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Research Article

Growth drivers, characteristics, preference and challenges faced by Fast Moving Consumer Goods - A study with reference to Bengaluru

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Abstract

Fast Moving Consumer Goods (FMCG) is the 4th largest sector in India and provides employment to around 3 million people (ASSOCHAM, 2020). FMCG industry in India is growing at 9.4% in due quarter ending March, 2021 after a growth at 7.3% in the previous year. India's robust economic growth and household incomes are expected to increase consumer spending to US$ 3.6 trillion by 2020. The retail market in India is expected to reach USD 1.1 trillion by 2020 from USD 840 billion in 2017 with a modern trade expected to grow at 20.25% per annum which is likely to boost revenue of FMCG (ibef.org.2018). The demand for packaged goods segment of FMCG grow by 7.8% in March quarter of 2020, compared to non-food categories which grew only 1.8% in value. This trend indicates people preferred panic buying and stockpiling of food items.

Covid-19 impacted very much on FMCG sector and a change is observed not only in the consumer behaviour but also made the companies to reconsider strategies towards consumers acquisition, retention and value proposition (Rajeshwari, 2021). Money would not flow to consumers and thus consumers resort to conservative buying (Gaurav Shetty et al., 2020). The need at present arises more than previous about identifying changing consumer buying behaviour. The paper analyses demographic profile of respondents and its impact on FMCG buying, factors driving the growth of FMCG sector, characteristics, respondents preference of health and skincare brands, and challenges faced by FMCG industry. The data for this research work has been collected through questionnaire and findings have been theoretically presented. The survey reveals that respondents are aware of growth drivers of FMCG, characteristics, preferences and challenges faced by the industry.

Keywords : Behavior, covid-19, panic, stocking preference, challenges, growth drivers, strategies.

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Introduction

Covid-19 has impacted very much and shattered global economy and India is not exception to this. Though the GDP is moving towards negative, very few areas like pharmaceutical and FMCG have shown some sign of positiveness. This trend explain that FMCG sector demand will be throughout the year and unprecedented period of tougher times (Vivek Prabhu et al., 2021). The growth trends in FMCG sector reveals that India has a bright future. A country with middle class population is as big as entire population of USA is a market which no FMCG player can afford to overdose (ASSOCHAM, 2020). Consumption in India is growing where the median age is 27 years and this trend impact on the growing aspiration levels of FMCG sector. There exist a great opportunity in India where more than 70 crore rural consumers of FMCG which accounts 50% of the total FMCG market.

India account for a share of just 0.68% of the global FMCG and this share is expected to expand further over next 5 years on account of macro-economic factors like rising disposable income, improving demographic, expansion of organized retail tier II and tier III cities in India and the will to lead sophisticated life. But the present trends reveal that FMCG retail sector is fragmented and nearly half of the market is dominated by unbranded unpacked, homemade products mostly operating in the rural market. Therefore the FMCG players should design suitable strategies analyzing emerging consumer trends and should identify new consumers segments.

The impact created by Covid-19 on consumer where consumers have started switching from shops, shopping malls and super markets to online trends to buy essentials vary from basic commodities to branded goods. The disruption created by Covid-19 pandemic should clearly watched by elite FMCG makers and take the stock of the situation which includes, BOPIS (Buy online and pickup in the store) is emerging and encouraged by modern retailers, ballooning of inventory, higher discounts to excess inventory and multi-channel are becoming omni channel.

Need of the study

The FMCG sector is an important sector that contributes to the growth of GDP. The rural demand for FMCG is growing along with urban demand and rural demand contributes to the extent of 40 - 45 per cent of total income of FMCG firms and further expected more positively in likely future. FMCG offers an opportunity to develop creativity through developing ideas for products industry, packaging and advertising. FMCG sector provides brightest employment prospects and offers an opportunity to take up global career. FMCGs are advantageous to retailers who get maximum margin for stocking the brands. Indian economy at present is witnessing huge growth in the retail market driven by FMCG sector and consumers rapid adoption of e-commerce. The growing use of internet and digital media has significantly altered the purchase decision of consumers. Online selling gives FMCG firms to deliver the goods to the consumer beyond a limited geography.

