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ANALYSIS OF BUYING BEHAVIOUR TOWARDS THE FAST MOVING GOODS (FMGs)
SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION
CONTRIBUTIONS BY THE RESEARCH SCHOLAR
1.1. INTRODUCTION

Buyer behaviour is considered as psychological, social and physical behaviour of potential consumer as they become aware of evaluate, purchase, consume and tell other people about purchase and services. The study of buyer is concerned with the decision making process involved in purchase, and the whole behaviour of a person while making purchases is termed as buyer behaviour. Suraj S. Nair\(^1\) defines it is a decision-making process and physical activity involved in acquiring, evaluating, using and disposing of goods and services. This definition clearly brings out that it is not just the buying of goods/services that receives attention in consumer behaviour but, the process starts much before the goods have been acquired or bought. A process of buying starts in the minds of the consumer, which leads to the finding of alternatives between products that can be acquired with their relative advantages and disadvantages. According to Pragdheesh K.Gupta\(^2\) it is determined to a large extent by the social, psychological and economic factors and it is necessary for a manager to understand the factors for proper planning of marketing strategies. The reasons why the buyers buy particular products or brands are due to buying motives. Kavis Joshwa\(^3\) says all the buying behaviour patterns start with motivation. A motive is a stimulated need that an individual seeks to satisfy his needs. These motivations can be bio-organic

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needs and motives are influenced by perceptions. According to Abu, Irshad and Mohammad these perceptions are in turn influenced by buyers’ habit, fashion, education, and advertisement. Demand for goods varies with race, climate, income, education, religion and occupation. So, the sellers’ task is to fulfill the buyers’ desire for his products by influencing the factors, which influence the motives of a buyer.

1.1.1. Factors Affecting Buying Behaviour

People consume things of daily use; they consume and buy these products according to their needs, preferences and buying power. These can be consumable goods, durable goods, peculiar goods and industrial goods.

What the consumers buy, how they buy, where and when they buy, in how much quantity they buy depends on perception, self concept, social and cultural background and our age and family cycle, the consumers’ attitude, beliefs values, motivation, personality, social class and many other factors that are both internal and external In the words of Andrea Groeppel-Klein et al. 5, ‘while buying, the consumers also consider whether to buy or not to buy and, from which source or seller to buy. In some societies, there are so many affluences and these societies can afford to buy in greater quantities and at shorter intervals’. In poor societies, the consumer can barely meet his barest needs. Anselmsson Johan 6 suggests that the marketer therefore tries to understand the needs of different consumers and having understood his

different behaviour which requires an in-depth study of their internal and external environment, they formulate their plans for marketing.

According to Assael\(^7\) management is the youngest of sciences and oldest of arts and consumer behaviour in management is a very young discipline. Various scholars and academicians concentrated on it at a much later stage. It was during the 1950s, that marketing concept developed, and thus the need to study the behaviour of consumers was recognized. Marketing starts with the needs of the customer and ends with his satisfaction. Vaidhyanathan\(^8\) points out that when everything revolves round the customer, then the study of consumer behaviour becomes a necessity. It starts with the buying of goods. Goods can be bought individually, or in groups. Goods can be bought under stress to satisfy an immediate need, for comfort and luxury in small quantities or in bulk. For all this, exchange is required. This exchange is usually between the seller and the buyer. It can also be between consumers. Arnold, S. J., T. Oum, and D. J. Tigert\(^9\) describes that it leads to internal and external research. Then it follows a process of decision-making for purchase and using the goods, and then the post purchase behaviour gives a clue to the marketers whether his product has been a success or not. In order to understand the likes and dislikes of the consumer, extensive consumer research studies are being conducted. The researches try to find out:

- What the consumer thinks of the company’s products and those of its competitors?

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• How can the product be improved in their opinion?
• How the customers use the product?
• What is the customer’s attitude towards the product and its advertising?
• What is the role of the customer in his family?

1.1.2. Disciplines Involved in the Study of Buyer Behaviour

Buyer behavior was a relatively new field of study during the second half of the 1960s without a history or research of its own. It is in fact a subset of human behavior and it is often difficult to draw a distinct line between buyer-related behavior and other aspects of human behaviour. As Banerjee and Divakar\textsuperscript{10} indicate the discipline of buyer behavior has borrowed heavily from concepts developed in other disciplines of study such as psychology, sociology, social psychology, cultural anthropology and economics.

(i) **Psychology** is the study of the individual, which includes motivation, perception, attitudes, and personality and learning theories. All these factors are critical to an understanding of buyer behavior and help us to comprehend consumption related needs of individuals, their actions and responses to different promotional messages and products and the way their experiences and personality characteristics influence product choices.

(ii) **Sociology** is the study of groups. When individuals form groups, their actions are sometimes quite different from the actions of those very individuals when they are operating alone. The influences of group memberships, family and social class of buyer behavior are important for the study of buyer behavior.

(iii) **Social psychology** is a combination of sociology and psychology and studies how an individual operates in a group. It also studies how those whose opinions they respect such as peers, reference groups, their families and opinion leaders influence individuals in their consumption behavior.

(iv) **Cultural anthropology** is the study of human beings in society. It explores the development of core beliefs, values and customs that individuals inherit from their parents and grandparents, which influence their purchase and consumption behavior. It also studies sub-cultures and helps compare buyers of different nationalities and cultures.

(v) **Economics**: An important aspect of the study of economics is the study of how buyers spend their funds, how they evaluate alternatives and how they make decisions to get maximum satisfaction from their purchases. Despite the fact that buyer behavior as a field of study is relatively of recent origin, it has grown enormously, has become a full-blown discipline of its own and is used in the study of most plans of marketing study.

The marketing concept was accepted and adopted by a large number of companies in the developed countries, particularly the United States and this provided an impetus to study the buyer behavior. As Bell, David R., and Lattin, James\(^\text{11}\) pointed out that the companies had to engage in extensive marketing research to identify unsatisfied buyer needs. In this process, marketers learnt that buyers were highly complex as individuals and had very different

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psychological and social needs, quite apart from their survival needs. They also
discovered that needs and priorities of different buyer segments differed
significantly (Bitner, 1992). They realized that to design products and develop
suitable marketing strategies that would satisfy buyer needs, they had to first
study buyers and the consumption related behavior in depth (Bloch et al.,
1994). In this manner market segmentation and marketing concept paved the
way for the application of buyer behavior principles to marketing strategy.

