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Influencers behind the 'Buy' Decision of FMCG Consumers

Dr. Dinesh Kumar C

Associate Professor, Department of Commerce, Government First Grade College, Hebbur 572120. Tumakuru Taluk, Karnataka State, INDIA.

Abstract

Buyers of fast moving consumer goods (FMCG) have been getting "more demanding" with each passing day for the simple reason that the FMCG segment has been a buyer's market all along. If anything, it has been becoming more so, with newer and newer product categories hitting the shelves, newer and newer players cropping up with the result that the margins are getting thinner and thinner by the day for the FMCG players. This in a way explains why the FMCG segment across the world witnesses a shake-out every now and then, with laggards being gobbled up by the established players. Interestingly, even the so-called established big players or Goliaths once in a while have to contend with the formidable challenges that a newly-arrived David might pose. In India for example, Nirma, a David in the segment, gave the Goliaths like HUL, a run for their money!

1.1 Statement of the problem

Given the kind of promise the FMCG segment holds, investors find it irresistible. They find it difficult to stay away from the segment. Investments keep flowing into the segment, the periodic shake-outs notwithstanding. After all, business without risk is inconceivable and no serious investor would like to stay away from business as long as the risks involved are manageable and addressable. Naturally, in this dog eat dog segment, marketers go out of the way and try out-of-the-world strategies to lure prospects. To formulate such strategies they have to do a lot of groundwork in the first place. This requires them, among other things, to first identify the factors the prospects consider before making the "buy" decision. Such identification helps the FMCG players to formulate more focused and more effective strategies to lure the prospects. It is this problem the present study seeks to solve for the benefit of the FMCG players.

1.2 Review of literature

1. The growth of FMCG sector will accelerate only when the FMCG players evolve their marketing strategies of premium products (Business Standard, 2015). India's FMCG sector is gaining momentum very slowly resulting in low sales growth, appreciating distribution costs and higher attrition rates, traditional organizational structures, integrating the company policies with the latest technologies and analytics and adapting them to the latest trends or emerging trends is very vital for the success of the FMCG sector. A survey shows that households with yearly incomes above INR 10 lakh will fetch 48 percent of the market by 2025 from the existing 25 percent . Companies should start investing in building premium products and delivering superior products through packaging, design and experience.

2. Today's trend is speed. Today's consumer wants packaged goods that work better, quicker and smarter (Shailja Shah Purohit, 2014). The need for speed has become a vital and decisive factor for the consumers as this increases or decreases the sale of the product. The younger generation seeks speed in the delivery of the product and wants quick results. So accelerating the delivery of the product has become the new mantra for effective FMCG advertising strategy.
3. Smith, F. Michael and Sinha, Indrajit (2000) (Smith,F.Michael and Sinha,Indrajit, 2000) in their study of association between different types of promotions (straight price promotion, extra-product or volume promotion and mixed promotion) in four supermarket product categories controlling individually for the effect of two category-based moderating factors viz. product stock-up characteristics and price level. The outcome reflected the rise in mixed promotions choice made by the consumers; type of promotions does influence store preference (with price and volume promotions having the greatest influence). Consumers mostly preferred price promotion for higher valued product categories and whereas they chose volume promotions for lower priced product categories.

1.3 Research gap

Relevant though in various degrees, the reviewed studies are not clear about the various factors the FMCG prospects reckon before making the "buy" decision. Towards this end, the reviewed literature suffers from a gap and it is this gap the present study seeks to bridge.

1.4 Scope of the present study

The study confines itself to three categories of respondents. They are 100 consumers, 30 FMCG marketers and 30 consultants and they operate in Bangalore (rural) and Bangalore (urban) districts. The findings arrived at and the conclusions drawn from the analysis of data collected from these respondent categories can be generalised to the remaining respondent populations in view of the environment they operate in being identical.

1.5 Objectives of the study

The objective of the study is to identify the factors that prompt the consumers to purchase fast-moving consumer goods.

