

# EXPLORING CONSUMER PREFERENCES IN THE FMCG SECTOR: AN IN-DEPTH ANALYSIS OF INFLUENCING FACTORS ON PRODUCT CHOICE

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## ABSTRACT

FMCG, characterized by rapid sales and affordability, making them an essential part of everyday life. These products have a short shelf life due to high consumer demand or perishable nature, leading to frequent purchases, quick consumption, low prices, and high sales volumes. Despite their widespread consumption, FMCG products typically exhibit low profit margins, requiring companies to focus on high turnover rates to sustain profitability.

Consumer goods, as a broad category, are classified into three main types: durable goods, non-durable goods, and services. Durable goods, designed to last over three years, include products such as home appliances, electronics, and furniture, which involve higher investment and longer replacement cycles. Non-durable goods, on the other hand, have a shorter lifespan of less than three years and encompass items such as food, beverages, clothing, and personal care products. Services, the third category, involve intangible offerings such as repairs, maintenance, and digital subscriptions, which enhance consumer convenience and satisfaction.

Among these, FMCG is the largest and most dynamic segment, encompassing perishable items that are consumed immediately or within a short period. This category includes everyday essentials such as toilet soaps, cleaning supplies, shampoo, toothpaste, packaged foods, snacks, dairy products, soft drinks, and over-the-counter medicines. FMCG items can further be categorized into processed foods, fresh foods, bakery products, beverages, personal care items, household care products, and healthcare essentials. Due to their essential nature, FMCG products witness consistent demand, making them a critical component of consumer spending.

In contrast, slow-moving consumer goods (SMCG) consist of products with a longer shelf life and infrequent purchase patterns, such as furniture, automobiles, and electronic gadgets. These items require a different market approach, often involving longer decision-making processes and higher levels of consumer engagement before purchase. While FMCG products focus on convenience and accessibility, SMCG items emphasize durability, quality, and long-term value.

## 1. INTRODUCTION

The FMCG industry operates through various retail formats, including grocery stores, supermarkets, hypermarkets, convenience stores, and online platforms. Companies in this sector focus on strong brand creation, market penetration, and competitive pricing strategies to achieve high sales volumes. The industry is dominated by global power brands, which leverage economies of scale, extensive distribution networks, and strong marketing strategies to maintain market leadership. However, local and regional brands also play a significant role in catering to specific consumer preferences, often offering competitively priced alternatives to global brands.

The FMCG supply chain is a complex network involving multiple stakeholders, including suppliers, manufacturers, logistics providers, warehouses, distributors, wholesalers, and retailers. An efficient supply chain is crucial for ensuring product availability, reducing wastage, and maintaining cost-effectiveness. Companies invest heavily in inventory management, transportation logistics, and technological advancements to streamline operations and enhance customer satisfaction.

Key success factors in the FMCG industry include market research, consumer behavior analysis, segmentation, product positioning, advertising, promotional activities, point-of-sale strategies, awareness campaigns, and budget-intensive planning. With rising consumer awareness and evolving preferences, companies must continuously innovate and adapt to changing market trends. The increasing demand for organic, sustainable, and health-conscious products has further reshaped the industry, compelling brands to introduce eco-friendly packaging, natural ingredients, and ethical sourcing practices. This paper aims to explore the growth of the FMCG sector by analyzing leading case studies.

## 2. OBJECTIVES

1. Find out some facts about the growing FMCG sector.
2. To examine the growth associated with the development of the FMCG industry in India.
3. Understanding factors affecting consumer preferences.

## SCOPE

The role of consumers in the market is pivotal, making the understanding of consumer preferences essential for businesses and policymakers. The impact of consumer behavior extends beyond the FMCG sector, influencing various industries such as banking, transportation, and research and development. In banking, consumer preferences shape financial products, digital payment solutions, and customer service strategies. In transportation, they drive demand for sustainable mobility options, ride-sharing services, and logistics efficiency. Additionally, in research and development, consumer insights fuel innovation, product customization, and technological advancements. A comprehensive study of consumer preferences not only enhances market competitiveness but also contributes to economic growth and industry evolution across multiple sectors.

