CHAPTER 1

INTRODUCTION
1.1 INTRODUCTION

The world is fast changing. Economies are undergoing radical transformation. Information technology and innovative products have changed the way business function. Advertisement is not untouched. It has also witnessed phenomenal changes. Advertisement has become a reflector of the living standard of the people. It is being considered as an important component of the economic and social system.

Advertisement provides a platform to create social awareness. In India, advertising seems to exert tremendous impact on the lives of the people. It has created awareness on issues affecting the life of the people. It channelizes the energy of the people and builds aspirations among India’s millions. Advertisement has been a catalyst for growth in India. Advertisement showcases the jubilant picture of the society which inspires the rural population of the country to lead a better life. These aspirations of the rural masses have been the key to self motivated transformations taking place in India. Advertisement creates a deep route for transformation stemming from the ambition and determination of the people.¹

Advertisement plays an important role in our daily life. It is all pervasive. Whether television or newspapers or films or radio or the outdoor properties, advertisements are found everywhere. With the advent of social networking services and apps running on

mobile devices, a new dimension has been added to the world of advertising. Yet, communication remains the primary purpose of advertisement.

Advertisement plays an important role in the modern competitive business scenario. It is a means of mass communication. Advertisement is an informative tool. It provides information on price, product, brand availability etc. which are required to make an educated decision and also enable consumers to evaluate the quality of the product to some extent. It provides critical information to make rational decisions. It creates a rise in the demand for various products, especially the low cost Fast Moving Consumer Goods (FMCG).

Fast moving consumer goods are necessarily low involvement goods. Their purchase is frequent, and are characterized by recency and short inter-purchase time. FMCGs are also characterized by intense competition, which is mainly due to similarity of products being offered for sale in the market. FMCGs being low priced goods do not go through the long and regular thinking process of buying. But they are products of importance as they are related to the health and beauty of the people. Advertisement is important for products such as FMCGs, as it not only creates awareness but also persuades and reminds the consumers. As such, FMCGs have a dynamic market characterized by frequent advertising in order to create some sort product differentiation in the minds of the consumers. Product offerings have become complicated and competitive in the FMCG sector. Companies have changed their perception towards advertising, as now they do not have any other option then to advertise.

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\(^2\) *Ibid*
1.1.1 Advertisement: Role and Importance

“The term advertising is derived from the Latin word ‘advertere’ which means ‘to turn’ the attention”.3 Advertising is “any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor”.4

Advertisement is a valuable aid in the process of marketing communication. “Advertisement is an instrument of persuasion and information”.5 Advertisements provide information about products’ specifications, functions and features. It provides information on prices of products to prospective customers. It also creates favourable conditions for innovative products and channelizes the demand for products and services, making them acceptable in the market place.

Advertising facilitates customers to choose right products and services by presenting them with different options. It enables them to select the best possible quality of products and services. Advertisement provides consumers with details of product such as price, quality, etc. It facilitates them to compare value of different products. It creates awareness and reminds consumers of the product availability.

The dynamic business environment with changes in technology, production process, competition and emergence of new marketing challenges only indicates the significant role of advertising which it plays in the survival and growth of business units.6 & 7

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6 *Ibid*
Advertising has two important objectives namely, behavioral or action objective and sales objective. It is an important tool that influences the behaviour of the customer. According to Aaker et.al (1997), all behavior starts with motivation. The aim of advertising is to motivate buyers; it arouses and stimulates their need which in turn guides their behaviour.

Advertising also creates brand awareness. According to Thomas (1996), brand awareness works in three important ways. “It creates the probability to purchase, it helps buyers to see and identify a brand in the store and it biases customers in the favor of known brands”. Thus, advertising plays a critical role in the promotional activity of a brand. Advertisement is a one-sided interaction between customers and media where customers do not get the chance for ‘face-to-face’ interactions. Instead, customers rely on visual, aural or textual cues present in the advertisement in order to establish some sort of perception about the brand. Advertising is a dynamic but a complex subject. Perception, on the other hand differs from person to person and as such consumers also respond differently towards advertisement. There are various factors within advertisements which help to provide information to the customers and thus play an important role in building brand perception.

