

## **Factor influencing Customer preference for FMCG in Reference to KAVAL Towns**

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**Abstract:** Customer preference is becoming vital factor for customers buying decision making in FMCG. In the massive market of FMCG, customers are building their own preference for the final decision making, being affected by various factors. In the dynamic market of low involvement product the widespread goal is to increase market share, gain customers and sustain in the market which can be achieved by strengthening the company position in the market. This research article concentrates on factors influencing customer preference. The present study examines several factors influencing customer preference. To accomplish the objective of the study, primary data has been collected through structured questionnaire to elicit the opinion of 600 respondents from KAVAL towns.

**Keywords:** Customer preference, FMCG, Market factor, demographic factor, purchase decision.

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### **1. Introduction**

Fast moving consumers goods or consumer packaged goods have its presence in everyone's day –to-day life. These items are sold quickly having short shelf life. These products include non-durables such as soap, shampoo, toiletries, cosmetics, food items, pharmaceuticals, consumer electronics etc. This product operates at low profit margin. Indian FMCG sector is the major contributor to Indian economy. FMCG sector in India is witnessing tremendous growth over the years. India is having a vast untapped rural market, increasing literacy, income level and life style in increasing awareness among rural customers. It is creating ample opportunity for investment in rural sector. Now customers are becoming more conscious regarding brand to elevate their social status, they are ready to experiment new brands. Companies are also launching new products to match dynamic expectations of the customer. Based on principle of Darwinism–“**Survival of Fittest**”, the companies are updating their products, media of promotion and distribution channel with the current market trend. Customer preference is helpful for marketers in increasing satisfaction level in customers. It is achieved by providing them desired product which meets their parameter.

In the typical marketing era FMCG companies are not only selling their product in the market but also adopting 360 degree strategy to gain customers and market share. They are focusing on factor which influences customer preference. Companies have understood the importance factor influencing preference of customers. Companies are now offering online grocery store with home delivery where customers can order the product and gather information regarding the product. Customer associate brand with the quality of product, so companies are paying attention on maintaining the quality of product along with packaging, color and other attributes.

Rapid penetration of FMCG companies in rural area is providing boom to the sector. According to a report of IBEF (2017)<sup>[1]</sup> FMCG sector in rural and semi-urban India is expected to grow by US\$ 100 billion by 2025. In terms of revenue rural FMCG sector is 40 percent of overall FMCG market in India and still have ample opportunities for growth. Companies like ITC, Patanjali and HUL have penetrated rural market to serve them and increase their market share.

#### **1.1 Review of Literature**

A marketing reform knocked the doorstep of Indian economy with the introduction of LPG (Liberalization, privatization and globalization) in 1991 with the entry of multinational companies. Companies viewed huge capacity in Indian market. Indian is the fourth largest market for FMCG product and attracts FMCG companies towards it. FMCG sectors received researchers' attention in FMCG sector of India to help companies regarding consumer behavior, brand awareness, customer preference, customer loyalty, purchase behavior, decision making and satisfaction. Customer preference and purchasing decisions are the important elements for gaining the customer, increasing sale and profit margins. Therefore the factors influencing customer preference are taken into consideration while making a marketing strategy. The related research work carried out by several authors in the following areas are given as follows-

According to Singh & Majumder (2015)<sup>[2]</sup> buying decision of rural customer varies from urban customer. Rural customer demands quality product with low price and they prefer branded product as quality product. Rural customer are less aware with brand, they only focus on quality. Companies can promote product on the basis of quality because a rural customer measures brand in terms of quality. They highly consider customer recommendation while buying the product. Customers usually recognize the product by their shape, color and logo. Kumar & Dangi (2013)<sup>[3]</sup> in their study on rural consumers found that awareness is increasing due to increasing income and change in educational status customers are moving towards branded products, they also prefer quality products. Ali et.al (2012)<sup>[4]</sup> analyzed the factors influencing the purchase of FMCG products by rural consumer in South India and found that marketers should use low price strategy and focus on quality. Chovanova et.al (2015)<sup>[5]</sup> studied the impact of brand on consumers and revealed that they mostly consider quality factor while buying the product. Consumers associate brand with products information which they utilize while making purchase decision.

Narayana & Mathew (2015)<sup>[6]</sup> stated that price and quality are the most preferred factors, influencing purchase behavior of rural customer. Male and female customer have different attitude towards selection of brand which also varies with age. Painoli (2017)<sup>[7]</sup> argued that economic value of the detergent cake and powder emerged as the most accepted factor for customer preference. Retailer advice has importance for customer in making purchase decision. Social image and promotional activities affects purchase behavior of customers. Abbas (2013)<sup>[8]</sup> revealed from the study regarding brand awareness and customer preference of rural consumer that price is not matter of concern they prefer quality product irrespective of price. According to Meera et.al (2017)<sup>[9]</sup> majority of customer take their own decision while purchasing FMCG products and they believe in the availability of preferred brands in the shop. Television is the most effective source of information for the products. Customer generally switches to another brand due to unavailability of product in the shop and recommend products to others, when satisfied with the product. Brand name is considered as a measure of quality, packaging, small sachet are the factors which influences purchase behavior of customer regarding FMCG.