## Limitations

1. **Lack of Practical Application** – The study primarily focuses on theoretical aspects, lacking direct practical implementation and real-world case applications.
2. **Absence of Time-Bound Analysis** – The research does not follow a specific time frame, which may limit its relevance in rapidly evolving market conditions.
3. **Exclusion of Primary Data** – The study relies on secondary sources, missing firsthand consumer insights that could provide a deeper and more accurate understanding of market trends.

## 3. METHODOLOGY

This study is based on secondary data collected from various reports, research papers, and case studies. The analysis is not limited to a specific geographic region or demographic group, ensuring a broader perspective on the subject matter.

## 4. LITERATURE REVIEW

Ms. M. Gomathi & Ms. R. Gomathi (2013). The researcher focuses on consumer preference towards selected FMCG products in Erode District. In her research focuses and exhibits on FMCG was able to maintain its top rank providing a quality product at a reasonable price to the consumer. Quality is the main motivating factor for the consumer to buy the product of FMCG.

Dr. M. Sethuraman (2015). In his research paper he finds the level of brand awareness. This study is carried out to understand consumer brand preference.

Disha Chhabra & Dr. Asma Farooque (2018) in their research paper focuses on the behaviour of consumers that plays a crucial role in marketing the FMCG used by consumers and it depends on various factors.

Dr. K. Vijaykumar, R. Nijanthan (2019). This was carried out by identifying the main variables of branding, quality, and also 4P's. The study revealed that the consumers that consumer purchase depends on branding and the quality of the products and all other variables have the least impact. consumer loyalty and repeat purchases. He suggested that brands with high recognition and positive associations tend to perform better in the competitive FMCG sector.

Keller (1993) highlighted the importance of brand awareness and its impact on consumer purchasing decisions. He argued that consumers are more likely to choose a brand they recognize and associate with quality, making brand positioning a key factor in FMCG marketing strategies.

Kotler and Keller (2012) discussed various pricing strategies that affect consumer preferences. They pointed out that promotional pricing can drive short-term sales but may negatively impact long-term brand perception if consumers begin associating frequent discounts with lower quality.

Monroe (1973) suggested that consumers often use price as a heuristic to judge product quality. In the FMCG sector, where many products have similar attributes, pricing plays a significant role in shaping consumer choices.

Zeithaml (1988) argued that perceived quality is a major determinant of consumer satisfaction. He found that consumers assess quality based on intrinsic attributes such as ingredients and packaging, as well as extrinsic cues like brand reputation and advertising.

Oliver (1999) reinforced the significance of product quality in building consumer trust and fostering long-term brand loyalty. He stated that consistent product quality is essential for maintaining positive customer experiences and encouraging repeat purchases.

Kotler (2000) asserted that effective marketing campaigns enhance brand recall and influence consumer choices. He emphasized that advertising, in-store promotions, and digital marketing efforts create strong associations that shape consumer preferences in the FMCG industry.

Solomon (2017) explored the impact of digital marketing on consumer behavior, highlighting the growing role of social media in influencing purchase decisions. He noted that modern consumers rely heavily on online reviews, influencer recommendations, and digital advertisements when selecting FMCG products.

Schiffman and Kanuk (2007) suggested that consumer preferences are shaped by psychological, social, and cultural factors. They highlighted that family influence, peer recommendations, and personal lifestyle choices all contribute to decision-making in the FMCG sector.

Sheth et al. (1991) introduced the Theory of Consumer Behavior, which explains how external influences such as advertising, peer opinions, and economic conditions impact purchasing decisions. They emphasized that understanding these behavioral patterns is crucial for companies aiming to optimize their marketing strategies in the FMCG industry.

Engel, Blackwell, and Miniard (1995) proposed a consumer decision-making model that outlines the steps individuals take before making a purchase. They found that FMCG consumers typically exhibit habitual buying behavior, relying on brand familiarity and past experiences rather than extensive evaluation.