Review of literature

Tanigachalam (2014) stated that promotional offers and availability of brands assumes significance and hence companies must give consideration before they plan and implement their marketing strategies. Further, the researcher stated that FMCG sector is very dynamic sector in India and major goal should be to satisfy the needs and wants of consumers.

Ganesh (2015) analyzed that the consumers perception towards brand of the FMCG product is awareness, knowledge, attitude of the brand, risk aversion to change the brand, satisfaction and brand trust of the consumers. Further, the researcher also analysed the variables like brand, image, product quality, product knowledge, product attributes and brand loyalty.

Mahaboob Pasha (2016) in his empirical study on FMCG with special reference to Nellore district of AP found that creating awareness regarding products is essential to grab the market in the competitive world. The researcher further states that when customer satisfied the purchasing level of the customer would gradually increase sales of the company. An attempt is made by the researcher to study differences in the opinion on the basis of age, educational qualification, location and gender regarding consumer behaviour towards FMCG in the study area.

Dhanalakshmi et al. (2018) expressed that since fast moving consumer goods are low price and many companies are involved in the manufacturing and production of same categories of products. Therefore it becomes very difficult to earn a good name and difficult to project a special place in the minds of consumers. Hence the marketers have to think of special plans and ways in which they can attract consumers towards their products.

Bnunumathi et al. (2018) studies consumers perception and satisfaction of FMCG and stated that the experiences of the customers are major source for the study that emphasizes the entry of the number of outlets at an easy reach. The researchers further stated that consumers should be provided with al details of the products that are sold to consumers.

Vivek Prabhu et al. (2021) stated that FMCG sector takes the role of purchasing, distributing and marketing the consumer goods that are in the rapid consumption on a daily basis. The unexpected trends in the day-to-day life impacts on either growth or decline of FMCG sector. Further, the researchers stated that Covid-19 invasion in India has also affected the economical standing of the FMCG sector to a major extent.

Gaurava Shetty et al. (2020) have highlighted that Covid-19 has accelerated direct marketing and FMCG companies are directly trying to reach the consumer eliminating all the middlemen companies are partnering with ride-hailing services like Dunzo, Rapido etc., for efficient distribution. The FMCG market as per the authors opinion saw entry of innumerable companies adopt D2C supply chain.

Tanusri Pillai et al. (2020) indicated that marketers should know how advertisement influence consumer purchasing behavior and should see how it impacts on branding and share in the market. Further, the researchers expressed that through analyzing here FMCGs agree on product discernments business optimize marketing technology quality consistency and enhancement specific to consumers.

Dharsun et al. (2021) stated that many of respondents are aware of Himalayan Products. People are not considering cosmetics as luxury now-a-days and hence the authors suggested to advertise more to create awareness and use of Himalaya products. Further the researchers expressed that the popularity of the brand is one of the impacting factors urging the customers to buy.

Objectives:

(1) To study demographic characteristics of respondents.
(2) To analyze the growth drivers of FMCGs.

(3) To study the characteristics of FMCGs.
(4) To analyze the respondent's preference of hair care brands and skin care brands.
(5) To analyze the challenges faced by FMCG industry.

Hypotheses:

(1) The demographic characteristics of respondents is not supporting the study.
(2) Growth drivers are not impacting FMCGs.
(3) FMCGs do not possess any characteristics.
(4) Respondents are not preferring hair care and skin care brands.
(5) There are no challenges faced by FMCG industry.

Research questions:

(1) What are the demographic characteristics of respondents and is it supporting the study?
(2) What are the growth drivers of FMCGs?
(3) What are the characteristics of FMCGs?
(4) What are the brands referred by respondents in hair care and skin care section?
(5) What are the challenges faced by FMCG industry?

Research Methodology

The research methodology on the present study is survey technique. The survey design is intending the collection of data on demographic characteristics of respondents.

Sampling frame

The sampling frame consisted of meeting the respondents like salaried persons, self-employed, businessman, startup entrepreneurs, housewives and retired employees. The respondents were requested to provide valuable information.

Sampling technique and sample

The simple convenience sampling technique is followed and 200 respondents were approached for the purpose of data collection.

