consumers always purchase the same brands and 9 per cent of the consumers never buy the same brand again due to the disloyalty towards the product. In the rural area the products of FMCG are dominated by the local brands. In the category of Toothpaste, 36 per cent of the consumers prefer Colgate and 18 percent of the consumers prefer Close Up and only 16 percent of the consumers prefer Pepsodent. 21 per cent of the consumers like to use the other brands like local brands of tooth powders and toothpaste. The customer’s responses are mixed in the rural area of India. Some customers prefer popular brands and at the same time they also like to use local brands.

Jan (2013) says that FMCG sector has a number of brands from different organizations. Each and every organization puts plenty of effort in ensuring that their organization’s brands are available, reachable and consumers of their brands prefer to use the same brands again and again. Jan carried out an investigation to know about the loyalty and brand consciousness among the consumers using 4 variables such as Age, Gender, Qualification and Income. 45 percent of the consumers are very much conscious towards the brands of FMCG. 35 percent of the consumers
are somewhat conscious about the brands of FMCG. 19 percent of the consumers don’t care about the brand. 14 percent of the male consumers and 23 percent of the female consumers are found conscious towards the brands. 54 percent, 45 percent and 46 percent of consumers in above 35 years, 25-35 years and 15-25 years age groups respectively they are not consciousness when purchasing the brand while purchasing a FMCG product. 22 per cent, 19 per cent and 15 per cent respondents of qualification post graduates, graduates and undergraduates respectively are identified cognizant towards the brands. 51 percent of the total consumers respond that they will change the brand. 82.6 percent of the consumers are not loyal towards the FMCG brands. Thus the study examines that the large number of consumers do not access to all brands.

Panikar (2011) The FMCG sector is very fast and hence the product of bathing soap and toothpaste is taken. These products are selected for various reasons such as these are coming under the category of common repeat purchase products and these are low involvement products. 38 percent of the consumers prefer Colgate, 26 percent of the consumers prefer Babul, 18 percent of the consumers prefer Pepsodent and 17 percent of the consumers prefer Close Up. Thus no specific preference is given by the consumers toward purchasing any specific brand. 37 per cent of the consumers purchase by seeing the brand name, 26 percent of the consumers purchase by seeing the quality, 18 per cent of the consumers purchase by seeing the price, 14 per cent of the consumers purchase by seeing the quantity. 72 percent of the consumers prefer Lux, 11 per cent of the consumers prefer Dove and 7 percent of the consumers prefer Pears. 32 percent of the consumers purchase the product by looking at the advertisement, 8 percent of the consumers purchase the soap by looking at the quality of the soap. 21 percent of the consumers purchase the soap by looking at the price and 17 percent of the consumers purchase by the availability of the product.

Mahalingam and Kumar carried out an investigation to find out the consumer behaviour about the products of FMCG sixty two percent of the consumers when purchasing they look at the brand name, 57 per cent of the consumers purchase products by looking at the quality, 54 per cent of the consumers purchase products by looking at the availability of the product, 55 per cent of the consumers purchase products by looking at the quantity, 36 per cent of the consumers purchase by seeing the affordability, 49 per cent of the consumers purchase products by seeing the package, 45 per cent of the consumers purchase products by seeing the trade name. Thus it is
concluded that most of the consumers are influenced by the quality and brand in buying the FMCG product.

**Deliya (2012)** investigated about the consumer behavior towards the new packaging of the preserved FMCG products 67 per cent of the consumers are influenced by the packaging of the product and 33 percent of the consumers are not influenced. 74 per cent of the consumers see the brand name of product, 68 per cent of the consumers are purchasing based on their convenience. 20 per cent of the consumers prefer packaged products that is kept clean and untouched, 14 per cent of the consumers prefer packaged products kept in good condition, 44 percent of the consumers like long lasting fresher type preserved product packaging. Only 26 percent of the consumers switch their brand as packaging changes and 74 per cent of the consumers do not change.

