

## **Factors Affecting Buying Behavior of Consumers in Unauthorized Colonies for FMCG Products**

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### **Abstract**

Fast Moving Consumer Goods (FMCG) 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. The study was conducted with the help of semi-structured questionnaire employing mixed method research approach using explanatory design with concurrent timing. The study first examined the socio-economic factors, followed by product preferences – generic or branded under various heads of FMCG product categories, reasons for such preferences followed by factors affecting the buying behavior. There were twenty one such factors placed under five broad categories. The findings of the study reveal that consumers in such areas prefer brands over generic products. At the same time reliability, product features and socio-economic factors have a large impact on buying behavior along with promotional offers.

**Keywords:** Buying Behavior, FMCG, Unauthorized Colonies, Brand Preferences, Consumer Decision Making.

### **1. Introduction**

Fast Moving Consumer Goods (FMCG) forms a major component of purchase for consumers at large. The sector has been growing at a CAGR of 11% over the last

decade, (Report: The Indian FMCG Industry, 2012). A well driven distribution network and competent value chain, as well as intense competition between the organized and unorganized sector (Report, FMCG Industry in India) are the hallmarks of this sector.

## 2. Consumer behaviour

Consumer behavior is defined as activities people undertake when obtaining, consuming, and disposing of products and services (et al Blackwell, 2001). The study of consumer behavior does not only include reasons for buying but also the consumption process of the consumer at large. In the entire process of buying , consumers get driven by influences such as feelings, motivation, income, lifestyle, opinions, culture, personality etc.

## 3. Research Methodology

The was study conducted to understand the factors that affect the buying behavior of FMCG products for lower income group as such category of products touches everyone's life beyond income groups. An authorized colony, Khora was identified for the purpose. Khora falls under Ghaziabad Metropolitan Region in the state of Uttar Pradesh. The residents belong to lower income group and are primarily engaged in services as electricians, sweepers, cools, maids, gardeners, plumbers, security guards, masons etc. Figure 1 shows a resident family in the region. The sampling unit of 102 respondents was chosen on the basis of convenience sapling as if it is sufficient to have the findings "representative "of the population, then a non-probability sample can be selected (Schiffman and Kanuk, 2004). In order to arrive at better understanding of factors, a mixed method approach was used with explanatory design and sequential timing. The quantitative strand consisted of close ended questions and was analyzed using descriptive statistics. The qualitative strand consisted of open ended questions, designed to help explain the quantitative results, and analyzed by a coding system.



**Figure 1:** Residents of Khora Colony.

## 4. Findings

In order to understand the effect of factors on the buying behavior, twenty one such variables were placed under five broad categories (Figure 4). At the same time there was an attempt to understand the economic factors (in terms of income and expenditure) along with product preferences in order to develop a comprehensive understanding as well to complement the quantitative and qualitative strands.

### 4.1 Income – Expenditure:

As reflected in Figure 1, the maximum portion of monthly earning i.e. about 56% is spent on purchasing grocery items followed by monthly bills including electricity bills, cable and mobile bills which forms 12% of the expenses. Informal credit (ROSCA) system of saving (and expenditure) is very popular with this segment as it constitutes about 15% of the monthly expenses. Tobacco and alcohol constitute 10.23% of the expenses and Clothing forming the least spend constituent. As major portion is spent on grocery items, hence expenditure on FMCG products hold much significance with reference to consumer buying behavior in this region.