Data collection instrument

The present study is based on both primary and secondary sources. Survey technique is followed by the researcher while approaching the target population. Questionnaire was administered as schedule in order to avoid non-response and delay. All questions included in the questionnaire are closed ended. Out of 230 questionnaires received 200 found to be usable one and remaining rejected forming 86.95% response rate.

Study area and period of data collection

The study area is confined to Bengaluru and respondents from different areas of Bengaluru were approached to for the purpose of data collection. The period of data collection covers 20th June 2021 to 19th July 2021.

Method of data analysis

The study adopted x^2, ANOVA and Kendall's co-efficient of concordance and Garrett ranking technique. Chi-square and ANOVA measures the variation in the data, Kendall's co-efficient of concordance measures the relationship between the variables. Further, the study also performed contingency co-efficient to measure the degree of relationship.

Analysis of research questions and hypotheses

The research questions mentioned above varies from demographic characteristics, growth drivers, characteristics of FMCG, respondents' preference of health and skin care and challenges faced by FMCG industries. Five hypotheses were formulated and these were tested using collected data.

Research questions No. 1: What are the demographic characteristics of respondents and is it supporting the data?

Hypotheses H_0 : The demographic characteristics of the respondents is not supporting the study and there exist no significant variation in the data.

H_1 : The demographic characteristics of the respondents are supporting the study and there exist significant variation in the data.

Table - 1 reveals data about demographic characteristics of respondents. The table reveals about the presence of significant variation in the data in all characteristics. Further the table also reveals about the presence of demographic profiles and purchase of FMCGs. The table also highlights variation in the Chi-square value and table value. Further the table also reveals about the presence of high degree of relationship between the variables.

Research question No. 2: What are the growth drivers of FMCG?

Hypotheses H_0 : There is no significant variations in the growth drivers of FMCG.

H_1 : There is significant variation in the growth drivers of FMCGs.

Table - 2 highlights data about growth drivers of FMCG. In order to highlight the significance of drivers Garrett ranking technique is adopted. As per the method the respondents have been asked to assign the rank for all factors and outcome of such ranking have been converted into score value with the help of the formula. $100(R_{IJ} - 0.5)N_J$ and Garrett conversion table which was shown in the Table-3. By referring the Garrett's Table, the percent position is calculated and converted into scores. Then for each factor the scores of each individual are added and mean value is calculated. Table-2 shows ranking analysis impacting the growth of FMCGs. The respondents were requested to rank 1 to 9 according to their personal view. First rank was awarded to rising purchasing power based on the strength of mean score followed by 2nd rank awarded to rising income and third rank was given to higher brand consciousness. At the end the last rank was awarded increase in upper middle class. "w" fails to accept H_0 and accepts H_1 and hence it can be concluded that there exists significant variation in the data.

Research question No. 3: What are the characteristics of FMCGs.

Hypothesis H_0 : There is no significant variation in the characteristics of FMCGs.

H_1 : There exist significant variation in the characteristics of FMCGs.

Table - 4 reveals data about characteristics of FMCGs. These characteristics varies from frequent buying to purchase of popular brands. 107 respondents out of 200 stated strongly agree over the different characteristics followed by 66 agree and 27 somewhat agree. Out of 107 respondents 18 spoke about frequent buying and 16 each expressed about favorable demographics and purchase of popular brands. Out of 66 who said agree, 10 each said about frequent buying and favorable demographics and 9 indicated about high stock turn over and 8 voiced about purchase of popular branded goods. "w" fails to accept H_0 and accepts H_1. Therefore, it can be concluded here that there exists significant variation in the data.

Research question No. 4 : What are the brands preferred by respondents in hair care and skincare section?

Hypothesis H_0 : Respondents are not preferring hair care and skin care brands and there exist no significant variation.

H_1 : There exist significant variation in the data and respondents are preferring health care and skincare brands.

Table - 5 shows data in respondents preferring hair care brands. 110 respondents out of 200 stated preferred followed by 60 agree and 30 somewhat preferences. Out of 110 who stated strongly agree, 20 spoke about Patanjali, 18 expressed about Clinic+, 15 identified about head and shoulder, out of 60 who said agree 11 expressed about Patanjali and 8 each voiced about head and shoulder and clinic+. Further 8 more highlighted about Sunsilk. "w" fails to accept H_0 and hence H_1 is accepted and hence it is concluded that there exists significant variation in data.