**Yuvarani (2013)** carried out an investigation in order to find out the factors of need and information search and rural consumers characteristics. In the case of shampoo 34.2 per cent of the consumers are using clinic plus. The consumers of Salem district are aware of the shampoo and its importance in preventing dandruff. In the category of biscuit 39.8 per cent of the consumers choice is Britannia. The biscuit consumers strongly agree that it reduces hunger. In the case of bathing soap 52.3 percent of the consumers are using Hamam. The bathing soap consumers strongly agree that attributes give a refreshing feel, fragrance and stops the bad odor. In the category of toothpaste 52.3 per cent of the consumers are using Colgate. The toothpaste consumers strongly agree that the attributes are it kills germs, whitens teeth, has good taste and foaminess and strengthens teeth. In the case of mosquito repellents to the maximum of 37.5 per cent of the consumers prefer Goodnight. The mosquito repellent consumers strongly agree that the attributes like good fragrance and safeguard them from mosquitos. 77.2 per cent of consumers have good awareness and knowledge about the FMCG products.

**Kumaravel and Vikkraman (2013)** investigated the consumer behavior towards FMCG products with reference to personal care products. 48 per cent of the consumers are purchasing personal care at regular interval. 34 per cent of the consumers are purchasing personal care products on necessity and 18 per cent of the consumers are purchasing personal care products occasionally. In the price range 42.5 per cent of the consumers are purchasing low priced brand.
31.5 per cent of the consumers are purchasing medium priced brand. 26 percent of the consumers are purchasing high priced brand. 21 per cent of the consumer’s choice is low and constant price which is highest expectation of consumers. 20 per cent of the consumers prefer satisfied customer service and value and 19 per cent of the consumers prefer high quantity and quality.

**ChandraSekhar (2012)** carried out an investigation to find out the importance of brand in consumer behavior. 25 percent of the consumers purchases by seeing quality, 22 per cent by seeing price, 20.23 per cent by seeing brand name, 10 per cent by seeing the availability of the product, 15 per cent are always brand loyal and 10 per cent of the consumers sometimes are brand loyal. Thus most of the consumers purchase product by seeing their brand name and quality of the product.

**Pashandi et al (2013)** carried out an investigation to find out components brand equity and consumer behavior of FMCG in Iran 35 per cent of the consumers are aware of the branded products. 15 per cent of the consumers are very specific in selecting the branded products and quantity. 25 per cent of the consumers purchase by seeing brand name and quality. 20.19 percent of the consumers purchase by seeing the quality of product. 23 per cent of the consumers prefer the brand loyalty and the quality. 15 per cent of the consumers do not see the brand name but see the quality. Majority of the consumers are highly aware about the FMCG branded products.

**Miremadi and Faghani (2012)** investigated about the consumer behavior on FMCG product in Iranian Market with reference to buying behavior of shampoo. 12 per cent buy by seeing the price, smell and brand, 12.8 per cent by seeing the price, integration and fashion, 45.2 per cent by seeing the price, suitability and quality, 16.6 per cent by seeing the quality, packaging and price. 42.5 percent of the consumers switch to other brands because of the insufficient quality, 39.6 per cent of the consumers switch to other brands because they are not getting rid of the dandruff.

**Garga, Ghuman, and Dogra, 2009** have studied 300 rural consumers in 3 districts of Punjab and they found that, rural consumers prefer to buy the goods small packets at lower price. They want the more products at reasonable price, in other words value for money. He They also explains the importance of promotional tools in rural areas. He They suggested that FMCG companies must enter and tap the rural market in a phased manner.
2.3 AN OVERVIEW OF INDIAN MARKETS

The Indian markets provide a great opportunity to business due to its huge spread and increasing demand from the consumers. The FMCG sector in India is the fourth major sector in the economy. The sector has expressed a typical annual development of around 11 per cent over the previous decade. Contrasting to the developed markets that are obviously controlled by some of the larger players, the FMCG market in India is greatly fragmented and substantial part of the market includes unorganized players which sell unpackaged and unbranded products. The FMCG sector in India has a great prospect for development in both the rural and urban markets in the country, with the developing population, education, the increasing disposable income, the initiation of modern retail, consumption – driven society and urbanization. There is a prospective for all the FMCG firms in India as the per capital consumption of nearly all products in the country are very low compared to that of world standards.