1.6 Hypothesis proposed to be tested

The study proposes to test the following hypothesis:

"Price influences the buy decision of the consumers"

1.7 Research design

1.7.1 Research methodology

The study is descriptive in nature and has used the 'fact-finding' survey method

1.7.2 Sources of data

Primary data has been collected from the respondents, viz., consumers numbering 100, FMCG marketers, numbering 30 and consultants numbering 30.

Secondary data has been collected from reputed finance journals, magazines and newspapers, in hard version and soft version.

1.7.3 Sampling plan

Consumers: Simple random sampling under the probability sampling method was undertaken to select the consumers since it gives each element an equal and independent chance of being selected. Accordingly, Interview Schedules were administered to 200 consumers who have been buying FMCG items. The first 100 Interview Schedules received from the consumers, duly completed, were selected for the study.

FMCG marketers: Given the rather limited number of FMCG marketers operating in the vicinity where the researcher lives and the time constraint, purposive or judgement sampling under the non-probability method has been deployed. Applying a minimum exposure of five years to marketing activity as the criterion, the researcher selected 30 such respondents. This criterion, according to the researcher, is the most appropriate one for the present study. What is important is the typicality and the relevance of the sampling units to the study and not their overall representativeness to the population. Thus it guarantees inclusion of the relevant elements in the sample. Probability sampling plans cannot give such a guarantee.

Consultants: Given the rather limited number of consultants operating in the vicinity where the researcher lives and the time constraint, purposive or judgement sampling under the non-probability method has been deployed. Applying a minimum exposure of five years to consulting as the criterion, the researcher selected 30 such respondents. This criterion, according to the researcher, is the most appropriate one for the present study. What is important is the typicality and the relevance of the sampling units to the study and not their overall representativeness to the population. Thus it guarantees inclusion of the relevant elements in the sample. Probability sampling plans cannot give such a guarantee.

1.7.4 Data collection instruments

Interview schedules, specially designed for the purpose, were administered to the respondents for collection of primary data.

1.7.5 Data processing and analysis plan

Non-parametric statistical units were used to test the association between some qualitative characters and conclusions were drawn on the basis of formation of H_o and H_1.

1.7.6 Limitations of the study

Primary data has sometimes been deduced through constant topic-oriented discussions with the respondents. It is possible that a certain degree of subjectivity, even if negligible, has influenced their views.

1.8 Analysis of primary data collected from consumers

In the following paragraphs, the primary data collected from consumers, FMCG marketers and consultants, is analysed.

1.8.1 Factors that influence the "buy" decision of the consumers

A combination of factors, obviously in various degrees, influences the "buy" decision of the consumers. Hence the researcher requested the respondents to disclose the factors that influence their "buy" decision. Their replies to the query appear in the following Table.

Table-1

Factors that influence the "buy" decision of the consumers

Factors	Number of respondents
Necessity	95
Price	93

Easy availability	79
Quality	70
Anti-tamper features	61

According to 95 consumers, necessity influences the buy decision of the consumers. According to 93 consumers, price influences the buy decision of the consumers. According to 79 respondents, easy availability influences the buy decision of the consumers. According to 70 consumers, quality influences the buy decision of the consumers. According to 61 consumers anti-tamper features influence the buy decision of the consumers.

1.8.2 Ranking of the factors in the decreasing order of importance

With the respondents revealing the factors that influence the buy decision of the consumers, the researcher requested the respondents to rank the factors in the decreasing order of importance. Their ranking of the factors is furnished in the following Table.

Table-2
Ranking of the factors in the decreasing order of importance

Factor	Rank
Price	1
Necessity	2
Quality	3
Easy availability	4
Anti-tamper features	5

Price is ranked first, necessity is ranked second, quality is ranked third, easy availability is ranked fourth and anti-tamper features are ranked fifth by the respondents.