Table - 6 explains about respondents' preference of skincare brands. 132 respondents out of 200 strongly agree followed by 48 agree and 20 somewhat agree. Out of 132 who stated strongly agree 25 stated about Ponds, 18 preferred Lakme, 16 liked Lotus and 15 voiced about Aloe. Out of 48 who said agree, 10 spoke about Ponds, 6 each about lakme and Aloe, and 5 each about Nivea and Lotus. Further 5 respondents liked Olay. "w" fails to accepts H_0 and accepts H_1 and hence it is concluded that there exists significant variation in the data.

Research question No. 5: What are the challenges faced by the FMCG industry?

Hypothesis H_0 : There is no variations in the challenges faced by the FMCG industry.

H_1 : There exist significant variations in the challenges faced by FMCG industry.

Table - 7 explains about the challenges faced by the FMCG industry. 110 respondents out of 200 expressed strongly agree over the challenges faced by the industry followed by 60 agree and 30 somewhat agree. ANOVA fails to accept H_0 and accepts H_1 here it can be concluded that there exists significant variation in the data.

Summary and discussion of findings

The main objective of the present study is to focus on growth drivers of FMCG, characteristics of FMCG, respondents' preference of hair care and skincare brands and challenges faced by FMCG industry. The expert's contribution on this topic is also taken into consideration in order to fix the study within the appropriate perspectives. The present study is based on a well drafted questionnaire. The target population includes salaried employees, self-employed, businessman, startup entrepreneurs, housewives and retired persons were approached and appealed to provide valuable information. The closed ended questionnaire was administered as schedule among the target population and valuable data was gathered. The findings of the study were presented and analyzed and discussed using chi-square, ANOVA Kendall's co-efficient of concordance and contingency co-efficient quantitative techniques. The study reveals that the respondents possess strong high degree of relationship and significant variation is found in all stated objectives. Particularly the respondent's preference of hair and skill care brands challenges faced by the industry, its characteristics exhibits significant variation in the data.

Based on the response obtained from target population it was found rising purchasing power, rising income and higher brand consciousness are the growth drivers and frequent buying, purchase of popular brands and low per capita consumption are the characteristics of FMCGs. Further, the study also reveals that hair care brands like Patanjali, Clinic+, head & shoulder and sun silk brands are preferred. The skincare brands like ponds, Lakme, Aloe and Lotus preferred by the target population. Furthermore, the study also focuses on the challenges faced by FMCG industry. These challenges include sale of counterfeit products, fragmented retail landscape, multiple layer of taxation and poor supply chain infrastructure.

Conclusion: Covid-19 has impacted severely on the consumer behavior. Though initially consumers resorted to panic buying to personal hygiene such as soaps, hand washers, sanitizers, disinfectants, wipes, masks, home cleaning products, but now normalcy is restored. The study reveals that respondents possess high degree of relationship to buy the FMCGs, and the respondents are aware of characteristics growth drivers of FMCG and challenges faced by FMCG industry. June and July 2021 saw the experience of highly significant volume of sales of FMCGs. The experiences felt by consumers should be well understood by the marketers which is going to guide the future design of strategies. The groceries, toiletries, healthcare brands are at fast in sales and marketers already carefully introduced innovative products to sustain in the market.

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Table - 1 : Socio-economic characteristics driving purchase of FMCG.

Characteristics	x^2	TV@0.05	df	result of x^2	"c"	Result of 'C'
Gender	60.50	3.841	1	Significant	0.48	High Degree
Marital Status	128.00	3.841	1	Significant	0.62	High Degree
Age (in years)	40.2439	11.070	5	Significant	0.40	High Degree
Education	46.7244	11.070	5	Significant	0.43	High Degree
Occupation	79.2335	12.592	6	Significant	0.53	High Degree
Monthly income	36.7034	11.070	5	Significant	0.40	High Degree
Ready to buy backed by power	63.7061	11.070	5	Significant	0.49	High Degree

Source : Authors compilation

Note : x^2 = chi-square

'c' = $\sqrt{(x^2 / x^2 + N)}$

Where 'c' = contingency coefficient

N = Number of observations

When the value 'c' is equal or near 1, it means there is high degree of association between attributes, contingency co-efficient will always to be less than 1.