1.1.3. Applications of Buyer Behaviour in Marketing

The buyer behavior principles are applied in many areas of marketing as
discussed below:

(i) Analyzing market opportunity The study helps in identifying the
unfulfilled needs and wants of consumers. This requires examining the trends
and conditions operating in the marketplace, consumers’ lifestyles, income
levels and emerging influences. This may reveal unsatisfied needs and wants.
The trend towards increasing number of dual income households and greater
emphasis on convenience and leisure have led to emerging needs for household
gadgets such as washing machine, mixer grinder, vacuum cleaner and childcare
centers etc. Mosquito repellents have been marketed in response to a genuine
and unfulfilled consumer need.

(ii) Selecting target market: A review of market opportunities often helps in
identifying distinct consumer segments with very distinct and unique wants and
needs. Identifying these groups, learning how they behave and how they make
purchase decisions enables the marketer to design and market products or
services particularly suited to their wants and needs. For example, consumer
studies revealed that many existing and potential shampoo users did not want to
buy shampoo packs priced at Rs.60 or more and would rather prefer a low-priced sachet containing enough quantity for one or two washes. This finding led companies to introduce the shampoo sachet, which became a good seller.

(iii) Marketing mix decisions: Once unsatisfied needs and wants are identified, the marketer has to determine the right mix of product price, distribution and promotion. Here too, the buyer behavior study is very helpful in finding answers to many perplexing questions.

Product: The marketer designs the product or service that would satisfy unfulfilled needs of wants. Further decisions regarding the product concern the size, shape and features. The marketer also has to decide about packaging important aspects of service, warranties and accessories etc. Nestle first introduced ‘maggi’ noodles in ‘masala’ and capsicum flavours. Subsequently, keeping in view the consumer preferences in some regions, the company introduced garlic, Sambar, Mixed Vegetables, Dal Atta Noodles, etc.

Price: The second important component of marketing mix is price. Marketers must decide what price to charge for the product or service. These decisions will influence the flow of revenue to the company. Should the marketer charge the same, higher, or lower price in comparison to competition? Is the consumer price sensitive and would a lower price stimulate sales? Should there be any price with discounts? Do consumers perceive lower price indicative of poor quality? To answer such questions, the marketer must understand the way the company’s product is perceived by consumers, the importance of price as a purchase decision variable and how different price levels would affect sales. It
is only through consumer behavior study in actual buying situations that the marketer can hope to find answers to these important issues.

**Promotion:** Promotion is concerned with marketing communications to consumers. The more important promotion methods are advertising, personal selling, sales promotion, publicity and direct marketing. The marketer has to decide which method would be most suitable to effectively reach the consumers. Should it be advertising alone or should it be combined with sales promotion? The company has to know the target consumers, their location, what media do they have access to and what are their media preferences, etc.

In most cases of industrial products, there is very little or no advertising. Brochures containing technical specifications are often posted to clients and the salespeople make follow-up visits. Consumer products get the maximum share of advertising. The pharmaceutical industry exclusively uses personal selling for prescription drugs. Insurance companies use both advertising and personal selling.

**Distribution:** The next decision relates to the distribution channel, that is, where and how to offer products and services for sale. Should the products be sold through all the retail outlets of only through selected ones? Should the marketer use only the existing outlets, which also sell competing brands, or should new exclusive outlets selling only the marketer’s brands are created? Is the location of retail outlets important from consumers’ point of view? Should the company think of direct marketing? The answers to these questions are furnished by consumer behavior research. For example, when Eureka
Forbes introduced its vacuum cleaners many years ago, few stores knew anything about this product and most was not willing to buy it. Consumer awareness about the product was also low and no retail shops carried the product. Under these circumstances, the company decided to sell the product only through personal selling, with salespeople calling directly on the consumer at her/his home. The sales people had enough time to explain and demonstrate the vacuum cleaner and convince prospects about its usefulness. But, according to Brown, S and Reid\textsuperscript{12} Retail outlets would not have been suitable for this sales approach. This strategy was based on understanding of consumer behavior and yielded good results.

**Use in Social and Non-profits Marketing:** The behavioral studies are useful to design marketing strategies by social, governmental and not for profit making organizations to make their programmes more effective such as family planning, awareness about AIDS, crime against women, safe driving, environmental concerns and others. UNISEF (greeting cards), Red Cross and CRY etc. make use of consumer behavior understanding to sell their services and products and also try to motivate people to support these institutions.

1.2. FAST MOVING GOODS (FMGs)

Fast Moving Goods (henceforth FMGs) alternatively called as CPGs (Consumer Packaged Goods) or generally Fast Moving Consumer Goods (FMCGs) include all consumables (other than groceries/pulses) people buy at regular intervals. As Suresh Bhagwat\textsuperscript{13} defines the FMGs are called ‘fast


moving’ simply because they are the quickest items to leave the retailers’ shelves. In the words of Smith, the FMGs are applied, consumed, and substituted within a short period of time while being purchased. It can differ between an hour, a day, a week, a month, and up to a year. As Mahesh and Dharod In addition to the products which have a quick turnover, and relatively low price. This is the world of FMGs, speed, adaptability, quality and scale. Hari Mohan Kansal and Singh pointed out that the FMGs constitute a large part of consumers’ budget in all countries. Retail trade in these products, that is, their supply to households, has attracted considerable interest from consumers and policy-makers because a well-functioning retail sector is essential for daily provision of these essential products at high quality and low cost.

The FMGs are inexpensive products that require little shopping efforts. These are non-durable products which are sold in packaged forms. These products are purchased by the end-consumer in small quantities and frequently.

The main FMG segments can be classified as Personal Care, Household care, Branded and Packaged food and Tobacco (Bhattacharjee, 2011).

- **Personal Care:** It consists of oral care; hair care; skin care; personal wash (soaps); cosmetics and toiletries; deodorants; perfumes; paper products (tissues, diapers, sanitary); shoe care etc.

