CHAPTER 1
INTRODUCTION

A fundamental understanding of consumer behaviour underpins all marketing activities and is a necessary prerequisite to the organization being marketing oriented and thus profitable. Consumer behaviour is defined as, “the process and activities that people engage in when searching for, selecting, purchasing, using, evaluating, and disposing of products and services so as to satisfy their needs and desires” (Belch and Belch, 1993). It studies how consumers take decisions by spending their limited resources—money, time, and effort on consumption related items.

In earlier times, when sellers were limited in number, they could arrive at a fair understanding of consumers through daily experience of selling and directly interacting with them. But, the growth in size of firms and markets has created a distance between marketers and consumers. Thus, there is lack of direct contact with the customers. Hence managers have to turn to consumer research. Hence, to be competitive in the market place, marketers need to understand when and how they need to intervene in the choice process to influence the buying process of consumer.

CONSUMER CHOICE PROCESS

The complexity of consumer behaviour arises due to a large number of alternatives available to the consumer from which he/she chooses only one alternative. No doubt, in this competitive world, no alternative is less than the other; rather all the alternatives are fully comparable. But, these alternatives differ from each other in the eyes of the consumer. Thus, the question arises how a consumer decides which alternative to choose. Consumer choice process studies how the consumer gets information about various alternatives available in the market, how much information search he/she makes and how he/she chooses between two or more alternatives. It also studies the processes which take place after actual purchase meaning thereby the repeat purchase behaviour and also the

1 www.flexstudy.com/demo/demopdf/99037_1.pdf
switching phenomenon. To be competitive in the market place, marketers need to understand when and how they need to intervene in the choice process to influence the buying process of consumer. In order to decide what to choose, a consumer passes through various stages which are explained in the following paragraphs.

**Information Search**

In today’s marketing environment, consumers are spoilt for choice. In almost all product categories, there are multiple brands as well as there is large-scale media proliferation. Under such circumstances, the first and foremost challenge for the marketers is to gain the attention of their customers, to make them process the information so that the customers become aware of their brands and finally prepare the customers in such a way that they ultimately indulge in buying the specific brand. Hence, a better understanding of information search behaviour of the consumers helps the marketers in designing an effective communication strategy.

Understanding the information search stage is essential for marketers as information search plays an important role in the decision-making process of the consumers. In today’s competitive world, marketers not only want to know more about consumer’s preferences, needs, tastes and desires but also they must know how consumers gather information about various competing alternatives in the market. The greater the information search made by the consumers more is the marketing managers concern to focus attention of consumers towards a particular brand. Consumers enhance their knowledge about a product from various sources of information. This enhanced information search from various sources becomes the total information search undertaken by the consumers while making a buying decision. This in turn is influenced by the various drivers of information search that either increase or decrease the total information search efforts.

Information search may be internal or external. Internal information search refers to the retrieval of information from the long-term memory, which may be actively acquired in previous searches and from personal experiences or it may have been passively acquired through low-involvement learning. External information search takes
place when consumers actively acquire information from outside sources. Thus, there are enormous sources of information like personal (own) experience; friends and family recommendation; advertisements in TV, radio, newspapers, magazines, etc; advice from sales personnel; manufacturer’s website; window shopping; point of purchase advertisement, etc.

**Personal (own) experience** helps the consumer especially for those product categories which are regularly purchased. Mishra *et al.* (1999) in their research find that consumers consider their previous experience while making a new purchase. However, it is not the case when the consumer is going to buy some new product category. Further an individual generally consults with his/her friends, family, neighbours and relatives etc. in order to seek information about various products. Kerr and Weale (1970) find that while deciding about brands, prices, style and store for clothes, fifty percent of the male and female students discuss with their friends. Claxton *et al.* (1974) also provide that consumers prefer to discuss with their friends and relatives while buying.

**Advertising** includes television advertisements, radio advertisements, newspaper, magazine advertisements and cinema advertisements. Sometimes the marketers also use public transport like buses, railways, etc. to advertise their products. Avery (1996) finds that consumers collect information from the promos through television, radio and advertisements displayed in newspapers and magazines.

**Sales personnel** are also a source of wide ranging information and play an important role in decision process by providing information about all important features, promotional offers, and other benefits of product. Further on, a shopper may use web search tools to look up pre-purchase product information (price, design, style, reviews, etc.), even if the transaction is fully offline.

Sometimes, in their free time, consumers visit various stores, not with the intention of buying anything, rather, to collect information about new products. At the time of actual purchase, the information collected during window shopping helps in taking a decision.

Consumer choice of a particular brand is sometimes influenced by the prominent and attractive display of the brand in the store which can lead to the change in his/her
decision wherein he/she has already decided about the brand.