Holbrook and Hirschman (1982) introduced the experiential view of consumer behavior, which considers emotional and hedonic factors in decision-making. They argued that sensory appeal, packaging aesthetics, and marketing narratives significantly influence FMCG purchases.

McCarthy (1960) developed the 4Ps marketing mix framework (Product, Price, Place, Promotion), which remains relevant in analyzing FMCG consumer preferences. His model suggests that a balanced combination of these elements is essential for attracting and retaining consumers in this competitive industry.

Punj and Staelin (1983) examined consumer decision complexity, noting that while high-involvement purchases require extensive evaluation, FMCG products are typically chosen through low-involvement decision-making, where convenience and habitual buying play a dominant role.

#### **FMCG IN INDIA:**

The Fast-Moving Consumer Goods (FMCG) sector plays a crucial role in India's economy, ranking as the fourth-largest industry and catering to a vast consumer base. In the first quarter of 2024, the sector recorded a value growth of 6.6%, with a corresponding volume growth of 6.5%, highlighting its steady expansion. The industry is primarily composed of home and personal care products, healthcare items, and food and beverages. Several key drivers contribute to the sector's growth, including rapid urbanization, shifting consumer lifestyles, increased disposable income, and technological advancements. The urban segment continues to account for the largest share of sales; however, rural markets have witnessed accelerated growth in recent years. The rural FMCG sector, supported by stable consumption patterns, has shown an impressive rise, with volume growth increasing significantly from 3.1% in Q1 2023 to 6.5% in Q1 2024.

Government policies and foreign investments have further strengthened the FMCG sector. The allowance of 100% Foreign Direct Investment (FDI) in food processing and single-brand retail, along with 51% in multi-brand retail, has encouraged global players to enter the market, boosting employment and improving supply chain efficiencies. Additionally, the implementation of the Goods and Services Tax (GST) has simplified taxation structures, reducing logistical challenges and supporting market expansion. The increasing penetration of e-commerce platforms has also played a transformative role by enhancing consumer access to FMCG products, improving supply chains, and broadening the reach of companies to a wider customer base.

Despite its promising growth, the FMCG sector faces challenges such as evolving consumer preferences, inflationary pressures, and supply chain disruptions. Companies are addressing these issues by diversifying product portfolios, adopting digital strategies, and strengthening distribution networks to enhance efficiency. The sector is projected to grow to \$220 billion by 2025, indicating a strong future outlook. With continuous innovations, government support, and an increasing focus on rural market expansion, the FMCG sector in India is well-positioned for sustained long-term growth.

The Fast-Moving Consumer Goods (FMCG) sector is undergoing significant transformations, driven by technological advancements and evolving consumer behaviors. Companies are integrating innovative technologies such as smart packaging and virtual reality shopping experiences to enhance customer engagement and streamline operations. Smart packaging, for instance, enables real-time tracking of product usage, offering consumers personalized experiences and assisting companies in inventory management. Virtual reality shopping provides immersive experiences, allowing customers to explore products in a virtual environment, thereby bridging the gap between online and in-store shopping.

The FMCG industry has demonstrated resilience and optimism, with projections indicating substantial growth. According to a report by GlobeNewswire, the global FMCG market was valued at approximately \$11.33 trillion in 2023 and is expected to reach \$15.21 trillion by 2031, expanding at a Compound Annual Growth Rate (CAGR) of 5.03%.

This growth is attributed to factors such as increased consumer demand, technological innovations, and expansion into emerging markets.

In India, the FMCG sector has emerged as a significant growth opportunity for major consumer goods companies. As China's recovery remains inconsistent, companies like PepsiCo, Unilever, and Procter & Gamble are focusing on India's rapidly expanding economy. These companies are introducing new product flavors and sizes to cater to India's diverse consumer base, including its vast rural market. India is expected to experience higher government spending, an improved monsoon season, and a resurgence in private consumption, potentially boosting consumer spending. Companies are already seeing increased market shares, with Coca-Cola, PepsiCo, Nestlé, and others reporting significant growth in India.