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- **Household Care:** It comprises of fabric wash (laundry soaps and synthetic detergents); household cleaners (dish/utensil cleaners, floor cleaners, toilet cleaners, air fresheners, insecticides and mosquito repellants, metal polish and furniture polish).

- **Branded and Packaged Food and Beverages:** It consists of health beverages; soft drinks; staples/cereals; bakery products (biscuits, bread, cakes); snack food; chocolates; ice cream; tea; coffee; processed fruits, vegetables and meat; dairy products; bottled water; branded flour; branded rice; branded sugar; juices etc.

- **Spirits and Tobacco:** An exact product-wise sales break up for each of the items is difficult.

The FMG sector is one of the booming sectors of the Indian economy which has experienced outstanding growth in the past decade. This sector comprises of three main segments, which include personal care, household care, food and beverages. Personal care comprises of oral care, hair care, toiletries, soaps and cosmetics; household care comprises of fabric wash and household cleaners; and food and beverages include health beverages, soft drinks, cereals, dairy products, bakery products, chocolates etc. According to Thanigachalam and Vijayarani, the FMG 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. This sector also creates employment for around three million people in downstream activities, which are generally carried out in smaller towns and rural India.

It has been observed by Chhabra and Bhargava\textsuperscript{18} that the level of involvement of consumer is low while making purchase decision as most of the consumers does not give much importance in going into deep of technical specification of the product. The most common in the list are toilet soaps, detergents, shampoos, toothpaste, shaving products, shoe polish, packaged foodstuff, and household accessories and extends to certain electronic goods. These items are meant for daily or frequent consumption and have a high return. FMG industry, industry primarily deals with the production, distribution and marketing of consumer packaged goods. These are products that have a quick turnover, and relatively low cost. M. Shehbaz Qasimee and Swati Agarwal\textsuperscript{19}, Consumers point out that the consumers generally put less thought into the purchase of FMG than they do for other products. Though the absolute profit made on FMG products is relatively small, they generally sell in large numbers and so the cumulative profit on such products can be large.

The FMG industry includes food and non-food everyday consumer products. They are usually purchased as an outcome of small-scale consumer decision so they are heavily supported (advertising, promotion) by the manufacturers. Typical purchasing of these goods occurs at grocery stores, supermarkets, hypermarkets etc. The manufacturers are always exploring new outlets and sales locations while the traditional retailers have introduced private label brands to capture additional profit. Every one of us uses fast moving consumer products every day.

The FMGs are products that have a quick shelf turnover, at relatively low cost and don’t require a lot of thought, time and financial investment to purchase. Vibhuti, *et al.* (2014)\(^{20}\) point out that that the margin of profit on every individual’s buying of fast moving consumer goods product is less. However the huge number of goods sold is what makes the difference. In view of Ankit Katiyar and Nikha Katiyar\(^{21}\), though the absolute profit made on FMG products is relatively small, they generally sell in large numbers and so the cumulative profit on such products can be large.

Parminder Singh\(^{22}\) states that the fast moving consumer goods sector with annual revenues of nearly $18 billion has emerged as a major component of the Indian economy. It has been recording double-digit growth rates over the past few years and continues to expand phenomenally major component. In the local and international markets, demand of the FMCG products continues to be strong and the inland consumption is increasing irrespective of the interest rate cycle and the economic scenario.

### 1.2.1. Growth of FMGs in India

According to Report on The Indian FMG Industry\(^{23}\), the FMGs form a major component of purchase for consumers at large. The sector has been


growing at a Compound Annual Growth Rate (CAGR) of 11% over the last decade. A well driven distribution network and competent value chain, as well as intense competition between the organized and unorganized sector (Report, FMG Industry in India) are the hallmarks of this sector. The Indian FMG sector in the economy is with a total market size in excess of US $ 13.1 billion. It has a strong Multi National Corporation (MNC) presence and is characterized by a well stabilized distribution network, intense completion between the organized and unorganized segment and low operational cost. According to Joshi Alpa, availability of key raw materials, cheaper labour cost and presence across the entire value chain gives India competing advantages.

The FMG sector is a vital contributor to India’s Gross Domestic Product. It has been contributing to the demand of lower and middle-income groups in India. Over 73% of FMG products are sold to middle class households in which over 52% is in rural India. Rural marketing has become the hottest marketing arena for most of the FMG companies. The rural India market is huge and the opportunities are unlimited. In view of Srivastava et al., after saturation and cutthroat competition in urban areas, now many FMG companies are moving towards the rural market and are making new strategies for targeting the rural consumer. The Indian FMCG companies are now busy in formulating new competitive strategies for this untapped potential market. Therefore, a comparative study is made on growth, opportunity, and challenges of FMG companies in rural market. One of the most attractive reasons for companies to tap rural consumers is that an individual’s income is rising in

rural areas and purchasing power of lower and middle income groups is also rising and they are eager to spend money to improve their lifestyle.

1.2.2. Characteristics of FMG in India

- **Branding:** Creating strong brands is important for the FMG companies and they devote considerable money and effort in developing bands. With differentiation on functional attributes being difficult to achieve in this competitive market, branding results in consumer loyalty and sales growth.

- **Distribution Network:** Given the fragmented nature of the Indian retailing industry and the problems of infrastructure, the FMG companies need to develop extensive distribution networks to achieve a high level of penetration in both the urban and rural markets. Once they are able to create a strong distribution network, it gives them significant advantages over their competitors.

- **Contract Manufacturing:** As the FMG companies concentrate on brand building, product development and creating distribution networks, they are at the same time outsourcing their production requirements to third party manufacturers.

- Moreover, with several items reserved for the small scale industry and with these SSI units enjoying tax incentives, the contract manufacturing route has grown in importance and popularity.

- **Large Unorganized Sector:** The unorganised sector has a presence in most product categories of the FMG sector. Small companies from this sector have used their location advantages and regional presence to reach out to remote areas where large consumer products have only limited presence. Their low cost structure also gives them an advantage.
1.2.3. Market Analysis towards the FMG

Market analysis requires an understanding of the 4-Cs which are consumer, conditions, competitor and the company. A study is undertaken to provide superior customer value, which is the main objective of the company. For providing better customer value we should learn the needs of the consumer, the offering of the company, vis-a-vis its competitors and the environment which is economic, physical, technological, etc.