Table - 2 : Growth drivers of FMCG - Garrett ranking technique

RanksScale and score value												
Growth Drivers	Scale Score	i 81	ii 69	iii 67	iv 55	v 50	vi 45	vii 39	viii 31	ix 19	Total Score	MeanRank Score

Growing young segment	f	50	40	35	20	19	12	9	8	7	200		
	fx	4050	2760	2170	100	950	540	351	248	153	12.302	61.51	VII
Working women population	f	52	45	35	25	17	8	7	6	5	200		
	fx	4212	3105	2170	1375	850	360	273	186	95	12626	63.13	IV
Rising income	f	54	46	32	24	20	9	6	5	4	200		
	fx	4374	3174	1984	1320	100	405	234	155	76	127.72	63.61	II
Rising purchasing power	f	56	42	38	22	21	9	5	4	3	200		
	fx	4536	2898	2356	1210	1050	405	195	124	57	12831	64.15	I
Higher brand Consciousness	f	58	41	30	23	20	8	9	7	4	200		
	fx	4698	2829	1860	1265	100	360	351	217	76	12616	63.28	III
Changing Consumer Preference	f	55	39	33	25	14	12	8	9	5	200		
	fx	4415	2691	2046	1375	750	540	312	279	95	12403	62.46	VI
Growing urbanisation	f	51	34	30	31	22	8	11	9	4	200		
	fx	4131	2346	1860	1705	1100	360	429	279	76	12286	61.43	VIII
Increase in the upper middle class	f	48	32	28	32	24	12	9	8	7	200		
	fx	3888	2208	1736	1760	1200	540	351	248	133	12064	61.32	IX
Rising Internet Penetration	f	52	40	38	25	20	7	8	6	4	200		
	fx	4212	2760	2356	1375	1000	315	312	186	76	12592	62.96	V

Source: Author Compilation

Note : X - scale value
f - number of respondents
R - Rank
Mean score = N / Total score

Table - 3 : Garrett ranking conversion table

The conversion of orders of drivers into units of amount of “scores”

Sl.No.	100(Rj - 0.5)Nj	Calculated value	Garrett Value
1	100(1-0.5) / 9	5.55	81
2.	100(2-0.5) / 9	16.67	69
3.	100(3-0.5) / 9	27.78	62
4.	100(4-0.5) / 9	38.89	55
5.	100(5-0.5) / 9	50.00	50
6.	100(6-0.5) / 9	61.11	45
7.	100(7-0.5) / 9	72.22	39
8.	100(8-0.5) / 9	83.33	31

9.	100(9-0.5) / 9	94.44	19

Source : Subhash Vadgale (2016). Village consumer behaviour towards perishable goods. A study with respect to Ahmednagar district of Maharashtra, Pezzottaite Journals, 5, (3) 2286-2287.

Table - 4 : Characteristics of FMCG

Different characteristics	SA	A	SWA	RT	RT^2
Frequent buying	18	10	4	32	10.24
Low involvement	5	5	3	13	169
Low prices	6	6	3	15	225
High stock turn over	13	9	3	25	625
Enhanced consumer preference in rural market	6	6	2	14	196
Growth in the rural market	12	5	2	19	361
Low per capita consumption	15	7	2	24	576
Favourable demographics	16	10	5	31	961
Purchase of popular branded goods	16	8	3	27	729
Total	107	66	27	200	4866

Source : Field Survey

Note : SA - Strongly Agree, A - Agree, SWA - Somewhat Agree, RT - Row Total

$SSR = \Sigma RT^2 - (\Sigma RT)^2 / N$

$= 4866 - (200)^2 / 9$

$= 4866 - 4444.44 = 421.56$

$W = 12 \times SSR / K^2N (N^2 - 1)$

$= 12 \times 421.56 / 9 \times 9 (81-1)$

$= 5058.72 / 6480$

$= 0.7806$

Test the significance of W by using the chi-square statistic.

$x^2 = k (n-1) w$

$= 3 (9-1) 0.7806 = 3 \times 8 \times 0.7806 = 18.73$

Decision : At 8 d.f. with 0.05 level of significance the TV = 15.507. The calculated value being 18.73 which is higher than the TV and hence ‘W’ reject H_0 and accepts H_1. Therefore it is concluded here that their exist significant variation in the data and relationship between the variables.