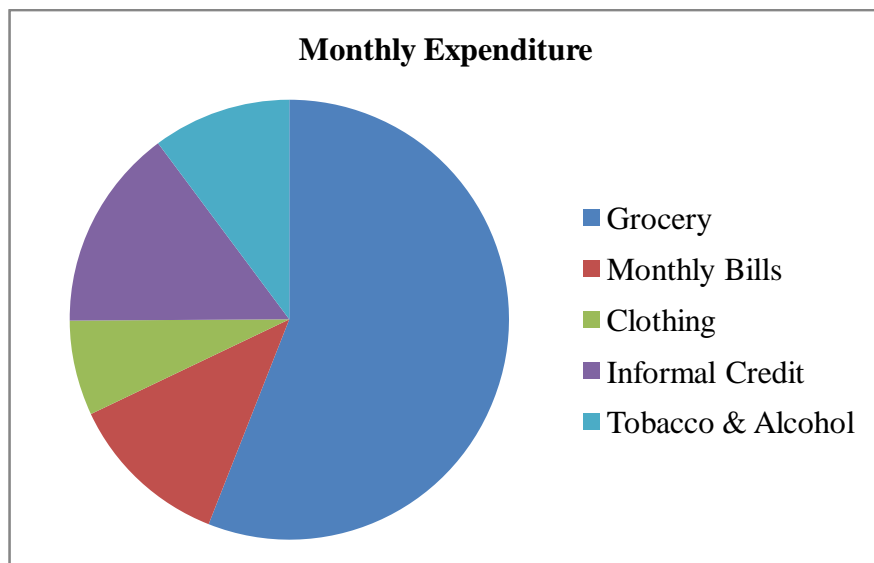


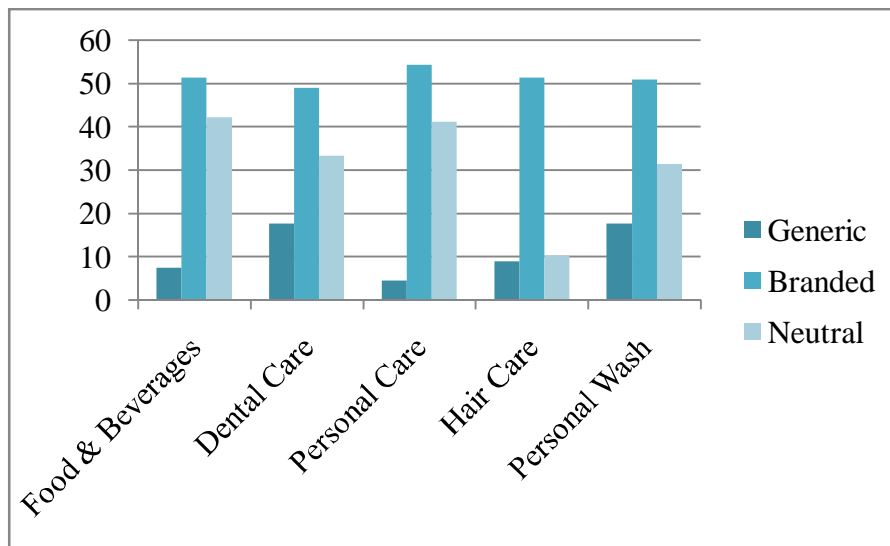
Figure 2: Monthly expenditure of the Households

### 4.2 Product Preferences

While Figure 3 shows a local grocery shop in Khora, Figure 4, clearly highlights the fact that branded products are preferred in all sub product categories. Biscuits, tea and ice – cream, cold drink form the largest component of Food and Beverages category. While respondents use branded products for toothpaste, there are mixed choices for toothbrush under dental care category. Personal care and personal wash product categories again shows a mixed choice but hair care products are heavily drawn towards branded products.



**Figure 3:** Local Grocery Shop in Khora.



**Figure 4:** Product Preferences of the Consumers.

### 4.3 Factors

A total twenty one factors were divided into five broad categories (Figure 5).

**4.3.1 Reliability.** There were six variables under this factor. Brand loyalty (276 points) was the most important variable, followed by reliance on private companies (252 points), reliance on government companies (234 points), known one's recommendations (198 points), word of mouth (174 points) and shopkeeper's recommendation (132 points) as least reliable factor. The respondents have deep brand loyalty for various product categories and hardly switch brand choices except in cases of irresistible sales offers. Interestingly they have more reliance on private companies for product offerings than government companies.

4.3.2 *Promotion*. Free offers (258 points) constituted the major factor for buying, whereas advertising (156 points) played an important role in announcing and creating impact for offers and discounts. Product display (162 points) at times lead to impulsive buying. Celebrity endorsements (144) had more impact on teenagers and young adult of households and product awareness (120 points) was least relevant factor.

4.3.3 *Product*. While quality (372 points) formed the most significant variable, packaging (270 points) also attracted consumers especially under food and beverages , personal and hair care products. Size (252 points) was relevant particularly in context of consumption of the household and discounts and offers. Product features (210 points) and varieties (180 points) were maily relevant for food and beverages category.

4.3.4 *Social*. While social prestige (174 points) was significantly important, lifestyle (198 points) due to metropolitan effect had a prime consideration.

4.3.5 *Economic*. Undoubtedly price (414 points) was the predominant factor for this price conscious set of respondents, followed by need (390 points) and affordability (318 points).

Factors	Total Ratings
1. Reliability	1266
a. Shopkeeper's Recommendations b. Word of Mouth c. Known One's Recommendations d. Brand Loyalty e. Reliance on Private Companies f. Reliance on Government Companies	
2. Promotion	840
a. Awareness b. Advertising c. Free Offers d. Celebrity Endorsements e. Display	
3. Product	1284
a. Features b. Varieties c. Packaging d. Quality e. Size	
4. Social	372

a.	Lifestyle	
b.	Prestige	
5.	Economic	1122
a.	Affordability	
b.	Price	
c.	Need	

**Figure 5:** Factors Affecting the Buying Behaviour.

#### 4.4 Product Choice Insights

Based on interviews, Figure 6 clearly shows that while generic products are cheap hence forms the prime reason to buy them, aligned with it is lack of money and aspiration value for branded products in the same category. For branded products, quality and trust (even shown in Figure 5) forms the main reasons. The need for such products forms the most important reason to buy FMCG products.

Product Choices	Reasons Response (in %)
1. Preference for Generic Products	
	Quality 5.82 Features 5.82 Lack of Money 17.64 Cheap 58.82 Do Not Know 11.90
2. Preference for Brands	
	Prestige 5.82 Quality 64.70 Trust 11.76 Price 5.82 Do Not Know 11.90
3. Most Important factor for buying FMCG products	
	Product Features 5.82 Need 76.47 Do Not know 17.71
4. Least Important factor for buying FMCG products	
	Price 11.76 Prestige 5.82 Do Not Know 82.42

**Figure 6:** Product Choices Insights.

## **5. Conclusion**

The findings suggest that variables under factors like reliability and product attributes plays a very important role for this low income and price conscious set of respondents. The consumers largely remain brand loyal. A considerable portion of monthly income is spent on buying grocery (including FMCG products). Promotions and offers have considerable impact on larger household and young adults. At the same time where they are buying generic products, they nourish aspiration value for branded products which remains restricted due to lack of money.

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