(a) The Consumer: To understand the consumer; researches are made. Sometimes motivational research becomes handy to bring out hidden attitudes, uncover emotions and feelings. Many firms send questionnaires to customers to ask about their satisfaction, future needs and ideas for a new product. On the basis of the answers received, changes in the marketing mix are made and advertising is also streamlined.

(b) The External Analysis (Company): The external analysis may be done by the feedbacks from the industry analyst and by marketing researches. The internal analysis is made by the firm’s financial conditions, the quantum of the sales, force and other factors within the company. The study of these factors leads to a better understanding of the consumer and his needs.

(c) The Competition: In the analysis of the market, a study of the strengths and weaknesses of the competitors, their strategies, their anticipated moves and their reaction to the companies are dealt with. Moves and plans is to be made. The company after getting this information reacts accordingly and changes its marketing mix and the offering is made in a manner which can out do the competitor. This is a very difficult process and it is easier said than done. To
have correct information about the competitors and to anticipate their further moves is the job of the researcher.

**(d) The Conditions:** The conditions under which the firms are operating has also to be seriously considered. The factors to be studied are the economy, the physical environment, the government regulations, the technological developments, etc. These effect the consumer needs, i.e. the deterioration of the environment and its pollution may lead to the use and innovation of safer products. People are health conscious and are concerned with their safety. Hence, in this case, safer products have a better chance with the consumer. In case of recession, the flow of money is restricted greatly. This leads to the formulation of different marketing strategies.

**1.2.4. Market Segmentation**

The market is divided into segments which are a portion of a larger market whose needs are similar and, they are homogeneous in themselves. Such segments are identified with similar needs.

**(a) Need Set:** By need set, it is meant that there are products which satisfy more than one need. An automobile can fill the transportation needs, status need, fun needs or time saving needs. So the company tries to identify the need sets which its product can fulfill. Then we try to identify the groups who have similar needs, i.e. some people need economical cars, others may go for luxury cars.

**(b) Demographic and Psychographic Characteristics:** These groups are identified and they are described in terms of their demographic and psychographic characteristics. The company finds out how and when the product is purchased and consumed.
(c) **Target Segment**: After all the above preliminary work is done, the target customer group known as the target segment is chosen, keeping in mind how the company can provide superior customer value at a profit. The segment which can best be served with the company’s capabilities at a profit is chosen. It has to be kept in mind that different target segments require different marketing strategies and, with the change in the environmental conditions the market mix has to be adjusted accordingly.

**1.2.5. Marketing Strategy**

Strategies are formulated to provide superior customer value. In formulating market strategies, the 4-Ps are directed at the target market.

(a) **Product**: Product is anything that is offered to the consumer which is tangible and can satisfy a need and has some value.

(b) **Price**: Price is the amount of money one must pay to obtain the right to use the product.

(c) **Distribution (Place)**: The goods can be distributed by many channels. These could be retailers, wholesalers, agents or by direct selling. Distribution outlets play an important role in reaching the goods to the consumer. They provide, time, place and possession utilities. Some goods need to be marketed through the channels or the middleman. Others can be marketed directly by the company to the actual consumer.

(d) **Promotion**: Promotion is the means of changing the attitudes of the consumer, so that it becomes favourable towards the company’s products. Various means of promotion are advertising, personal selling, sales promotion and publicity.
(e) Service: Service refers to auxiliary service that enhances the value of the product or the service. For instance, while buying a car. Free services are provided over a certain period of time. Check-ups are free and maintenance is also covered on the charge of an adequate amount along with the product purchased. These auxiliary services are provided at a cost with money. These provide value to the product or the customer. These services give an advantage to the customer and he is free from the botheration of occasional checkups or risk. The risk is considerably reduced and, the customer derives satisfaction with his decision to purchase.

(iv) Consumer Decision Process: The decision-making process consists of a series of steps which the consumer undergoes. First of all, the decision is made to solve a problem of any kind. This may be the problem of creating a cool atmosphere in your home. For this, information search is carried out, to find how the cool atmosphere can be provided, e.g. by an air conditioner or, by a water-cooler. This leads to the evaluation of alternatives and a cost benefit analysis is made to decide which product and brand image will be suitable, and can take care of the problem suitably and adequately. Thereafter the purchase is made and the product is used by the consumer.

Celen Aydin, Erdogan Tarkan and Taymaz Erol\textsuperscript{26} state that the industry is highly competitive due to presence of multinational companies, domestic companies and unorganized sector. A major portion of the market is captured by unorganized players selling unbranded and unpackaged products. More than 50 per cent of the total revenues of FMG companies come from products worth

Rs 10. This has made the proliferation of localized brands which are offered in loose form in small towns and rural part where brand awareness is low. In last 10 years domestic players are giving tough competition to multinationals; in fact they have outstripped many MNCs in growth and market cap. Between 2005-2014 the profit of domestic companies increased by 24% against 14% increase of multinational companies. Urban India accounts for 66% of total FMG consumption, while rural India accounts for the remaining 34%. However, rural India accounts for more than 40% of the consumption in major FMCG categories such as personal care, fabric care and hot beverages. As per the analysis by ASSOCHAM, companies like Hindustan Unilever Ltd and Dabur India generate half of their sales from rural India while Colgate Palmolive India and Marico constitute nearly 37% respectively.

According to Pramod H. Patil the FMG sector was marked with high inflation, low salary hikes, slow economic growth in 2012 which directly affected the budget of urban consumers. The sector again saw a slowdown in 2013 due to deceleration in GDP growth and high inflation but on the contrary it saw a positive direction where rural consumers were willing to spend more on FMG products due to their rise in income, direct cash transfer scheme and other supportive government policies whereas urban middle class continued to be affected by the slowdown The sector accounted for 2.4 percent of the country’s GDP in 2013. However an optimistic trend is anticipated in 2020 as GDP growth is projected to be around 7-8 percent. This sector is all set to move with positive waves of change. Some of the biggest and important trends came from this sector which is also shaping the future growth. The FMG sector showed that the sector generated revenue $36.8 billion in 2012 and is expected

to reach $103.7bn in 2016 thus depicting a positive trend. Neilson Indian region president said that FMG sector will encounter volume growth in the coming years and it will be around 16 percent in 2016 (aranca.com, 2016).