## **1.2 Statement of Problem**

Fast moving consumers goods operate at low cost. Intense competition in FMCG sector compels the marketers to introduce innovative products. The marketing strategy adopted by the companies is focused towards gaining new customers and maintain existing customers for sustaining in the market for the long –run. The marketers design the market segmentation plan with the future oriented approach. Factors influencing customers regarding their preference is given due consideration to capture the market. Demographical segmentation divides the market into homogenous groups and the factor influencing these groups varies. A need is identified for the research study regarding the influence of factors on customer preference. The research question identified are-

1. What are the most influencing factors for preference of customer for FMCG?
2. There is any difference regarding factors influencing preference of customer for FMCG across place of residence?

## **1.3 Factor Influencing Customer Preference for FMCG.**

a) **Demographic factors**-Market strategy for products depends on demographical factors. These factors further useful in segmenting the market. These factors include age, gender, place for residence (rural/urban), marital status, income, occupation family size. The preference of customer varies according to demographical factor.

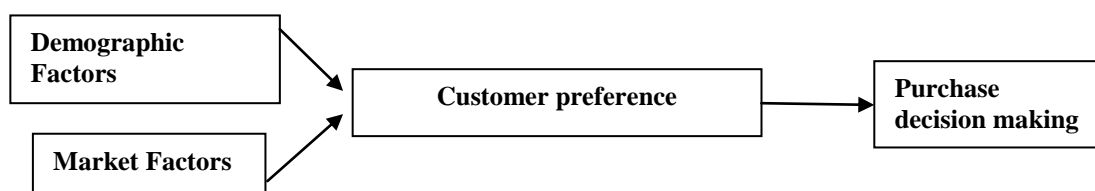
### **b) Market factors**

- **Brand name** –A measure of identification for product, provides strength to the product .Perception for brand varies from customer to customer, thus the image of brand also varies. It boosts level of confidence among customer, and hence the acceptability for new products becomes easy for marketers.
- **Product quality**- It is a strong input to competition and a measure of brand image. Product quality has its own importance in long – run, for gaining trust of customers. Customers are oriented towards quality as basic requirement for purchasing product.
- **Price**- Price is a sensitive factor for buying a product. It not only provides economic value to the product but also it is a measure of quality, status symbol. Price response has direct impact on sale prediction for a product.
- **Available brand at shop**- Customer irrespective of their choice for particular brand expect array of product shop. Due to unavailability of desired brand of customer choice, they switch to the other brand. Switching for products also depends on brand loyalty.

- **Retailer advice-** Retailers advice facilitates the ease in complex decision making of customer through their product knowledge and awareness of market trends. Customer usually admires retailer's recommendation regarding the product due to their interaction with customers. The information on sales volume of brand of the store, which is generally provided by retailers propel customers to buy the product.
- **Extra quantity offered-** The customers are generally attracted through lucrative offers of the markets. These offers provide a competitive advantage to the company in the short –run in grasping market share. Customers are psychologically motivated towards extra quantity offered by the companies.

Figure 1 exhibits a flow chart on the factor influencing customer preference. The chart depicts the influence of demographic factor i.e. place of residence (rural/urban) and market factors (Brand name, Product quality, Price, Available brand at shop, Retailer advice, Extra quantity offered) on the customer preference, which further helps in purchase decision making.

Fig1: Flow chart for factor influencing customer preference for FMCG products



## 2. Objective of the Research

The primary objective of the present study is to focus on the factors influencing customer preference for FMCG products across place for residence (rural and urban area of KAVAL towns).

### 2.1 SUB- OBJECTIVE

- To study factors influencing customer preference for FMCG products (Soap, shampoo and detergent).
- To conduct a comparative study for the factors influencing customer preference for FMCG products across place for residence (rural and urban area of KAVAL towns).

## 3. Research Hypothesis

**H<sub>0</sub>:** There is no difference in factor influencing customer preference for FMCG products across place for residence.

**H<sub>1</sub> :** There is difference in factor influencing customer preference for FMCG products across place for residence .

This hypothesis is to be tested regarding FMCG brands considered in the study such as soap, shampoo and detergent.

## 4. Research Methodology

The research is based on quantitative approach. The data collection comprises of two phases. First phase includes primary data, which is collected through well structured, self -administered close-ended questionnaire. The second phase of the data collection includes data collection through secondary sources such as websites and research journals. The data comprises of total 600 respondents (customers of FMCG) from KAVAL towns (Kanpur, Agra, Varanasi, Allahabad and Lucknow) Of Uttar Pradesh. It includes 60 respondents from each rural/urban area of KAVAL towns.

### 4.1 Statistical Tools and Technique

The Primary Data is analyzed to determine the factors influencing customer preference and purchase behavior for FMCG products across place for residence (rural/Urban area). SPSS version -16.0 was used for analysis of data. Chi-square test was used as statistical tool to examine the relationship between the variables.

## 5. Analysis and Interpretation

The research analysis examines the factor influencing customer preference and purchase behavior for FMCG products across rural and urban area. Variables considered in the study are Brand name, Product quality,

Price, Available brand at shop, Retailer advice and Extra quantity offered and place for residence i.e. rural and urban area.