As far as rural markets are considered, it is seen that all over the world, more than 4 billion people live in the rural areas which makes more than 60 per cent of the overall global population. In the same way, in India, the proportion of the rural population to the urban population is greater to a certain extent comparable to that of the world’s ratio with about 70 per cent of them surviving in the rural areas. The rural population in India resides in about 6, 27,000 villages with a spread of more than 3.2 million sq. Km. The increasing affluence together with the increased output from agriculture and good monsoon, increase the overall disposable income of the rural customers to about 58 per cent with about two – third of the households with middle income making up the rural markets. Around 40 per cent of the graduates who are coming out of the Indian Universities are from the rural areas (Shrivastav & Praveen, 2009).

2.4 FACTORS AFFECTING CONSUMER BEHAVIOUR

Consumer behaviour indicates choosing, buying and consumption of the services and goods for the fulfilment of needs and wants. There are various procedures concerned with the consumer behaviour. Primarily the customer tries to discover what merchandise she / he would prefer to consume, then they choose to only use those goods that promise higher utility. It is after choosing the commodities, the customer use to make an approximation of the money available that she / he could spend (Viswanathan, Sridharan & Ritchie, 2010). Finally, the customer
analyzes the existing prices of merchandise and comes to the conclusion regarding the goods she / he have to consume. In the mean time, there are different other components that influence the buying of the customer like that of cultural, psychological, personal and social factors. (Shah, 2010).

2.4 Cultural factors

The behavior of customers is highly influenced by cultural components like that of social class, culture and subculture.

Social class: The society has some structure of the social class that is significant to the marketers since the purchasing behaviour of people within a social class is identical. It is in this way, the marketing behaviour could be customized according to various social classes. Here it has to be noted that the social class is not only determined by income of an individual but there are different other components like that of occupation, education, wealth etc.

Subculture: Each of the culture includes various subcultures like that of nationality, racial groups, religions, geographic regions etc. The marketers could utilize these groups by dividing the market into different small segments. For instance, the marketers could design the products according to the requirements of a specific geographic group.

The culture of an individual: Fundamentally, culture is a segment of all the societies and forms a significant grounds of person’s behaviour. The manipulation of culture on the purchasing behaviour differs from country to country hence, the marketers required to be much more careful in examining the culture of various regions, groups or countries (Shah, 2010).

2.4.2 Psychological factors

There are four significant psychological factors that affects the purchasing behavior of consumers. They are attitudes, beliefs, learning, motivation and perception.

Attitudes and Beliefs: The consumer has particular attitudes and beliefs regarding different products. It is because such attitudes and beliefs make up the image of the brand and affect the purchasing behaviour of consumers, the marketers are paying attention on them. Also the
marketers could alter the attitudes and beliefs of consumers by initiating exceptional movements in this regard.

**Motivation:** The motivation level affects the purchasing behaviour of the consumers. Each and every individual has various requirements like that of social needs, biological needs, physiological needs etc. The nature of the requirements is that, some of the individuals are highly motivated to buy and others not motivated to buy. Hence, a requirement becomes an intention when an individual is motivated to buy.

**Perception:** Choosing, organizing and understanding information in a meaningful and coherent manner is known as perception. The three perceptual processes are perceptual attention, perceptual distortion and perceptual retention (Shah, 2010). Perceptual attention is where the customers pay attention to information selectively. Perceptual distortion is where the customer distorts the information according to his perception. Perceptual retention is where the customer retains the information he likes.

### 2.4.3 Personal factors

The personal factors could also affect the purchasing behaviour of the consumers. Some of the significant personal factors that determine the consumer behaviour are the economic situation, lifestyle, age, self concept, occupation and personality.

**Economic condition:** The economic situation of customers influence her / his purchasing behaviour. If the savings and income of a consumer are high then she / he would buy much expensive goods, whereas an individual with less savings and income will buy inexpensive goods.

**Lifestyle:** The lifestyle of the consumers is one of the significant factors that affects the purchasing behaviour of the consumers. Lifestyle indicates the way an individual survives in a society. This is determined by the activities, opinions, interests etc. of the customers and shapes her / his overall pattern of purchase of products.
Age: The life-cycle and age exercise great influence on the purchase behavior of consumers. It is apparent that customers alter the consumption of services and goods in course of their life cycle. The life – cycle of family includes of various of stages like that of young single persons, unmarried couples, married couples, etc. that help marketers cater to each of the stages.