1.2.6. FMG Industry in India

The fast-moving goods sector is an important contributor to India’s GDP. India's FMG sector is the fourth largest sector in the economy and creates employment for more than three million people. Its principal constituents are household care, personal care and food and beverages. The market is expected to maintain a high growth rate as the population (particularly the middle class and rural segments) converts to branded products. In 2014, retail e-commerce sales in India generated over five billion U.S. dollars. That figure is expected to increase to over 17 billion U.S. dollars by 2018.

1.2.7. Revenue of the FMG market in India from 2007 to 2020 (in billion U.S. dollars)

This statistic shows the revenue of the fast moving consumer goods market (FMCG) in India from 2007 to 2020. In 2015, India's FMG market generated revenue of about 47.3 billion U.S. dollars, up from 17.8 billion U.S. dollars in 2007.

- In 2015, revenue from the FMG sector in India stood at US$ 9.7 billion, which further increased to US$ 12.5 billion in FY16.
- The market is expected to grow at CAGR of 13 per cent from FY2005 to FY2020.
- Around two third of the total revenue is generated from urban population and the rest is generated from rural population.
1.2.8. What the Future Holds?

The dark clouds of sales growth of the last few years appear to be clearing. Nielsen expects a steady recovery over the next few years. While we don’t expect growth rates to touch the levels anyone can saw in 2010, we do expect the numbers to improve.

Diagram 1.1

FMG Growth Rate

Nielsen expects the Indian FMG sector to touch US$49 billion by 2016. The early signs of revival include a recovering GDP, a strengthening economy and higher consumer sentiment about their employment opportunities.
1.3. NEED OF THE STUDY

Though the currently available literature on influencing factors seemingly appears to be adequate, still a lot of research needs to be done in specific geographic rural markets as the rural consumer behavior varies in various product categories and geographic markets. So, the present study is required to explore new aspects of buyer behavior particularly in the FMG sector. The consumer behavior plays an important role in marketing of fast moving consumer goods. As Jha Mithileswar\textsuperscript{28} points out that this behaviour is affected by various factors. In the present era of globalization needs and wants of consumers changes with time. The FMG sector contributes a lot to the growth of India’s GDP. Therefore it is necessary to identify the changes in consumer buying behaviour towards FMG products.

The Indian market for FMGs is now witnessing a lot of changes due to increase of population, size of disposable income, spread of education, penetration of Information and Communication Technology (ICT), mass media and improvements in other infrastructure facilities. Moreover, the impact of globalization is also felt in Indian market. According to the study conducted by NCAER\textsuperscript{29} the high income class is on a steadily increasing. These factors have resulted in changes in aspirations and lifestyles of Indian consumers. In consequence the demand pattern for various products has also changed.

John Mano Raj\textsuperscript{30} observes that the changes in tastes and preferences of the consumers backed by increased purchasing power has attracted many Indian and the MNCs are producing FMGs to target these markets dominated by industries of local and regional nature. Also most of them belong to unorganized sector. Another positive indication is that the growth rate of the FMG sector in rural markets is more than that of the urban markets in India. It is observed by NCAER that the share of rural market is more than 50 per cent for many product categories including toilet soaps, talcum powder, tea, and hair oil.

Any FMG company that wishes to enter into market cannot afford to treat the rural market as just an extension of their urban market. There is a vast difference in the consumer behaviour in general and buying practices in particular. But there is a dearth of literature on the buying practices of rural and urban consumers in Thiruvarur district and in India at large.


1.4. IMPORTANCE OF THE STUDY

The FMG sector is the fourth largest sector in India touching everybody’s life every day. With changing profile and mindset of Indian consumers, this sector has a constructive potential in the form of semi-urban, urban slums and emerging rural segment. In coming years, with rapidly changing socio-economic landscape, bottom of pyramid will be the fastest growing consumer market. The research work is an endeavor to study the factors that affect the buying behavior of consumers residing in unauthorized colonies in urban India. Now, this is the fact about the consumers that their income is increasing and the lifestyles are changing. As observed by Shalini Srivastava\textsuperscript{31}, there are as many middle-income households live in rural and urban areas. Thus marketing of FMGs has been growing steadily over the years. Particularly, rural India has become a target for marketers because of the huge potential it offers for all kinds of products and services. There is a huge income shift-taking place in rural India, and the aspiring middle class, with increasing purchasing power, is the focus of all marketing initiatives by corporate entities. This situation makes the research as important.

1.5. SCOPE OF THE STUDY

The study is undertaken in the area of marketing in general and buyer behaviour towards the FMGs in particular. Within the framework of the present study, products are chosen only from consumer goods for the purpose of the study. As the area of marketing is too vast and the product range is too wide only four products falling under the FMG categories have been selected and studied in detail.

Further the study covers only the buyer behaviour related to the FMGs products. It covers (a) general shopping pattern, (b) brand awareness and sources of information regarding brands, (c) satisfaction of the customers, (d) attitude of the consumers in respect to the product, price, etc.

As far as the geographical area is concerned, the study is done only in the District of Thiruvarur: that has unique socio-economic and cultural setting. The study is based on a systematically selected sample representative of the characteristic of the district. As such the study leaves further scope for similar studies in different districts across the country.

This study would help to explore the consumption patterns, purchasing behaviour and motives, their purchase decision etc. The insight will help the manufactures to adopt new strategies which would help not only to attract new customer but also the maintain the loyalty of the existing customer, as in the present competitive scenario the consumer are prepared to choose their right product not only based on their needs but also on the basic of personal interest shown by the manufactures on them. The study will fill the existing gap in the literature and also it will be useful for the FMG marketers entering into rural markets to develop effective marketing strategies.

1.6. STATEMENT OF THE PROBLEM

The burgeoning middle class Indian population, as well as the rural sector, presents a huge potential for the FMG sector. The changes in tastes and preferences of the buyers backed by increased purchasing power has attracted many Indian and the MNCs, producing FMGs to target the markets dominated by industries of local and regional nature. But, it is very difficult to these firms
to study the buyers’ taste, preference and expectations. According to Bijoor Harish\textsuperscript{32} there is a vast difference in the buyer behaviour in general and buying practices in particular. But there is a lack of literature on the buying practices of consumers particularly in Thiruvarur District.