The adoption of automation technologies is also transforming the FMCG sector. Retailers are investing in electronic shelf labels, self-service tills, robot packers, and AI-enabled cameras to improve productivity and reduce labor costs. For instance, UK retailers are embracing automation to streamline operations and adapt to economic pressures.

These advancements enable companies to manage store operations, stock levels, and marketing efforts more efficiently, reflecting a broader push towards automation in the industry.

In summary, the FMCG sector is poised for substantial growth, driven by technological innovations and strategic market expansions. Companies that effectively leverage these advancements are likely to enhance customer experiences and achieve operational efficiencies, positioning themselves favorably in the competitive landscape.

#### **Leading case studies :**

##### **Patanjali Ayurveda: Disrupting the FMCG Market**

Patanjali Ayurveda, founded by Baba Ramdev and Acharya Balkrishna, emerged as a major competitor to established FMCG giants like Hindustan Unilever, Nestlé, and Colgate-Palmolive. The brand positioned itself as an alternative by focusing on Ayurvedic and natural products. By leveraging nationalist sentiment, competitive pricing, and a strong distribution network, Patanjali achieved rapid growth. However, challenges such as quality concerns, supply chain inefficiencies, and intense competition have impacted its market share in recent years.

##### **2. HUL's Winning Rural Strategy – Project Shakti**

Hindustan Unilever Limited (HUL) launched Project Shakti to tap into rural markets and empower women entrepreneurs by training them to sell HUL products in villages. The initiative improved rural penetration and provided livelihood opportunities to thousands of women, significantly increasing HUL's presence in untapped areas. This model has been widely recognized as a successful case of social entrepreneurship combined with business expansion.

##### **3. Amul: The White Revolution**

Amul, a cooperative brand under the Gujarat Cooperative Milk Marketing Federation (GCMMF), revolutionized India's dairy industry. Through its cooperative model, Amul empowered millions of dairy farmers while maintaining affordability and quality in its dairy products. The brand's innovative marketing campaigns, such as the iconic Amul girl, and its focus on self-sufficiency have made it a benchmark for success in the FMCG dairy sector.

##### **4. ITC's E-Choupal Initiative**

ITC, traditionally known for its tobacco business, successfully diversified into FMCG, agriculture, and packaged foods. Its E-Choupal initiative was a game-changer in agribusiness, helping farmers access real-time market prices and improving supply chain efficiency. By directly sourcing from farmers, ITC reduced middlemen dependency and improved margins, making its packaged foods business, including brands like Aashirvaad and Sunfeast, highly competitive.

##### **5. Colgate's Rural Penetration Strategy**

Colgate-Palmolive India has consistently maintained market leadership in oral care by focusing on rural penetration. Through affordability strategies, rural distribution expansion, and educational campaigns on oral hygiene, Colgate strengthened its brand presence. The company introduced small, affordable sachets and regional branding to make products accessible in price-sensitive rural markets.

##### **6. Dabur's Digital Transformation**

Dabur, a leading Ayurvedic and natural products company, embraced digital transformation by leveraging e-commerce, influencer marketing, and data analytics to improve consumer engagement. During the COVID-19 pandemic, Dabur capitalized on the increased demand for immunity-boosting products, such as chyawanprash and honey, through digital campaigns, resulting in a surge in sales.



### **Nestlé India – The Maggi Controversy**

Nestlé India faced a major crisis in 2015 when Maggi noodles were banned due to allegations of excessive lead content. The company swiftly responded with transparent communication, independent testing, and a strong marketing campaign to regain consumer trust. After a six-month ban, Maggi made a successful comeback, reaffirming the importance of crisis management and brand resilience in the FMCG industry.

These case studies highlight how FMCG companies in India have navigated challenges, adapted to market changes, and leveraged innovation to sustain growth in a competitive environment.