Personality: Personality can be defined as having all those inner psychological characteristics that both determine and reflect how a person responds to his or her environment. It has various characteristics like that of, aggressiveness, self confidence, dominance etc. that could be useful to understand the behaviour of a consumer and his demand for a specific service or product (Chikweche & Fletcher, 2010).

Occupation: The occupation of an individual has an important influence on her / his purchasing behaviour. For instance, a marketing manager of a firm would try to buy business suits, while on the other hand, a low cadre worker in the same firm would buy rugged work clothes.

2.4.4 Social factors

As like the cultural factors, the social factors also impact the purchasing behaviour of the customers. The significant factors that have a bearing on consumer behaviour are family, status, role and reference groups.

Family: The purchasing behaviour is highly influenced by the family members. Decisions could be husband dominant, wife dominant,or they could give way to children’s pester power. Sometimes husband and wife have an equal say in the purchase decisions. One thing which should be noted here is that the purchase decisions alter with the change in the lifestyles of customers (Narayandas, 2002).

Roles and Status: Individuals have various status and roles in the society. They may belong to various clubs, groups, organizations, etc. Take the case of a woman who is working in a firm as the finance manager. In this case, the women are playing two major roles, one is that of the mother and the other is that of the finance manager. Hence, her purchasing decisions would get influenced by her status and role.
**Reference Groups:** The reference groups possess the ability to influence the behaviour and attitude of a person. The influence of the reference groups differs across the brands and products. For instance, if the product is used for conspicuous consumption like a high end car then the influence of reference groups would be high. Reference groups may comprise of the opinion leader, that is, an individual who influences others due to her / his knowledge, special skills or some of the other characteristics (Shah, 2010).

**2.4.5 Situational factors**

Added to the cultural, psychological, personal and social factors, the situational factors are also affecting the consumer behaviour (Subramanian & Gomez-Arias, 2008). Some of the significant situational cues are the time, buying task, social environment and the physical environment.

**Time:** The marketers are aware of the season of the year, time of a day, and how much of the time one possess to make a purchase affecting the decision – making. Time is considered as one of the customer’s most restricted resources. The intellect of time shortage makes the customers react to the marketing modernization that permit them to accumulate time comprising such services as the ordering goods through the internet. (Viswanathan & Rosa, 2010).

**Buying task:** The task of purchase is the underlying reason that the customer’s decision to purchase that might be as a gift or for personal consumption of the purchaser or consumption by the household members (Peppers & Rogers, 2004).

**Social environment:** Purchase decisions taken with other individuals will influence buying decision and endup buying products which is actually not planned for. (Peppers & Rogers, 2005).

**Physical environment:** The marketers are highly aware of the components like that of ambience, music, footfalls, interior design, temperature and lighting that could significantly influence purchase. Most of the retailers are spotlighting on the necessary packing, in – store display and cyber – hangout in order to influence the consumer process of decision – making (Wulf et al Eds. 2002).

**2.5 GROWTH OF FMCG SECTOR IN INDIA AND THE MARKETING STRATEGIES ADOPTED**
The fast moving consumer goods sector in India is on a growth stage. The market of Indian FMCG sector rides on the rising demand and changing preferences of consumers with that of greater disposable incomes and the revolution in the retail sector, this sector has shown double digit growth over the past years. The FMCG sector has witnessed the appearance of innovative categories of products and the products that caters to accomplish the growing desires of Indians, who are turning out to be much demanding customers (William, Perreault & Jerome McCarthy, 2002). The sustained growth of FMCG sector has been probably because of steady and continuous enhancement in the incomes of customers.

Development in the FMCG sector is led by the greater rural and urban demand. The development and support of government to the agriculture would drive long – term development in the rural sector. Apart from that, the fast moving consumer goods accomplish the primary requirements of the customers and are generally small – ticket items that are essential for most of the households. The sector of FMCG would persist do perform well not only since it is a well entrenched and defensive one, but also since it logs in a straight way on to the basic economic development perspective of the country. With the continuous increase in the income levels, number of people are expected to transfer to purchase branded goods and services. Therefore, the trend of growth is likely to carry on. (Lamb, Hair & MacDaniel, 2010).