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9 *Ibid*

1.1.2 Brand Perception: Role and Importance

Advertisement creates certain perception in the minds of the viewers which may or may not be successful in molding or changing the attitude and behavior of the buyers. The theories on consumer behavior suggest that some sort of learning takes place so as to guide behavioural changes. They are based on the assumption that consumers relate the necessary information contained in advertisements to their existing feelings and beliefs about the brand or product advertised.

Perception is defined as "the process of attending to and knowing objects by means of the senses".\textsuperscript{11} Consumers’ perceptions are central to advertising research. Brand perception means how consumers perceive and evaluate brands. It is overall and intangible feeling about a brand.\textsuperscript{12} Brand Perception is what gives brand its equity.

Brand perception may lead to purchase consideration. And since brand perception is linked to purchase consideration, it is important to consider the influence of advertising on brand perception.\textsuperscript{13}

Brand perception depends on the quality, packaging, price and advertisement.\textsuperscript{14} Thus, brand perception is very much dependent upon the amount of information available to the consumer. “Brands which offer varieties of options that appear compatible to the needs of


\textsuperscript{14} Munn, H. L. (1960). Brand perception as related to age, income, and education. \textit{The Journal of Marketing}, 29-34.
the consumers are tend to be perceived as having greater expertise in the given category, which in turn enhances their perceived quality and purchase likelihood”. 15 Brand perception may also be affected by demographic variables such as income, education and age. It also differs from one brand to another.16

Perception can be determined if it can be known how much liking a person gives to particular stimulus attributes. According to Ranjith & Ela Goyal (2011)17, “Brand recall, highest brand memory, price, brand that connects with the people, overall satisfaction, and communication strategy are some of the factors that influence consumer perception towards brand”. Brand perception may depend on the characteristics of the product, or the reliability and performance of the product.18 In order to know and comprehend consumer brand perception, it is important to assess and determine such factors.

1.1.3 The FMCG Industry in India

FMCGs are often referred to as defensives as they comprise the basic day to day needs of the citizens.19 “FMCG sector is a cornerstone of the Indian economy, touching every aspect of human life”. 20


16 Ibid 14

17 Ibid 13


Fast Moving Consumer Goods (FMCG) are products which are frequently purchased and are relatively of low cost. FMCGs generally get replaced within a year. They include a wide range of frequently purchased consumer products such as soap, toothbrush, detergents etc. FMCGs also include non-durable products such as bulbs, paper products, plastic goods, packaged food products, soft drinks, tissue paper, and chocolate bars.\(^{21,22}\) FMCGs help to satisfy the day-to-day household needs. This sector touches every aspect of the human life. The frequently purchased grocery products, cereals, cooking oil, dairy products, bread, butter, confectionery, biscuits, toiletries, shaving cream, razor, dish washing liquid, skin care products, cosmetics, shampoos, toothpaste, shoe polish, batteries, beverages like tea & coffee, energy drinks etc., come under the ambit of FMCG.\(^ {23}\) Pharmaceuticals, glassware, stationary items, watches, clothing, furniture and household accessories are also part of the Fast Moving Consumer Goods.\(^ {24}\)

The FMCG Industry is an important sector of the Indian economy. India’s FMCG sector is massive. FMCG is the fourth largest sector of India.\(^ {25}\) According to a report by India Brand Equity Foundation (IBEF), the size of the Indian FMCG sector was US$ 44.9


billion in 2013, growing at an annual average of about 11 per cent.\textsuperscript{26} The report was based on Household Care, Personal Care, Food & Beverage and Health Care items, barring Tobacco items. In 2015, FMCG Sector generated revenues worth USD 47.3 billion.\textsuperscript{27} The IBEF in its report in January 2016 forecasts that the overall FMCG market is expected to expand at a Compound Annual Growth Rate (CAGR) of 20.6 per cent to USD103.7 billion during 2016–2020\textsuperscript{28}.