The above discussed sources of information gives an idea that while buying a particular product, to collect information about a product, the consumer may consider all the sources of information, or one, or none of the sources of information. Thus, it becomes interesting to know which source of information most influences the consumer in choice of a particular brand.

Further, a question arises how much information search a consumer makes while buying a particular product. A perception is that consumer makes immense search while buying durables. However, this information search process is less while buying non-durables. But the reality is, information search process takes place while buying FMCG products also, however, because the purchase of these products is frequent, information search process is not as cumbersome. Thus, if the information search process takes place, then obviously the determinants of information search will also have their effect on information search process. Various determinants that could affect the information search behaviour of the consumers are product class knowledge, product class involvement, benefits of search, time since the brand is being used, satisfaction with the previous brand, consumer demographics, etc.

Product class knowledge means, in general, the knowledge of the consumer about the product category. Brucks (1985) states that product knowledge is based on known knowledge from the consumer. Brucks (1986) further states that stored knowledge about a domain affects the processing of new information about that domain. In short, product class knowledge refers to that information about the product category which a consumer already has.

Zaichkowsky (1985) defines product class involvement as, “a person’s perceived relevance of the object based on inherent needs, values and interests.” Dholakia (2001) defines product involvement as, “an internal state variable that indicates the amount of arousal, interest or drive evoked by a product class”. In general, when a person feels involved with a product, he/she develops an interest for that product class and likes to get more information about that product class.
Punj and Staelin (1983) suggest that most of the people make search in order to obtain tangible consumer benefits, such as more value for their money and overall satisfaction with the product. Consumers generally like to indulge in those activities which provide them some benefits. Similarly if the consumers feel that their information search benefits them, they will search for more information.

Further, Howard (1963) who makes first attempt to associate human behaviour with the buying process, states that in choosing products and brands, an individual tends to rely strongly on his/her past experience with the product and brand. The more the time since the brand is being used, the less will be importance attached to outside sources of information such as advertising, discussion with friends, etc.

Not only is experience (time since the brand is being used) important but also it is the positive experience that affects search behaviour. Positive experience is measured in terms of satisfaction with the present brand being used. Satisfaction with present purchase induces the consumer to make fewer searches. When the consumer is satisfied with his/her present brand, his/her probability of buying the same brand increases on the next purchase occasion. Thus he/she will undertake less information search.

Further, it is interesting to find whether demographic characteristics of the consumers like gender, age, marital status, education, income, etc. affect information search behaviour of the consumers. Thorelli (1971), Newman and Staelin (1972), Kiel and Layton (1981), Avery (1996), Kim et al. (2007) explain that demographics characteristics like age, education, income, etc. also influence the information search behaviour of the consumers.

The above discussion makes it clear that consumers make information search in order to buy the best alternative and thus consult a large number of sources. Further, information search efforts of the consumers are based on certain determinants of information search. Hence it becomes interesting to examine how and which determinants of information search affect the information search process while buying FMCG products. East (1997) provides that in case of FMCG products, choice is the outcome of habitual behaviour because of the low involvement. However, Rundle-Thiele and Bennett (2001) argue that such products become high involvement products at the
time of their initial purchase and subsequent purchases become routine process provided the market is stable. But, whenever there is a new entry, the decision making process breaks the habitual nature of purchase. Thus, in case of FMCG, information search behaviour becomes more important because of more frequent purchase of such products, the availability of large number of brands, large number of dimensions (attributes) on which these are evaluated and varied prices of these alternatives.

**Evaluation and Actual Purchase**

While making actual purchase, the consumer evaluates different alternatives. When the consumer starts the evaluation process, he/she establishes his/her belief about the features of the alternative products. Information gathered by the consumer about various alternative solutions help him/her to evaluate those alternatives, which leads to the formation of an attitude and perception about alternatives. The consumer then turns these perceptions into brand preferences.

Consumers may use various evaluation criteria such as price, size and colour, packing, quality, durability and safety, discount, free gifts, etc. However quality, safety and durability are much more difficult to measure. In such cases, consumers often use price, brand name, or some other variables as a surrogate indicator of quality. These evaluative criteria can be divided into two broad categories that is, brand specific attributes and marketing mix variables.

Brand specific attributes refer to all those characteristics which the company especially adds to its brand to make it distinct from other brands. The consumer buys the brand on the basis of its attributes. On the other hand, marketing mix variables are added to the brand to make the marketing of the brand distinctive. This can be done by providing discounts, free gifts, after sale service, etc. The consumer gives preference to these variables and thus chooses the brand.
Loyalty/Repeat purchase Measures

One of the challenges being faced by brand managers, today, is large-scale brand proliferation resulting in lack of brand loyalty. One of the reasons for this is the consumer market comprises of a large number of brands for each product wherein no single brand is very important to the consumer and even the most wanted brand is just a small part of the whole array of all available brands. Thus, consumer cares little for any brand because of a large number of choices. Under such circumstances, brand managers strive to build a loyal customer base as brand loyalty is at the core of the equity of a brand. The brand assets as defined by Aaker (1991), such as name awareness, perceived quality, brand associations and other proprietary assets generate equity for the brand, if these assets are able to create a loyal customer base. Richards (1998) confers that while the search for new customers should continue, marketing forces should be directed at trying to understand what drives loyalty. Hence the success of an organisation depends upon existing customers purchasing that brand again and again.