Further, the buyers are influenced by the changes in the environment, so periodic studies are needed to understand the change in buying practices. Therefore an empirical research is being conducted in this region to find out the general shopping pattern, awareness level, brand preferences and the reasons for preferences, role and involvement of family members in shopping and the various factors influencing them in purchase pattern. The consumers are finding various problems in selecting their fast moving consumer goods. In view of Celen Aydin and Erdogan Tarkan\textsuperscript{33}, the consumers are more dynamic, their taste, preferences are also changing. The consumers are also looking product differentiation and the convenience offered. The consumer has certain expectation from branded items in terms of its quality, price and packaging.

A comprehensive study on the general shopping pattern, changing level of awareness, brand preferences and the reasons for preferences and the involvement of family members in shopping is very much lacking. Review of literature revealed that the behaviour of buyers vary from product to product and region to region. The buying practices for FMGs are different from that of consumer durables. Moreover, the relationship of the buying practices with


income, education, age and occupation has not been understood clearly. In the light of these problems, the preset study is taken up.

1.7. OBJECTIVES OF THE STUDY

Following are the objectives of the study:

1. To study the shopping pattern of the buyers of FMGs in Thiruvarur district, Tamil Nadu
2. To identify the factors influencing buying decisions of the buyers towards the FMGs.
3. To study the awareness of the buyers towards the FMGs
4. To measure the satisfaction of the buyers towards the FMGs
5. To analyse the attitude of the buyers of the FMGs
6. To render suitable suggestions to the FMG sector for improving buyers’ satisfaction.

1.8. RESEARCH METHODOLOGY

The present study is a survey because it takes a small part (sample buyers) from a large population (Buyers of the FMG in Thrivarur District, Tamil Nadu). Thiruvarur District is the geographical area of the study. Formerly, a pilot study was undertaken by the researcher to know the scope of the research in the study area. Possibility and practical difficulties were felt during the study. The primary data were collected from March to April 2016.

1.8.1. Operational Definition Fast Moving Goods (FMGs)

The term Fast Moving Goods includes all consumables (other than groceries/pulses) people buy at regular intervals. The most common in the list are toilet soaps, detergents, shampoos, toothpaste, shaving products, shoe
polish, packaged foodstuff, and household accessories and extends to certain electronic goods. These items are meant for daily or frequent consumption and have a high return. The present study uses the term as the Fast Moving Goods (FMGs).

1.8.2. Choice of Products

Although the list of the FMGs is exhaustive, a careful consideration was given in choosing the products for the study. The products examined in the study involved a diverse set of four products found in rural household. They are, tooth paste, health-drinks, toilet soap and shampoo. The following criteria were considered for selecting the products:

- Frequency of purchase: at least once in two months.
- The penetration of these branded products is at an increasing rate in rural and urban areas.
- The products are widely used by different members of the family.
- The roles of different family members in the purchase decision are likely to change, keeping in mind the nature of the product.
- The products encompass a variety of brands.

1.8.3. Variables of the Study

Apart from the demographic variable such as gender, age, education, income etc., the following research variables are taken into consideration:

- Buying pattern
- Awareness of the buyers
- Satisfaction of the buyers
- Attitude of the buyers

The variables are split into sub variables for an in depth analysis.
1.8.4. Hypotheses of the Study

On the basis of objectives and variables of the study, the following hypotheses have been framed for the present study:

- There is association between gender of the customers of the FMGs of Thiruvarur district and shopping pattern (length of relationship with the particular brands of the FMGs., number of buying times the FMGs., amount spent for purchasing the FMGs. having grievance against the FMGs., influencing aspect to them to buy the particular brand of the FMGs., influencing person to them to buy the particular brand of the FMGs. type of buying) of the FMG customers.

- There is no association between age of the customers of the FMGs of Thiruvarur District and shopping pattern (length of relationship with the particular brands of the FMGs., number of buying times the FMGs., amount spent for purchasing the FMGs having grievance against the FMGs., influencing aspect to them to buy the particular brand of the FMGs, influencing person to them to buy the particular brand of the FMGs. type of buying) of the FMG customers.

The two major hypotheses are split into various sub hypotheses during the process of data.

- There is significant difference in the mean level of agreement of customers of the FMGs in different age groups on various factors of satisfaction (i.e., age has effect on satisfaction).

- There is significant difference in the mean level of awareness of customers of the FMGs in different age groups on various factors of awareness (i.e., age has effect awareness).
• There is significant difference between the mean level of attitude in different age groups and the attitude towards price (i.e., age has effect on attitude towards price).

• There is significant difference between the mean level of agreement of the FMG customers of the in different age groups and the attitude of towards the product (i.e., age has effect on attitude of towards the product).

• There is significant difference between the mean level of agreement of FMG customers of in different age groups and attitude towards patronage (i.e., age has effect on attitude towards patronage).

• There is significant difference in the mean level of agreement of FMG customers in differing age groups on the attitude towards image (i.e., Age of customers has attitude towards image).

• There is significant difference in the mean level of agreement of FMG customers of different age groups on the attitude towards trust (i.e., Age of customers has effect on attitude towards trust).

• There is significant difference in the mean level of agreement of the FMG customers of different Income groups on various factors of satisfaction (i.e., Income of customers has effect on satisfaction).

• There is significant difference in the mean level of agreement of the FMG customers of different income groups of customers on various factors of awareness (i.e., Income of customers has effect on awareness).

• There is significant difference in the mean level of agreement of the FMG customers of different income groups on various factors of attitude towards price (i.e., Income of customers has effect on attitude towards price).
• There is significant difference in the mean level of agreement of the FMG customers of different Income groups on various factors of attitude towards product (i.e., Income of customers has effect on attitude towards product).

• There is significant difference in the mean level of agreement of the FMG customers of different Income groups on various factors of attitude towards patronage (i.e., Income of customers has effect on attitude towards patronage).

• There is significant difference in the mean level of agreement of the FMG customers of different occupations on various factors of satisfaction (i.e., Occupation has effect on satisfaction).