Unlike many other sectors, the FMCG Industry registered a healthy growth rate in 2009 despite the global economic slowdown. In 2013, the size of the Indian FMCG Industry was estimated to represent nearly 2.5% of the country’s GDP.\textsuperscript{29} The market growth rate of FMCG industry in urban areas is around 25%.\textsuperscript{30} But rural areas also form an important market for the FMCGs in India. FMCG have been among the best performing sectors relative to other sectors. The reason is that it tends to be less dependent on the macro-economic factors as compared to other sectors.\textsuperscript{31} Among the characteristics of the FMCG Sector in India is the existence of both the organized as well as the unorganized segment. It is also characterized by a well established distribution network, low penetration levels,


\textsuperscript{30} Ibid\textsuperscript{25}

high turnover, low operating cost and also lower per capita consumption. Every family spends a sizable portion of their monthly budget on FMCG products. This sector creates employment for more than three million people in India. “The Indian FMCG sector has a strong MNC presence and is characterised by a well established distribution network, intense competition between the organised and unorganised segments and low operational cost”.\textsuperscript{32} The availability of key raw materials, and cheaper labour costs gives the FMCG sector in India a competitive advantage.\textsuperscript{33}

The main segments of the FMCG sector are: Personal care, Household care, Packaged Food & Beverages, and Liquor & Tobacco.\textsuperscript{34} IBEF classifies the FMCG sector under three major heads, viz. Food & Beverages, Health Care and Household & Personal Care. (Figure: 1) IBEF does not include tobacco in its classification of the FMCG sector.

**Figure: 1.1.1**

**Classification of the FMCG Sector**

![Classification of the FMCG Sector](image)

*Source: Compiled from IBEF FMCG Sector Report (2016, January)*\textsuperscript{35}

\textsuperscript{32} Singh, A. K., & Dar, I. M. (2014). A Study on the Problems faced by the FMCG Distribution Channels in Rural Area of Bhopal & Hoshangabad Districts of MP. *IJBEMR* 1(2)


\textsuperscript{35} Ibid28
Taking into concern the market size, the FMCG sector in India can be classified into three broad segments; the Household segment, the Personal Care segment and the Food & Beverages segment.\textsuperscript{36}

Household and Personal Care is the leading segment, accounting for 50 per cent of the overall market share, followed by Health care with 32 percent and Food & Beverages with 18 per cent.\textsuperscript{37} Personal care products are also among the highest advertised products in the market. The current economic trend promises high growth in the future for the personal care segment of the FMCG Sector. The Personal Care segment includes FMCGs such as Soaps, Shower Gel, Deodorants, Face Cream, Face Wash, Shampoo, Conditioner, Talc, Toothpaste, etc. Due to rising disposable incomes and changing consumer preference for enhanced personal grooming, the Personal Care segment is on a growth path.\textsuperscript{38} The average spending of an Indian household on groceries and personal care was estimated to be around 48 percent.\textsuperscript{39} The market size of Personal Care segment in 2013 was estimated at be over 57000 crores.\textsuperscript{40}

In the last ten years or so, the FMCG Sector has expanded rapidly in India and is looking to grow bigger year by year as the India’s middleclass population grows bigger as well as richer. Although, the last few years have not been good for this sector and it has witnessed a significant slowdown. The Indian economy is struggling with slow