1.8.3 Price significantly influences the consumer's buy decision

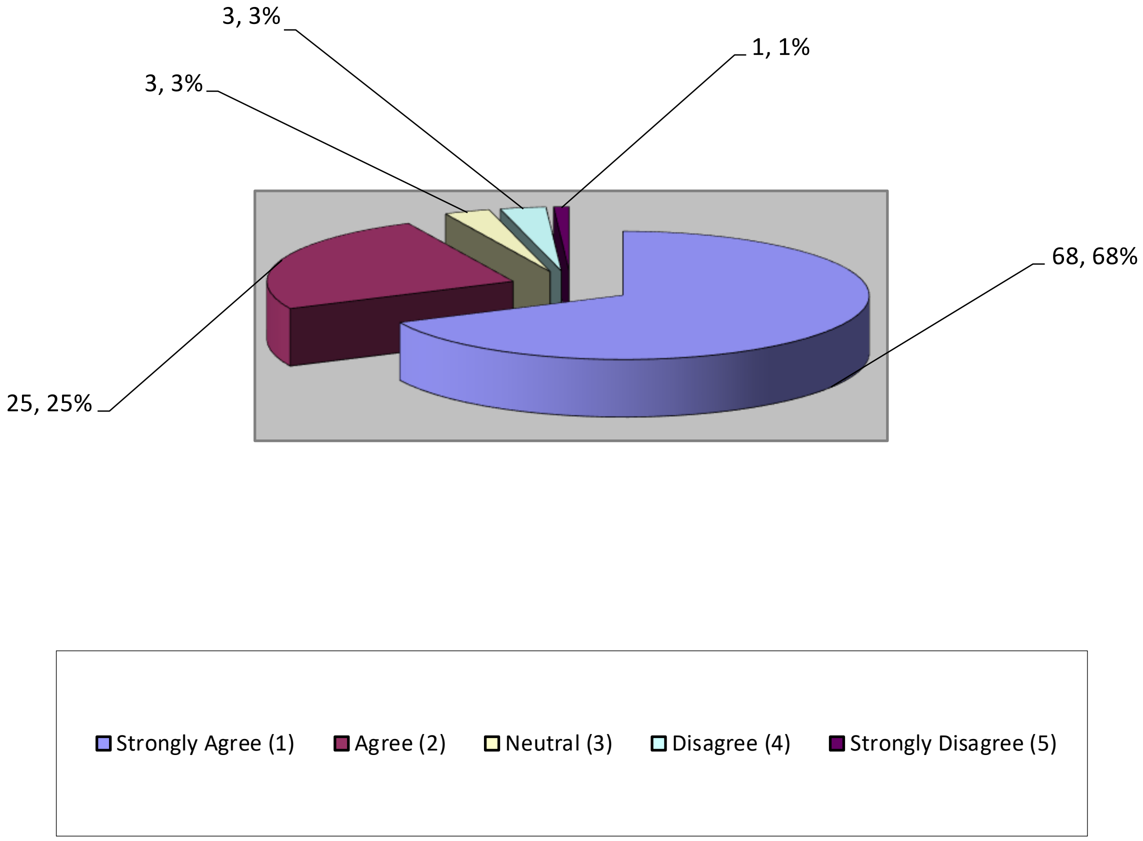
With 93 respondents stating that price influences the buy decision of the consumers, the researcher sought to know from the respondents if they would agree with the statement that price influences the buy decision of the consumers. The respondents' agreement / otherwise with the statement is expressed at five levels, namely, Strongly Agree, Agree, Neutral, Disagree and Strongly Disagree. These variates are assigned the values 1, 2, 3, 4 and 5 respectively. Their levels of agreement with the statement are reflected in the following Table and Figure.

Table-3
Price significantly influences the consumer's buy decision

Levels of Agreement (Values)	Frequency	Percentage
Strongly Agree (1)	68	68
Agree (2)	25	25
Neutral (3)	3	3
Disagree (4)	3	3
Strongly Disagree (5)	1	1

Total	**100**	**100**

Figure-1
Price significantly influences the consumer's buy decision



68 respondents accounting for 68 percent strongly agree with the statement that price influences the buy decision of the consumers. 25 respondents accounting for 25 percent agree with the statement that price influences the buy decision of the consumers. Three respondents accounting for three percent disagree with the statement that price influences the buy decision of the consumers. One respondent accounting for one percent strongly disagrees with the statement that price influences the buy decision of the consumers. Three respondents accounting for three percent remain neutral.

A majority of the respondents accounting for 93 percent agree with the statement that price influences the buy decision of the consumers.