• There is significant difference the mean level of agreement of the FMG customers of different occupations on various factors of awareness (i.e., Occupation has effect on awareness).

• There is significant difference in the mean level of agreement of the FMG customers of different occupations on various factors of attitude towards price (i.e., Occupation has effect on attitude towards price).

• There is significant difference in the mean level of agreement of the FMG customers of different Occupations on various factors of attitude towards product (i.e., Occupation has effect on attitude towards product).

• There is significant difference in the mean level of agreement of the FMG customers of the different occupations on various factors of attitude towards patronage (i.e., Occupation has effect on attitude towards patronage).
• There is significant difference in the mean level of agreement of male and female customers of the FMGs on various factors of satisfaction (i.e., gender has effect on satisfaction).

• There is significant difference in the mean level of satisfaction of male and female customers of the FMGs on various factors of awareness (i.e., gender has effect on awareness).

• There is significant difference in the mean level of agreement of male and female customers of the FMGs on various factors of attitude towards price (i.e., gender has effect on attitude towards price).

• There is significant difference in the mean level of agreement of male and female customers of the FMGs on various factors of attitude towards product (i.e., gender has effect on attitude towards product).

• There is significant difference in the mean level of agreement of married and unmarried customers of the FMGs on various factors of attitude towards patronage (i.e., marital status has effect on attitude towards patronage).

• There is significant difference in the mean level of agreement of married and unmarried customers of the FMGs on various factors of attitude towards image (i.e., marital status has effect on attitude towards image).

• There is significant difference in the mean level of agreement of married and unmarried customers of the FMGs on various factors of attitude towards trust (i.e., marital status has effect on attitude towards trust).

• There is significant difference in the mean level of agreement of married and unmarried customers of the FMGs on various factors of attitude towards price (i.e., marital status has effect on attitude towards price).
towards product (i.e., marital status has effect on attitude towards product).

- There is significant difference in the mean level of agreement of married and unmarried customers of the FMGs on various factors of attitude towards patronage (i.e., marital status has effect on attitude towards patronage).

**Occupation vs. Ranking**

- There is difference in the rankings of customers in different occupations on various factors of Attractive factors.
- There is difference in the rankings of customers in different occupations on various factors of disappointment towards the FMGs.
- There is difference in the rankings of customers in different occupations on Expectation towards the FMGs.

**Household Income vs. Ranking**

- There is difference in the rankings of customers in different categories of household income on attractiveness towards the FMGs
- There is difference in the rankings of customers in different categories of household income on various factors of disappointment towards the FMGs.
- There is difference in the rankings of customers in different categories of household income on expectation towards the FMGs

The major hypotheses are split into various sub hypotheses during the process of data.
1.8.5. Ranking of Variables

Gender vs. Ranking

- There is difference in the rankings of male and female customers on attractiveness towards of the FMGs.
- There is difference in the rankings of male and female customers on disappointment towards the FMGs.
- There is difference in the rankings of male and female customers on various sub dimensions of expectation factors.

Marital status vs. Ranking

- There is no difference in the rankings of married and unmarried customers on various sub dimensions of attractiveness of the FMGs.
- There is difference in the rankings of married and unmarried customers on various sub dimensions of disappointment towards the FMGs.
- There is difference in the rankings of married and unmarried customers on various factors of Expectation factors.

Area of residence vs. Ranking

- There is difference in the rankings of customers residing in village and town on attractiveness towards the FMGs.
- There is difference in the rankings of customers residing in village and town on disappointment towards the FMGs.
- There is difference in the rankings of customers residing in village and town on expectation towards the FMGs.
Type of family vs. Ranking

- There is difference in the rankings of customers residing in nuclear and joint families on various factors of Attractive factors.
- There is difference in the rankings of customers residing in nuclear and joint families on various factors of disappointment towards the FMGs.
- There is difference in the rankings of customers residing in nuclear and joint families on various factors of expectation towards the FMGs.

Age vs. Ranking

- There is difference in the rankings of customers in different age groups on attractiveness towards the FMGs.
- There is difference in the rankings of customers in different age groups on expectation towards the FMGs.

Hypotheses relating to Model Fitting:

(i) The regression coefficient of attitude towards image in the model is one or more, i.e., Image has significant effect on Satisfaction.

(ii) The regression coefficient of Trust in the model is one or more, i.e., Trust has significant effect on Satisfaction.

(iii) The regression coefficient of Relationship in the model is one or more, i.e., Relationship has significant effect on Satisfaction.

1.8.6. Sampling

The entire population of Thiruvarur district is considered as the population of the study. The size of the population as per the 2011 census, the population is 12,64,277. From the large size of population, the sample size is determined with the help of sample size calculator available in the web sites.
Among various sample determination formulae, a formula is used in this study to determine the size of samples from the large population. Generally, these formulae are used to determine the sample size at manageable limit in case of large size of population.

So, the researcher has arrived at the sample size of 400 buyers as calculated below as per Yamane (1967) who provided a simplified formula to calculate sample sizes. This formula is used to calculate the sample size with 95% confidence level.

\[ n = \frac{N}{1 + N(e)^2} = \frac{12,64,277}{1 + 12,64,277 \times (.05)^2} = 399.87 \]

While applying the formula, the sample size is 399.87 and it is rounded to 400. The sample buyers are selected at random from 7 taluks viz., Kudavasal, Mannargudi, Nannilam, Needamangalam, Thiruthuraipoondi, Thiruvarur and Valangaiman. From every taluk, the samples are selected by using simple random sampling method.

1.8.7. Questionnaire

A structured questionnaire is designed to collect the primary data from the sample buyers. The objectives of the present research require primary data so that the questionnaire was constructed to achieve the objectives. So, the structure of the questionnaire has been designed to achieve the objectives of the study as follows:

- **Demography of the customers**: It provides the personal profile i.e., gender, marital status and age of the customers and socio economic profile i.e., education, income, occupation etc. This section provides the background information about the customers of the FMGs.
- **Buying Pattern** (customership period, frequency of visit, nature of visit, source of awareness, amount spent per month, usual items bought)
- Influencing factors (Influencing persons and Influencing aspects)
- Awareness
- Satisfaction
- **Levels of Satisfaction**: Selected variables are taken into consideration for this measurement. Likert’s five point scale is used.
- **Levels of Awareness**: The variables taken for the measurement of awareness are measured with the help of a three point scale.
- **Study of Attitude of the customers**: This section deals with attitude statements and five point scale is used to study the attitude of the customers.