After purchasing the product, the consumer will experience some level of satisfaction or dissatisfaction. The level of satisfaction of the buyer is measured by a difference between buyer’s expectation and product’s perceived performance (Swan and Combs, 1976). If the product’s performance is equal to or greater than expectation, then it will lead to loyal behaviour whereas if performance falls short of expectation then it gives rise to brand switching or discontinued use. Further, there are a large number of other determinants which will depict the post purchase behaviour indicating whether the consumer will be loyal or disloyal. These are value for money, brand trust, brand familiarity, satisfaction, etc. which influence the post purchase behaviour of the consumers.

Value, in general, refers to benefits minus cost where cost refers to all the costs involved to acquire the product and benefits refer to the outcomes arising because of the use of the product. Shocker et al. (1994) confer that with added market alternatives, consumers are now demanding high product quality and good customer services at reasonable prices. It means that consumers expect that the money paid for a brand must yield more return in terms of benefits. Thus, a brand that proves good on the criteria of
value for money delivers good value to the consumer. He/she feels more satisfied since the brand is giving outcome more than the money spent. More value derived from a particular purchase encourages the consumer to exhibit loyalty behaviour.

Brand familiarity is the state of being familiar with a product or brand. More a consumer is familiar with the brand, more he/she is interested in buying that brand.

Brand trust is defined as willingness of the average consumer to rely on the ability of the brand to perform its stated function (Chaudhuri and Holbrook, 2001). Trust upon a brand helps in increasing repeat purchase probability since the consumer having high brand trust believes that the brand is in conformity with his/her interests.

Satisfaction is defined as pleasurable fulfilment. That is, when the need, desire or goal of the consumer gets fulfilled in such a way that fulfilment is pleasurable, it becomes satisfaction. Further on, Fornell (1992) suggests that satisfaction can be assessed directly as an overall feeling. He further adds that customers have an idea about how the product or service compares with an ‘ideal norm’. Bloemer and Ruyter (1998) provide that satisfaction occurs through matching of expectation and perceived performance. Ortmeyer et al. (1991a) and Mittal (1994) contend that while taking a purchase decision, consumer always brings in mind the brand that he/she purchased on the previous occasion and if he/she is satisfied with that brand, his/her probability of making repeat purchase increases.

Further, various demographic characteristics like gender, age, education, income, etc. are supposed to influence the loyalty behaviour. Thus, it becomes interesting to examine the various determinants which drive loyalty behaviour of the consumers while buying FMCG products.

Switching

The most important factor influencing the long-term survival of a firm requires identification, attraction and retention of its loyal customers. Reichheld and Sasser (1990) indicate that five percent increase in customer retention can increase a firm’s profit by 100% over the long term. Retained customers continue their exchange process with the
same firm. Thus these customers increase the profits of the firm by increasing their spending, purchasing at full price (not expecting discount) or even at higher prices. Further more, these customers increase the revenue of the firm by spreading positive word of mouth (WOM) which results in attracting new customers.

Frederick (2003) provides that loyalty is the willingness of someone – a customer, an employee, a friend to make an investment or personal sacrifice in order to strengthen a relationship. But in spite of a strong relationship, companies generally experience customer defections even when they find that their customers are satisfied with their product and are also loyal. Frederick (2003) further provides that loyal customers speak favourably about the company and indicate that they have received good economic value from the company. Thus, it is of great interest to identify the causes of customers’ defection since it is now universally accepted that acquiring new customers is expensive as compared to serving the existing customers (Storbacka et al. 1994). Thus, customers who repeat purchase save cost of doing business which is spend on attracting new customers. Even satisfied consumers may switch from one brand to another when motivated by higher perceived quality or lower price or both (Blattberg et al. 1995). Hence, it is necessary to identify the reasons of switching. The various reasons for the consumer switching brands can be increased prices, impressive advertisement, variety seeking, better quality, non-availability of the brand, etc.