\textsuperscript{36} Ibid25

\textsuperscript{37} Ibid28


\textsuperscript{39} Ibid25

\textsuperscript{40} Ibid38
growth rate, inflation and currency devaluations. But with the rapid urbanization and increased literacy levels, the Indian economy is surging ahead by leaps and bounds. This period of slowdown has laid the foundation for strength and paved way to position the industry for growth. After witnessing low growth rates, India’s FMCG sector is now all set for a revival. It is being hoped that FMCG sector may grow by 12 per cent in 2016. Uncertainties do offer opportunities to prosper. With a good understanding of the consumers’ needs and making right investments for the long term helps to position a company ahead of other competitors. The low penetration and consumption rates for many FMCGs in India are encouraging companies to look forward towards reaching more customers. And with this hope that the consumer sentiment will turn positive, economic environment will improve, so that the industry may see better growth, Godrej launched 12 new products in India in the year 2012 and 2013. Parle Agro has re-entered the cola market in 2014 with a coffee flavored carbonated drink called Cafe Cuba. Pepsi Co., the soft drinks giant, plans to invest US$ 5.5 billion by 2020 to expand its operations in India. But in order to drive consumption and penetration, the innovative launches should be backed by significant advertising and marketing investments. Advertising can


play an important role in influencing, driving and being a positive agent of change. Hence, in recent years, FMCG sector has witnessed increased use of advertising activities. Entry of new players into the sector forced FMCG companies to spend more on advertising. The rising competition has forced the FMCG companies to increase their budgets for advertisement.

As far as advertising is concerned, the Media industry has a lot to offer to the FMCG Sector. Around 40% of media industry earnings from advertising are estimated to come from the FMCG sector. The Indian Media reaches millions of people every day. At present there are 161 million TV households, 94,067 newspapers (out of which 12,511 are dailies), close to 2000 multiplexes and 214 million internet users (out of which 130 million are mobile internet users). All these media act as platforms for the FMCGs which could drive change. With the growing population, the rising incomes, educational and literacy level, urbanization, the advent of modern retail and most importantly a consumption driven society, the FMCG sector presents an opportunity for growth in India. Advertising as a promotion tool helps to ensure that the sector is able to perform as per its potential. However, successfully launching a product in India presents tremendous challenges. A deep understanding of the consumer will always be at the heart of FMCG Sector. It is critical to know and understand the changing consumer behaviour and their perception towards FMCG brands.

45 FICCI. (2009). FMCG Sector: The Road Ahead

46 Ibid1
1.2 NEED AND RELEVANCE OF THE STUDY

Extensive research and literature is available on behavioural sciences. Research has also been conducted in the area of cognitive psychology. Little has been done in the area of brand perception. Literature available on the subject suggests that brand perception studies were mostly conducted as experimental psychological studies. And in India, majority of the research in this area is limited to online research which are helpful to know the perception of only few customers. The lack of literature on brand perception compelled the need for the study.

The study is relevant to the FMCG Industry. It is very much relevant at this point of time as consumer demands are expected to grow at a much faster rate than before and companies are investing more on advertisements in India. Advertising as a promotion tool helps to ensure that the sector is able to perform as per its potential. But in order to make advertisements effective, a thorough understanding of consumers’ perception is essential. There is little research done in our country on the effect of advertisement on brand perception. In countries like India, where majority of the people still prefer to use the traditional means to shop the basic FMCG products, the need arises to study their perception with respect to traditional platforms of advertisement.

This study on consumers’ perception involves understanding the influence of advertisement on brand perception; the factors that influences buyers and how these factors can be exploited in order to lead them towards purchase consideration. As there existed diverse approach to the concept, the research may prove distinctive, yet
significant in formulating an approach to study the effect of advertisements on brand perception for FMCGs.

Brand perception differs among individuals. The difference in perception of consumers is largely due to individuals’ characteristics which may influence their decision making of goods. A marketer face considerable amount of difficulty in getting the required information about the consumers’ perceptual characteristics or learning patterns. Successfully launching a product in India presents tremendous challenge. A deep understanding of the customers will always be at the heart of FMCG Sector. It is critical to know and understand the changing consumer and their perception towards FMCG brands. The understanding of as to why consumers select brands can be used in order to design effective advertising communication. Brand perception is an interesting subject for marketers. And at the same time, it is an uphill task for marketers to understand the effectiveness of advertising campaigns. The study intends to provide suggestions to marketers to improve their advertising campaigns and become more effective in reaching the consumers. The knowledge of brand perception can help marketers formulate better strategies. Marketing is all about satisfying the consumers. Better understanding of the needs, wants, preferences and perception of the consumers helps to draw out better strategies. The study can be helpful in understanding such needs, wants, preferences and perception of the consumers for FMCG products.
1.3 RESEARCH QUESTIONS AND OBJECTIVES OF THE STUDY