1.9 Analysis of primary data collected from FMCG marketers

In the following paragraphs, the primary data collected from the 30 FMCG marketer respondents is analysed.

1.9.1 Factors that influence the "buy" decision of the consumers

A combination of factors, obviously in various degrees, influences the "buy" decision of the consumers. Hence the researcher requested the respondents to disclose the factors that influence their "buy" decision. Their replies to the query appear in the following Table.

Table-4
Factors that influence the "buy" decision of the consumers

Factors	Number of respondents
Necessity	26
Price	25
Easy availability	22
Quality	19
Anti-tamper features	17

According to 26 consumers, necessity influences the buy decision of the consumers. According to 25 consumers, price influences the buy decision of the consumers. According to 22 respondents, easy availability influences the buy decision of the consumers. According to 19 consumers, quality influences the buy decision of the consumers. According to 17 consumers anti-tamper features influence the buy decision of the consumers.

1.9.2 Ranking of the factors in the decreasing order of importance

With the respondents revealing the factors that influence the buy decision of the consumers, the researcher requested the respondents to rank the factors in the decreasing order of importance. Their ranking of the factors is furnished in the following Table.

Table-5
Ranking of the factors in the decreasing order of importance

Factor	Rank
Price	1
Necessity	2
Easy availability	3
Quality	4
Anti-tamper features	5

Price is ranked first, necessity is ranked second, easy availability is ranked third, quality is ranked fourth, and anti-tamper features are ranked fifth by the respondents.

1.9.3 Price significantly influences the consumer's buy decision

With 25 respondents stating that price influences the buy decision of the consumers, the researcher sought to know from the respondents if they would agree with the statement that price influences the buy decision of the consumers. The respondents' agreement / otherwise with the statement is expressed at five levels, namely, Strongly Agree, Agree, Neutral, Disagree and Strongly Disagree. These variates are assigned the values 1, 2, 3, 4 and 5 respectively. Their levels of agreement with the statement are reflected in the following Table and Figure.

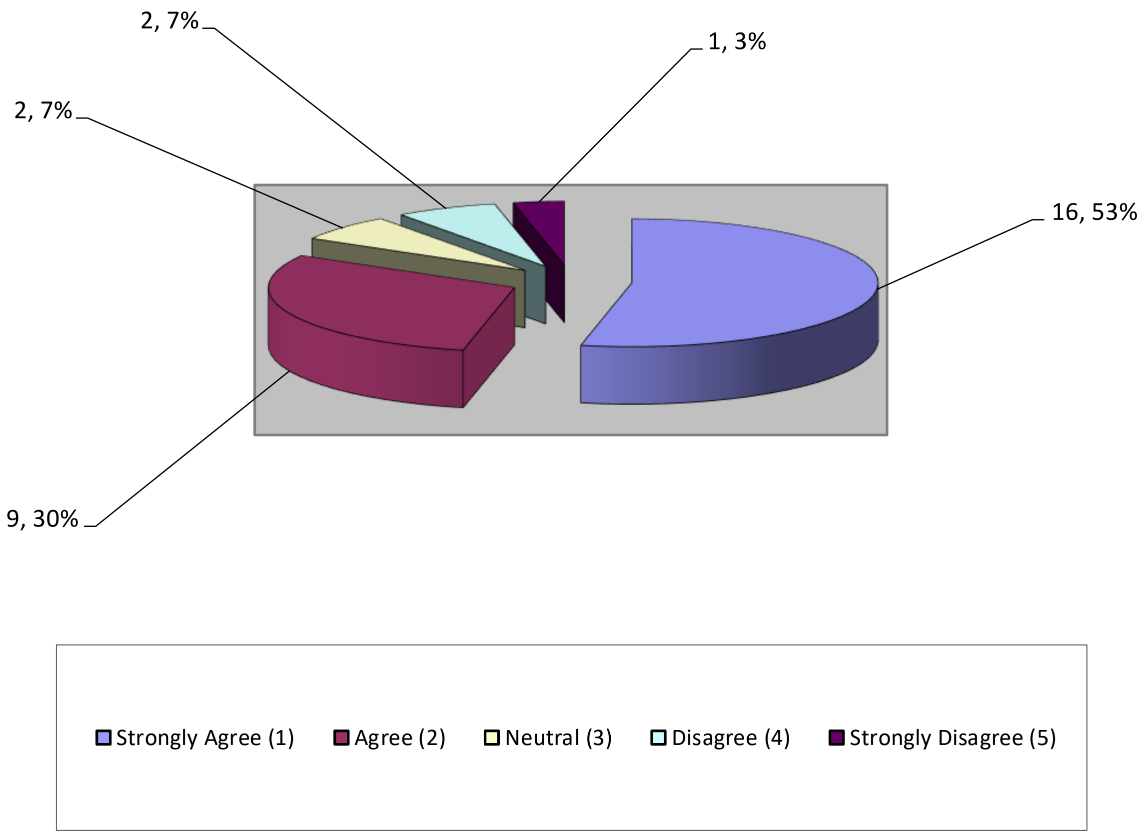
Table-6
Price significantly influences the consumer's buy decision