NEED FOR THE PRESENT STUDY

Consumer choice process is that aspect of consumer behaviour, which, if based on intuition can lead to misleading results. Measurement of consumer choice process with the help of choice models makes the results reliable as well as trustworthy. In order to build long-term relationship with consumers, marketers need to understand how consumers actually make their purchase decisions so as to design appropriate marketing programs. In order to cope with increased competition in light of the dynamics of consumer shopping behaviour, marketers can utilize the existing patterns of information search behaviour in their target market in order to launch a new product or to reposition their existing product. Brand choice probabilities can be used for market segmentation.
New products and marketing programs can be targeted at those consumers who frequently switch brands by studying their switching behaviour. And if the companies are able to change the mindset of the consumers, that is, if they are able to make the consumers buy their brands, there would be immense chances for higher growth in future.


The above discussion shows that there is lack of literature on studies examining choice process of the consumers for FMCG products. Thus, the present research has been conducted to study the behaviour of Indian consumers while buying FMCG products. Moreover, India’s FMCG sector is the fourth largest sector in the economy and creates employment for more than three million people in downstream activities. Its principal constituents are household care, personal care and food and beverages. The total FMCG market is in excess of `85,000 crores. It is currently growing at double digit growth rate and is expected to maintain a high growth rate. FMCG Industry is characterized by a well established distribution network, low operating cost, lower per capita consumption and intense competition between the organized and unorganized segments.

Also, very few studies exist in India, which determines the step-by-step procedure of consumer choice process. Thus, the present analysis is undertaken to determine the choice process of consumers with regard to fast moving consumer goods (FMCG). Choice process is as important in the FMCG category as in any other product/service though less financial risk is involved. This is because of the concept of utility, which carries more weight in case of FMCG products. While comparing the risk associated with

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1 http://www.ghallahbansali.com/admin/file/FMCG.pdf
two product categories, ballpoint pen and sports shoes/sneakers, Quester and Lim (2003) find that the ‘risk’ factor emerged for only ballpoint pens. The reason cited is the utilitarian nature of the product whereas sports shoes/sneakers are considered life style products. Moreover, generally FMCG products comprise necessities of life without which a person cannot survive and any wrong purchase of such products could result in serious repercussions.

OBJECTIVES OF THE STUDY

The overall objective of this study is to evaluate the consumer choice process for FMCG products. In order to accomplish this broad objective, the following sub-objectives are studied:

1. To examine the sources of information influencing the consumer choice process while buying FMCG products.

2. To determine the influence of various determinants of information search on amount of information search made by consumer.

3. To examine the varying usage of sources of information among the three groups of respondents segmented on the basis of involvement.

4. To discuss the role of marketing mix variables, brand specific attributes and demographic traits in brand choice behaviour of the consumers.

5. To identify the determinants of repeat purchase behaviour of the consumers.

6. To find the varying effect of value for money, brand familiarity, brand trust and satisfaction on loyalty to identify the factor bringing more variation in loyalty.

7. To identify the reasons of switching brands amongst the consumers.

8. To determine the overall choice process of consumers and to find a link between information search behaviour and loyalty process of the consumers.
ORGANIZATION OF THE STUDY

This study has been divided into nine chapters. The first chapter is of introductory nature specifying the choice process of the consumer, the various stages and the role of these stages in framing effective strategies.

The second chapter makes a review of the past studies. It has been divided into six sections. The first section discusses the studies related to the stages of consumer choice process, the second section deals with influence of sources of information, and the third section explains the studies related to information search behaviour of the consumers. Fourth section reviews the brand choice behaviour while fifth section deals with loyalty and repeat purchase behaviour and the sixth section reviews studies explaining the relationship of information search behaviour with satisfaction. Seventh section considers the switching pattern of the consumers.

The third chapter gives a detail of the research methodology employed in the study. It explains the sample description, product categories, survey instrument, statistical tools, statistical packages and limitations of the study. Further reliability and validity of various scale-items used in this analysis are also reported.

The fourth chapter attempts to measure the influence of sources of information through weighted average score method.

The fifth chapter analyses the information search behaviour of the consumer to find out the effect of determinants of search on extent of information search and determines the varying usage of sources of information among the three groups of respondents based on their level of involvement, that is, low, medium and high involvement groups.

The sixth chapter discusses the role of various factors like marketing mix variables, brand specific attributes and demographic traits in brand choice behaviour of the consumers.

The seventh chapter examines the repeat purchase behaviour of the consumers. Further, it tries to determine the varying effect of value for money, brand trust, brand
familiarity and satisfaction on loyalty behaviour of consumers. Further on, an attempt is made to analyse the reasons for consumers switching to other brands.

The eighth chapter determines the overall choice process of consumers and tries to find out a link between information search behaviour and loyalty process of consumers.

The ninth and final chapter sums the findings of the study and suggests various implications for the marketing managers.

In conclusion, consumer choice process is a complicated process. Consumers perform this process when they are going to undertake any purchase activity. Marketing manager need to understand this activity so that they can foresee what a typical consumer will buy so as to frame marketing strategies as per the requirement of the consumer.