Table - 5 : Respondents preference of Haircare brands

Brand preference	SA	A	SWA	RT	RT^2
Head and Shoulder	15	8	5	28	784
Clinic+	18	8	3	29	841
Pantane	10	5	3	18	324

Meera	8	6	2	16	256
Dove	9	5	2	16	256
Sunsilk	13	8	4	21	625
Patanjali	20	11	6	37	1369
Alovera	9	4	3	16	256
Gariner	8	5	2	15	225
Total	110	60	30	200	4936

Source : Field Survey

Note : SA - Strongly Agree, A - Agree, SWA - Somewhat Agree, RT - Row Total

$SSR = \Sigma RT^2 - (\Sigma RT)^2 / N$

$= 4936 - (200)^2 / 9$

$= 4936 - 4444.44 = 491.56$

$W = 12 \times SSR / K^2N (N^2 - 1)$

$= 12 \times 491.56 / 9 \times 9 (81-1)$

$= 5898.72/ 6480$

$= 0.91$

Test the significance of W by using the chi-square statistic.

$x^2 = k (n-1) w$

$= 3 (9-1) 0.91 = 3 \times 8 \times 0.91 = 21.84$

Decision: At 8 d.f. with 0.05 level of significance the TV = 15.507. The calculated value being 21.84 which is higher than the TV and hence ‘W’ reject H_0 and accepts H_1. Therefore, it is concluded here that their exist significant variation in the data and relationship between the variables.

Table - 6: Respondents preference of skincare brands.

Respondents’ preference of brands	SA	A	SWA	RT	RT^2
Ponds	25	10	5	40	1600
Nivea	10	5	2	17	289
Lakme	18	6	2	26	676
Garneir	12	4	1	17	289
Facecare	14	3	1	18	324
Lotus	16	5	2	23	529
Olay	8	5	2	15	225
Elf	14	4	2	20	400
Aloe	15	6	3	24	576
Total	132	48	20	200	4908

Source: Field Survey

Note: SA - Strongly Agree, A - Agree, SWA - Somewhat Agree, RT - Row Total

$SSR = \Sigma RT^2 - (\Sigma RT)^2 / N$

$= 4908 - (200)^2 / 9$

$= 4868 - 4444.44 = 463.56$

$W = 12 \times SSR / K^2N (N^2 - 1)$

$= 12 \times 463.56 / 9 \times 9 (81-1)$

$= 5562.72 / 6480$

$= 0.858$

Test the significance of W by using the chi-square statistic.

$x^2 = k (n-1) w$

$= 3 (9-1) 0.858 = 3 \times 8 \times 0.858 = 20.59$

Decision: At 8 d.f. with 0.05 level of significance the TV = 15.507. The calculated value being 20.59 which is higher than the TV and hence 'W' reject H_0 and accepts H_1. Therefore, it is concluded here that there exists significant variation in the data and relationship between the variables.

Table - 7: Challenges faced by FMCG industry

Challenges faced by FMCG industry	SA	A	SWA	Total
Sale of counterfeit product	20	14	6	40
Poor supply chain infrastructure	18	8	4	30
Fragmented retail landscape	20	10	6	36
Multiple macro markets and service competition	14	6	3	23
Large geographical expense	8	5	3	16
Limited gold chain infrastructure	9	7	3	19
Multiple layer of taxation	21	10	5	36
Total	110	60	30	200

Source: Field Survey

Hypotheses

H0	There exist no variation in the data	Reject
H1	There exist significant variation in the data	Accept

ANOVA Table

Source of variation	SS	df	MS	F-ratio	5% F limit (From F table)
Between the sample	574.3304	(3-1)=2	574.3304/2 =287.1652	287.1652/ 15.3485 = 18.70	
Within the sample	276.2733	(21-3)=18	276.2733/18 =15.3485		(2, 18) = (3.55)
Total	850.6037	(21-1)=20			

Source: Survey Data

ANOVA Analysis : The calculated value being 18.70 higher than the TV = 3.55@5% level of significance with df = v1 = 2, v2 = 18 fails to account H_0 and accepts H_1, hence it is concluded that there exist significant variation in the data.