Levels of Agreement (Values)	Frequency	Percentage
Strongly Agree (1)	16	53

Agree (2)	9	30
Neutral (3)	2	7
Disagree (4)	2	7
Strongly Disagree (5)	1	3
Total	**30**	**100**

Figure-2

Price significantly influences the consumer's buy decision



16 respondents accounting for 53 percent strongly agree with the statement that price influences the buy decision of the consumers. Nine respondents accounting for 30 percent agree with the statement that price influences the buy decision of the consumers. Two respondents accounting for seven percent disagree with the statement that price influences the buy decision of the consumers. One respondents accounting for three percent strongly disagrees with the statement that price influences the buy decision of the consumers. Two respondents accounting for seven percent remain neutral.

A majority of the respondents accounting for 83 percent agree with the statement that price influences the buy decision of the consumers.

1.10 Analysis of the primary data collected from consultants

In the following paragraphs, the primary data collected from the 30 consultant respondents is analysed.

1.10.1 Factors that influence the "buy" decision of the consumers

A combination of factors, obviously in various degrees, influences the "buy" decision of the consumers.

Hence the researcher requested the respondents to disclose the factors that influence the "buy" decision of the consumers. Their replies to the query appear in the following Table.

Table-7
Factors that influence the "buy" decision of the consumers

Factors	Number of respondents
Necessity	27
Price	24
Easy availability	22
Anti-tamper features	21
Quality	20

According to 27 consumers, necessity influences the buy decision of the consumers. According to 24 consumers, price influences the buy decision of the consumers. According to 22 respondents, easy availability influences the buy decision of the consumers. According to 21 consumers anti-tamper features influence the buy decision of the consumers. According to 20 consumers, quality influences the buy decision of the consumers.

1.10.2 Ranking of the factors in the decreasing order of importance

With the respondents revealing the factors that influence the buy decision of the consumers, the researcher requested the respondents to rank the factors in the decreasing order of importance. Their ranking of the factors is furnished in the following Table.

Table-8
Ranking of the factors in the decreasing order of importance

Factor	Rank
Price	1
Necessity	2
Easy availability	3
Quality	4
Anti-tamper features	5

Price is ranked first, necessity is ranked second, easy availability is ranked third, quality is ranked fourth, and anti-tamper features are ranked fifth by the respondents.