Research questions are presented to highlight broad areas to be explored. Based on extensive review of literature, the following research questions were identified:

1. Do advertisements play a significant role in influencing consumers’ brand perception?
2. Do advertisements play a significant role in projecting product quality and value?
3. What role do advertisements play to help consumers differentiate FMCG products?
4. Which is the most important media of advertisement for the FMCG products?

Following are the objectives of the study:

1. To study the impact of Advertisement on brand perception in FMCG Industry.
2. To assess the viability of branded FMCG products in contrast to non-branded FMCG products.
3. To assess whether advertisement help in projecting product quality and value before the customers.
4. To assess how customers differentiate between competing brands in the FMCG sector based on advertisements.
5. To know the most effective media of advertisement for FMCGs.
6. To make recommendation for further improvement in advertising and brand management.
1.4 RESEARCH OUTLINE

The bigger challenge facing the FMCG companies is to understand the mindset of Indian consumers in order to exist and prosper in the competitive market scenario. Also, the measurement of advertising activity, with limited time and money, is a challenge which companies face.¹

As such it is important to study the role of advertisement in the FMCG Sector. It is also important to study the impact that advertisements exerts on the people. The study aims to draw new insights and find out the role that advertisement plays in changing the perception of the people, particularly towards the FMCGs.

Fast moving consumer goods have certain specific characteristics which make them most appropriate to study from the context of measuring the effect of advertisement and brand perception. Unlike other goods, fast moving consumer goods are utilitarian goods whose consumption is driven by emotions and rationality. The consumer develops some sort of perception regarding specific product features. The study is conducted with an impetus to understand how FMCG brand is viewed in the market and which brand attributes are preferred by customers.

Several research have been conducted on advertising studies but till date there have been little work done on the role played by advertising on brand perception. The aim of this study is to examine the advertising effect on brand perception.

This study investigates what influences people to prefer the advertised brand. Understanding of consumer perception and behaviour is of paramount importance when it comes to making FMCGs advertisements effective. The study of consumer perception involves understanding the influence of advertising on brand perception; the factors that influences buyers and how these factors can be exploited in order to lead them towards purchase consideration. In other words, the main objective is to find out the effects of advertisements on consumers brand perception. How the consumers think, feel, evaluate, and select between different competing brands based on advertisements, the perceptions of the consumers after watching advertisements and how marketers can improve their advertising campaigns in order to be more effective in reaching the consumers.

The research was undertaken with the primary objective of finding the impact of advertisement on brand perception for fast moving consumer goods. Advertisement appeals were classified into – Rational and Representational or emotional appeals. Brand Perception on the other hand, was found having three important dimensions – Brand Familiarity, Perceived Quality and Brand Resonance. As such, a scale was developed to measure the impact of the different appeals of advertisement on the dimensions of brand perception, so that the impact of advertisement on brand perception for FMCGs can be assessed.
1.5 CHAPTER OUTLINE

The research work is spread across seven chapters. Chapter one gives an introduction of the study along with its need and relevance. It also defines brand perception and the importance of advertisement. The second chapter is on the review of literature. It summarizes and covers review of research conducted previously on the topic of brand perception, brand equity, consumer behaviour, advertisement and other related areas. Chapter three discusses the dimensions of brand perception and advertisement. It builds the necessary base of the study. Chapter four studies the profile of selected FMCG companies. It examines their approach with regard to advertisement. It also studies the important role that advertisement plays in the FMCG industry. The fifth chapter elaborates the methods adopted and approach to the study. It also discusses the conceptual model and tentative assumptions of the study. The sixth chapter presents the data analyses along with the details of the sample characteristics. The last chapter discusses the findings along with the conclusion and suggestions. It also mentions the limitations of the study and scope for further research.
REFERENCES