Table 1: Factor influencing customer preference across rural and urban area.

Factor influencing purchase behaviour and customer preference	Distribution for place of residence			
	Rural	Percent	Urban	Percent
Brand name	64	21.33	94	31.33
Product quality	137	45.67	105	35
Price	67	22.33	47	15.67
Only brand available at local shop	10	3.33	15	5
Retailer advice	17	5.67	28	9.33
Extra quantity offered	5	1.67	11	3.67
Total	300	100.00	300	100.00

Fig 2: Factor influencing customer preference across place for residence.

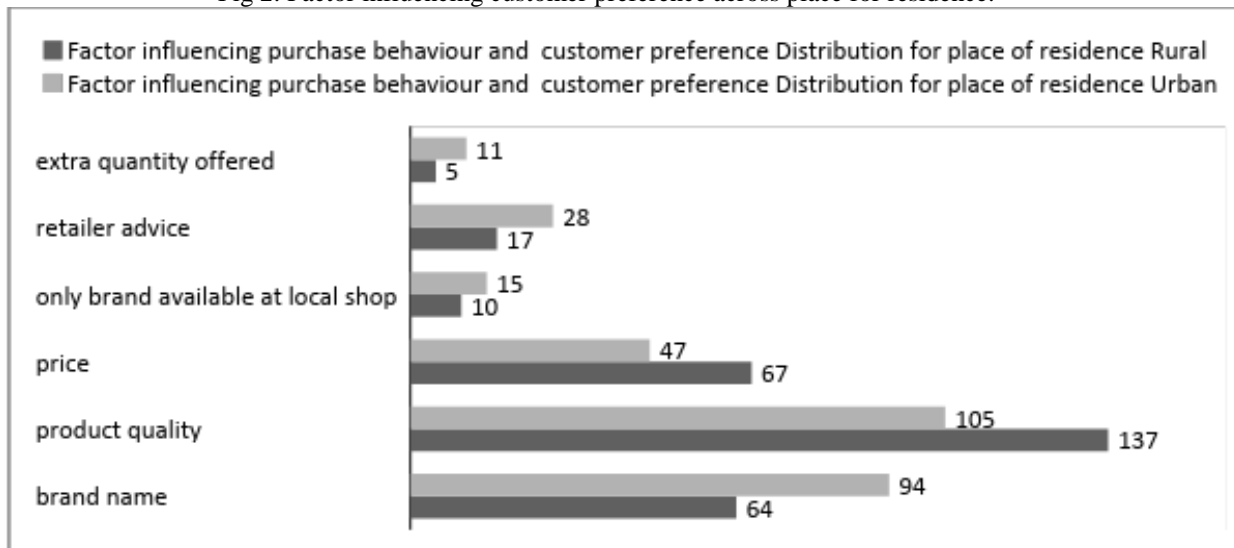


Table 1 exhibit that product quality is the most preferred factor influencing customer preference of customers across both rural (45.67%) and urban area (35%). Price influences rural customer mostly, next to quality while brand name influences urban customer mostly followed by quality. Extra quantity offered is not effective factor that influence customer across both areas regarding FMCG products.

Table 2: Chi square test

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	19.375 <sup>a</sup>	5	.002
Likelihood Ratio	19.531	5	.002
Linear-by-Linear Association	.300	1	.584
N of Valid Cases	600		

0 cells (.0%) have expected count less than 5. The minimum expected count is 8.00.

Source: Computed from primary data.

Significant at 5% level.

Table 2 exhibits that the value of Chi square is .002 which is smaller than critical value (.05). Thus it rejects null hypothesis and reveals that there is a significant difference between factors influencing customer preference and purchase behavior of customers across rural and urban area for FMCG products.

### **6. Findings of the Study**

The study on factor influencing customer preference and purchase behavior of customers across place of residence has several findings:

- Product quality is the most crucial factor which influences customer preference for FMCG in rural and urban areas which varies by approximately 10% higher respondents in rural area.
- Brand name and price factors have equal influence on rural customers, instead brand name is more influential as compared to price in urban area.
- Recommendations of retailers for FMCG products are more effective over extra quantity and available brand in rural area and urban area, frequency of respondents varies in rural and urban area.

### **7. Conclusion**

The study concludes that the factor influencing preferences of customers across rural and urban area varies for FMCG products. Product quality is the major influential factor in both rural and urban area, but the number of respondents varies across both the areas. Price influence purchase behavior more as compared to brand name in rural area while brand name has more influence on the urban customers. The marketers should consider the factors influencing preference of customers to capture the majority of customer from both areas focusing on various factors.

### **8. Practical Implication of the Study**

The present study has been carried out on factors influencing customer preference across rural and urban areas. The study intends to provide insights about the difference in the impact of factors influencing customer across rural and urban areas. The response of customer is not the same across rural and urban area, which will prove helpful for marketer in planning marketing strategy for FMCG products. Comparing individual factors influencing customer response provides idea of customer behavior for purchase decision making for FMCG products. The untapped rural area has ample scope of further studies for researchers to further explore the behavior of customers.

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