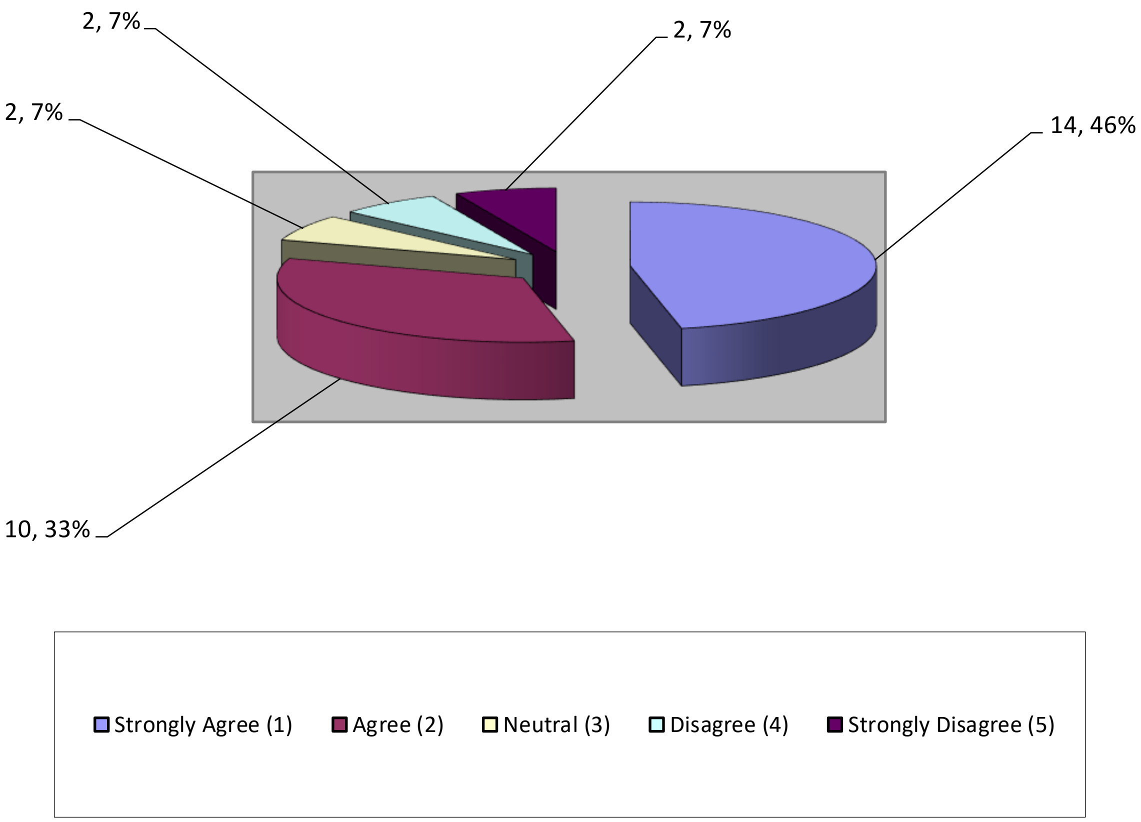
1.10.3 Price significantly influences the consumer's buy decision

With 24 respondents stating that price influences the buy decision of the consumers, the researcher sought to know from the respondents if they would agree with the statement that price influences the buy decision of the consumers. The respondents' agreement / otherwise with the statement is expressed at five levels, namely, Strongly Agree, Agree, Neutral, Disagree and Strongly Disagree. These variates are assigned the values 1, 2, 3, 4 and 5 respectively. Their levels of agreement with the statement are reflected in the following Table and Figure.

Table-9
Price significantly influences the consumer's buy decision

Levels of Agreement (Values)	Frequency	Percentage
Strongly Agree (1)	14	46
Agree (2)	10	33
Neutral (3)	2	7
Disagree (4)	2	7
Strongly Disagree (5)	2	7
Total	**30**	**100**

Figure-3
Price significantly influences the consumer's buy decision



14 respondents accounting for 46 percent strongly agree with the statement that price influences the buy decision of the consumers. 10 respondents accounting for 33 percent agree with the statement that price influences the buy decision of the consumers. Two respondents accounting for seven percent disagree with the statement that price influences the buy decision of the consumers. Two respondents accounting for seven percent strongly disagree with the statement that price influences the buy decision of the consumers. Two respondents accounting for seven percent remain neutral.
A majority of the respondents accounting for 78 percent agree with the statement that price influences the buy decision of the consumers.

1.11 Summary of findings
In the following paragraphs, a summarised version of the findings arrived at in respect of the three categories of respondents is furnished.

1.11.1 Consumers
1. According to 95 consumers, necessity influences the buy decision of the consumers. According to 93 consumers, price influences the buy decision of the consumers. According to 79 respondents, easy availability influences the buy decision of the consumers. According to 70 consumers, quality influences the buy decision of the consumers. According to 61 consumers anti-tamper features influence the buy decision of the consumers.
2. Price is ranked first, necessity is ranked second, quality is ranked third, easy availability is ranked fourth and anti-tamper features are ranked fifth by the respondents.
3. A majority of the respondents accounting for 93 percent agree with the statement that price influences the buy decision of the consumers.