### 1.8.8. Pre Test

Pre test is a test to check the validity and appropriateness of the questions. According to Kothati\(^{34}\), it is a checking of validity and appropriateness of the questions so that it is compulsory in social science surveys. A sample set of about 50 respondents was taken to test the questionnaire. Through this test, the researcher deleted certain items in the questionnaire which were found to be unanswerable by the customers and thus the research tool has been modified and restructured to give meaningful results of the present study.

1.8.9. Data Used

Both types of data are used in the study. The secondary data were first collected from the secondary sources at first. Primary data have been collected from the sample customers by means of a structured questionnaire.

1.8.10. Measurement of Variables and Scaling Techniques Used

The present study measures the following aspects viz., customers’ satisfaction and their awareness. Satisfaction of the customers is measured in the study with the help of five point Likert’s scale such as

1. Highly satisfied
2. Satisfied
3. Neutral (neither satisfied nor dissatisfied)
4. Dissatisfied
5. Highly dissatisfied.

In respect of awareness of the customers, it is commonly known fact that the awareness can be studied with two extreme ends viz., existence of awareness and absence of awareness. The existence of awareness is measured with the help of three point scale such as

1. Fully aware
2. Sufficiently aware
3. Less aware.

1.8.11. Analysis of Attitude of the Customers

Analysis of the attitude of the FMG customers of Thiruvarur District is taken into consideration in the study. For this purpose, attitude statements were set and they are studied with the help of 5 point scale such as strongly agree, agree, moderate, disagree and strongly disagree.
1.8.12. Analysis of Data

Analytical part of the present study is mainly based on the primary data so that the data are put into analysis with the help of descriptive analysis, (also termed as percentage analysis). At the outset, the responses of every question are tabulated in separate table with the percentage. According to D.N. Elhance\textsuperscript{35} the percentage is a very basic and common tool to study the entire characteristic of mass data (1983) so that the percentage is used to interpret the data. The inferences are made by means of majority or minority feature of the data that is represented by the percentages. This is the initial stage of analysis and then the analysis section moves into testing the hypotheses with the help of Statistical Package for social Sciences (SPSS) version 16.

1.8.13. Analytical Tools

The following analytical tools have been used in this study:

- **Chi square test:** Chi square test is an important test amongst the several tests of significance developed by statisticians. It is a statistical measure used in the context of sampling analysis for comparing a variance to a theoretical variance. As a non-parametric test, it can be used to determine if categorical data shows dependence or the two classifications and the actual data when categories are used. The chi square test is applied to test the hypotheses.

- **t Test:** If the original population is normally distributed and the standard deviation of the population is unknown (and therefore has to be estimated from a sample), the sampling distribution of the mean derived from the large samples will also be normally distributed.

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• **Analysis of Variance (ANOVA) Test:** F test (popularly known as Analysis of Variance - ANOVA) is used when multiple sample case are involved. As the significance of the difference between the means of two samples can be judged through any test, the difficulty arises when one has to examine the significance of the difference amongst more than two sample means at the same time. Therefore, the F test has been selected as the appropriate tool for analysis.

• **Mann–Whitney U Test:** In statistics, the Mann–Whitney U test (also called the Mann–Whitney–Wilcoxon (MWW), Wilcoxon rank-sum test, or Wilcoxon–Mann–Whitney test) is a non-parametric test of the null hypothesis that two populations are the same against an alternative hypothesis, especially that a particular population tends to have larger values than the other. It has greater efficiency than the t-test on non-normal distributions, such as a mixture of normal distributions, and it is nearly as efficient as the t-test on normal distributions.

• **Kruskal–Wallis one-way analysis of variance:** The Kruskal–Wallis one-way analysis of variance by ranks (named after William Kruskal and W. Allen Wallis) is a non-parametric method for testing whether samples originate from the same distribution. It is used for comparing more than two samples that are independent, or not related. The parametric equivalent of the Kruskal-Wallis test is the one-way Analysis of Variance (ANOVA). When the Kruskal-Wallis test leads to significant results, then at least one of the samples is different from the other samples. The Mann-Whitney would help analyze the specific sample pairs for significant differences.

• **Structural Equation Modeling (SEM):** Structural Equation Modeling through AMOS is used to fit a model for the dependent variable The
present study used Structural Equation Modeling (SEM) because of two advantages: “(1) estimation of multiple and interrelated dependence relationships, and (2) the ability to represent unobserved concepts in these relationships and account for measurement error in the estimation process” (Hair et al., 1998, p. 584). In other words, a series of split but independent multiple regressions were simultaneously estimated by SEM. Therefore, the direct and indirect effects were identified (Tate, 1998). Linear structural equation models are widely used in sociology, econometrics, management, biology and other sciences.

1.8.14. Limitations of the Study

The following are the limitations of the study:

1. The study is undertaken in one district of Tamil Nadu so that the findings may not be applicable to large metro cities.

2. The perception, satisfaction, attitude and behaviour are based on the past experience of the buyers so that they may change in future, So, there is no assurance that the findings are permanent facts for a long period.

3. When the economic status, health conditions, life style of the buyers change their buying behaviour may change in passage of time. If so, the findings of the study will not be applicable to future.

4. The primary focus of the study was on the buying practices of customers of FMGs. The scope of the study was limited by the choice of the class of products and by the choice of the number of products. As such the study does not cover all the FMGs.
1.8.15. Chapter Scheme

The present study is presented in five chapters as follows:

The first chapter is Introduction and Research Design. It presents conceptual framework of the study, importance of the study, statement of the problem, objectives of the study and research methodology.

The second chapter is the Review of Literature. It provides previous research findings on the FMG sector from consumers’ point of view and it ends with the research gap.

The third chapter is Profile of Thiruvarur district and gives a clear picture towards the study area.

The fourth chapter is the Analysis of Buying Behaviour towards the FMGs. It deals with the statistical analysis in respect of the primary data.

The fifth chapter is the Summary of Findings, Suggestions and Conclusion.