The modern formats of retail have offered a principal way in pushing development. The future prospects of the FMCG sector are viewed to be brought in the Indian market with the increasing levels of income and the growth of the up to date fashion and modern retail, that are anticipated for the further boost of sales. The retail includes different verticals, in which food and grocery accounts for about 67 per cent which is considered as high growth segment. Owing to the increased opportunities in this sector, most of the retail players during these days are setting up the hypermarkets, supermarkets, and the fresh food stores all across the smaller towns and cities. The effect of ripple of changes in lifestyle and the urbanization could be viewed in smaller towns also. (Lee, 2007).

It is this that has led to the opening of new markets, as the rural consumers (from the farmers to that of the youth) come out as smart shoppers, requiring enhancing their lifestyles. The landscape of FMCG too is considering a makeover as a new group of actors get into the scene. It is for a
long period, the branded fast moving consumer goods sector was conquered by the multinational firms like that of Hindustan Lever Ltd (currently known as the Hindustan Unilever Ltd), Colgate Palmolive, Reckitt Benckiser, Cadbury India, Nestle and huge domestic groups like that of Tata’s (edible oils and cosmetics) and Godrej (hair dye and toilet soaps).

For over the past few years, numerous new and innovative regional players have emerged who in spite of their small size have effectively engraved a niche market for themselves in that of the competitive market of FMCG industry. The policy of these players who are nimble – footed were on the look out for a vacuum in the market space and to introduce innovative goods that meet the requirements of the customers. Two prominent segments in the FMCG sector are personal care products and food and beverages. The food and beverages segment is developing and growing at the rate of 43 per cent, that were followed by the personal care which is about 22 per cent. The categories of baby care and home care recorded growth rates in single digit.

Most of the firms have introduced innovative and new policies that have again written the strategies of marketing. One of such policies with the introduction of the small packs of sachet of detergents, conditioners and shampoos. Small packs were introduced in the price range Re. 1 to Rs. 5. These strategies helped the FMCG majors to popularize their branded goods even among the value and price of the conscious consumers. The multinational brand Kellogg’s also introduced single-serve pack into the market for a price point of entry for the new consumers. Apart from these, the product positioning is that in sync with the trends of customers (Lantos, 2011).

The new age customers of India are becoming conscious of health and are searching for good quality food products and FMCG organizations are taking benefit of this kind of trend and providing solutions for the consciousness of health. Hence, the Tata chemicals have commenced the Tata Salt Lite, which is a low sodium salt for the people who have been suffering from the high blood pressure. The FMCG sector is growing rapidly in which the firms have to accurately travel fast to make sure they are in front of the rivalry. At the same time as when the costs of promotion and advertising are high, the firms frequently have to introduce new products and services in order to increase their market share.

**2.6 OPPORTUNITY FOR GROWTH OF FMCG SECTOR IN INDIA**
India comprises of about 17 per cent of the population of the world and that about half of the people are under the age of twenty – five years. With the median age group of 25 years, ever – increasing numbers are coming into the workforce in India (Binal and Vora). The share of India in the global consumer spending is positioned to widen from about 1.9 percent during the year 2005 to about 3.1 per cent during the year 2020 (Technopak). The earnings in the younger generation of younger consumers' hands with a greater tendency to expand, is offering buoyancy to the economy, on the other hand, opening up of innovative groups in the space of FMCG sector. India is under transformation phase as the number of women are joining in the workforce space, the FMCG players are discovering ways and means to develop products in the health and convenience food segments. At the same time as expenses on women's personal care goods is also coming out to be far more satisfactory (Binal & Vora).

The distribution of smaller packs, modernizations like the solitary use sachets in order to get out to the lower and rural areas of the economy which is increasing demand. The innovative goods to cater to the local and regional tastes and the requirements of the niche customers led to the development of the industry. Some of the key development drivers for the Industry are the healthy development in the GDP of India, development of urbanization, growing income in the rural regions, growing lifestyle of consumers, pattern of spending, changing mind set and profile of consumers. The FMCG industry possesses a superior opportunity for the development of India with that of the growing population, the increasing literates, disposable incomes, consumption – driven society, the initiation of contemporary retail and urbanization. High growth rates are expected for all the FMCG firms as the per capita utilization of almost all the goods in the country is much less compared to that of the global standards.

2.7 REFERENCES


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