### **Factors Affecting Consumer Behavior**

Consumer behavior is influenced by a multitude of factors, making it essential for businesses to develop a deep understanding of their target audience. As customer expectations continuously evolve due to external influences such as economic downturns, pandemics, and real estate fluctuations, brands must remain flexible and adaptable to stay competitive. Marketers, in particular, need to analyze psychological, economic, social, and cultural determinants that shape purchasing decisions.

From a psychological perspective, consumer behavior is driven by intrinsic and extrinsic motivations, personal attitudes, and beliefs. Perception plays a crucial role, as it influences how consumers interpret information about products and brands. Additionally, experiences and advertising impact learning and memory, reinforcing purchasing decisions over time.

Economic factors also significantly affect consumer behavior. Variables such as income levels, inflation, interest rates, unemployment, and the pricing of goods and services collectively influence consumer confidence and spending patterns. A stable economic environment fosters higher purchasing power, whereas financial uncertainty often leads to more conservative spending.

Social influences, including family, peer groups, opinion leaders, and social class, further shape consumer behavior. Word-of-mouth recommendations and online reviews have become powerful tools in influencing purchasing decisions. Cultural aspects, including values, norms, language, and attitudes toward authority, also play a pivotal role in determining consumer preferences. Companies operating across diverse markets must consider these cultural nuances to develop effective marketing strategies tailored to specific audiences. By integrating these multifaceted factors into their strategies, businesses can enhance customer engagement and satisfaction.

### **Government Initiatives in the FMCG Sector**

The Indian government has undertaken several initiatives to boost the growth and competitiveness of the Fast-Moving Consumer Goods (FMCG) sector. These measures aim to strengthen domestic manufacturing, support farmers, encourage foreign investment, and protect consumer rights.

#### **Production-Linked Incentive (PLI) Scheme:**

In alignment with the vision of Atmanirbhar Bharat (Self-Reliant India), the Union Cabinet approved the PLI scheme on November 11, 2020. This initiative targets 10 key sectors to drive domestic manufacturing and boost exports. In the FMCG industry, PLI has enhanced packaged food production, benefiting farmers by ensuring better prices for their produce and generating large-scale employment opportunities.

#### **Foreign Direct Investment (FDI):**

The government has liberalized FDI policies to attract global investments. Single-brand retail is permitted 100% FDI, while multi-brand retail is allowed up to 51%, fostering competition and improving the availability of consumer goods.

#### **Consumer Protection Bill:**

To ensure swift and fair resolution of consumer grievances, the Government of India introduced a new Consumer Protection Bill. This law aims to provide simple, speedy, and accurate mechanisms for justice, enhancing consumer trust and confidence in the market.

#### **Goods and Services Tax (GST) Reforms:**

The implementation of GST has streamlined the taxation system and reduced indirect tax rates on FMCG products.

#### **Key benefits include:**

The tax bracket for essential FMCG goods such as soap, toothpaste, and hair oil has been reduced from 23-24% to 18%. Food and hygiene products now fall under lower tax slabs of 0-5% and 12-18%, respectively.

Beyond tax reductions, GST has improved logistics efficiency, reducing product costs and enhancing long-term profitability.

These strategic initiatives have significantly contributed to the expansion and modernization of India's FMCG sector. By fostering domestic manufacturing, facilitating foreign investments, and ensuring consumer rights, the government is creating an ecosystem that supports sustainable industry growth.

## 5. CONCLUSION

The success of a company largely depends on its ability to understand and align with the consumer's purchasing decision process and the factors influencing it. Since consumers are the driving force of the market, businesses must prioritize fulfilling their needs and preferences to sustain their position in the industry. Marketers face the dual challenge of attracting and retaining consumers, making it essential to craft a compelling value proposition. Given the high level of competition, companies must differentiate their offerings by integrating innovative and appealing features that resonate with their target audience. However, as consumer preferences are constantly evolving, businesses must remain adaptive and responsive to market dynamics to maintain relevance and long-term success.

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