1.11.2 FMCG Marketers
1. According to 26 consumers, necessity influences the buy decision of the consumers. According to 25 consumers, price influences the buy decision of the consumers. According to 22 respondents, easy availability influences the buy decision of the consumers. According to 19 consumers, quality influences the buy decision of the consumers. According to 17 consumers anti-tamper features influence the buy decision of the consumers.
2. Price is ranked first, necessity is ranked second, easy availability is ranked third, quality is ranked fourth, and anti-tamper features are ranked fifth by the respondents.
3. A majority of the respondents accounting for 83 percent agree with the statement that price influences the buy decision of the consumers.

1.11.3 Consultants
1. According to 27 consumers, necessity influences the buy decision of the consumers. According to 24 consumers, price influences the buy decision of the consumers. According to 22 respondents, easy availability influences the buy decision of the consumers. According to 21 consumers anti-tamper features influence the buy decision of the consumers. According to 20 consumers, quality influences the buy decision of the consumers.
2. Price is ranked first, necessity is ranked second, easy availability is ranked third, quality is ranked fourth, and anti-tamper features are ranked fifth by the respondents.
3. A majority of the respondents accounting for 78 percent agree with the statement that price influences the buy decision of the consumers.

1.12 Conclusions
Conclusions relate to the hypotheses. They are answers to the research questions.

1.12.1 Hypothesis testing
Hypothesis

As already explained, the following is the hypothesis proposed to be tested:

“Price influences the buy decision of the consumers”.

Hence H_0 and H_1 are as follows:

H_0: Price does not influence the buy decision of the consumers

H_1: Price influences the buy decision of the consumers

On the basis of the primary data collected from the respondents, vide Tables: 3, 6 and 9 and Figures: 1,2 and 3, a chi-square test was applied to ascertain the association, if any, between the two variables, namely, price and buy decision. The following Table reveals the computation made using MS-Excel:

The calculated value of χ^2 is *4.9911*, lower than the table value of *5.991464547* for an alpha of 0.05 at four degrees of freedom. Hence the null hypothesis is accepted and the alternate hypothesis is rejected. p=*0.08* is the inverse of the one-tailed probability of the chi-squared distribution.

	Observed Values		
Category	*Yes*	*No*	*Total*
Consumers	93	7	100
Marketers	25	5	30
Consultants	24	6	30
Total	*142*	*18*	*160*
Expected Values			
Category	*Yes*	*No*	*Total*
Consumers	88.75	11.25	100
Marketers	26.625	3.375	30
Consultants	26.625	3.375	30
Total	*142*	*18*	*160*
	Yes	*No*	
o-e	4.2500	-4.2500	
	-1.6250	1.6250	
	-2.6250	2.6250	
(o-e)^2	18.0625	18.0625	
	2.6406	2.6406	
	6.8906	6.8906	
((o-e)^2)/e	0.2035	1.6056	
	0.0992	0.7824	
	0.2588	2.0417	
CV	*0.5615*	*4.4296*	*4.9911*
TV			*5.991464547*
p			*0.08*

1.12 Researcher's recommendations

1. The Indian consumer is still conservative and does not buy unless he / she must. It is not easy to convince him / her to splurge. FMCG marketers in particular had better realise this fact and should persuade the consumer to buy more for a slightly reduced price. In other words, the FMCG marketers should be inclined to settle for a lower profit margin but make up for it through higher volumes.
2. Even the affluent consumer in India is price conscious. Hence the FMCG marketer has to tread carefully before deciding to cater to the premium segment.
3. Quality is taken due note of by the Indian consumer but even there he / she may not loosen the purse strings beyond a certain point.

Anti-tamper features do count for the Indian consumer but even here he / she is choosy. By default, the Indian consumer will not pay more for anti-tamper features unless the tampered product is highly likely to harm his / her health or give rise to health problems. It is in this backdrop the FMCG players should design their marketing and product promotion strategy.

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