BRAND DICTUM OR FACTUM A CRITICAL FOCUS TO FMCG SECTOR

* Anudeep Arora **Parul Raj

ABSTRACT

India is considered as one among the top five promising retail destinations in Asia and eleventh retail destination worldwide. In this era of highly bloodthirsty business environment, Consumers are constantly facing new brand choices. Over the past two decades, private label food products have grown steadily in sales and often directly compete for market share with multinational brands. Competition among the major manufacturers is creating newer brands for the consumers almost on a daily basis. FMCG refers to the fast moving consumer goods. They are the products that are purchased and consumed by the customer frequently. Many of the private label retailers have started manufacturing their own FMCG brands in order to attract the customers. Private Label brands sold under the retailer's own names have added more competition to this by offering products which are lower in price compared to that of the major manufacturers. The study is done with the primary objective of understanding the factors that influences the customer preferences towards the private label brands and Multinational brands in FMCG category. The data was collect through questionnaires at various locations such as shopping centers, mall's, etc. 147 respondents data were received and analyzed by using statistical techniques like frequency distribution and factor analysis. The study reveals that comprehension is the major factor affecting the consumer preferences, moreover knowledge about the products, features, availability are key concern issues, also the quality of product, attractive packaging and sales persons attitude influence the consumer decisions.

*Assistant Professor, JIMS, Sec-5, Rohini

**Ass. Prof, JIMS Sec -5, Rohini

Keywords: Brand, Multinational brands, Private label brands, FMCG, consumer preference.

INTRODUCTION

The Indian FMCG sector is the fourth largest sector in the economy with an estimated size of ` 1,300 billion. The sector has shown an average annual growth of about 11% per annum over the last decade. Unlike the developed markets, which are prominently dominated by few large players, India's FMCG market is highly fragmented and a considerable part of the market comprises of unorganized players selling multinational brands. There are approximately 12-13 million retail stores in India, out of which 9 million are FMCG kirana stores. India FMCG sectors' significant characteristics can be listed as strong multinational presence, well established distribution network, intense competition between the organized and unorganized players and low operational cost. Easy availability of important raw materials, cheaper labor costs and presence across the entire value chain gives India a competitive advantage. Products which have a swift turnover and relatively low cost are known as Fast Moving Consumer Goods (FMCG). FMCG items are those which generally get replaced within a year. Examples of FMCG commonly include a wide range of repeatedly purchased consumer products such as toiletries, soap, cosmetics, oral care products, shaving products and detergents, as well as other non-durables such as glassware, bulbs, batteries, paper products, and plastic goods, etc. Penetration level and per capita consumption in many product categories is very low compared to world average standards representing the unexploited market potential. Mushrooming Indian population, particularly the middle class and the rural segments, presents the huge untapped opportunity to FMCG players. A distinct feature of the FMCG industry is the presence of international players through their subsidiaries (HLL, P&G, Nestle), which ensures innovative product launches in the market from their parent's portfolio.

PRIVATE LABEL BRANDS AND MULTINATIONAL BRANDS

Today society is over-loaded with the amount of information, branding helps to create clarity in consumers' minds. A brand has two different functions: to distinguish products

from each other and to indicate a product's origin. Brand is the promise, the big idea, the reputation and expectations that reside in each customer's mind about the product and/or the company. It is a powerful yet intangible asset. Brand is about making an emotional connection. People trust brands, develop strong loyalties, buy them, and believe in their supremacy. Once the importance of brands was realized, many corporations worldwide started to create their brand images. Multinational company's brands represent very well this type of "brands era". Multinational company's branded products (also called manufacturer's brand) as "a brand created and owned by the producer of a product or service". Multinational brands have been the leaders on the market since the last century, but there is a rapidly growing competition from the private labels. Private labels as retailer brands: "brands which are owned and sold by the retailer as well as distributed by the retailer". Retailer brands are also commonly called "store brands" or "own labels". Retailers have two main objectives when selling store brands: store profitability and store differentiation. Private label is considered to be a great competitive tool which let retailers to improve store image and obtain greater market shares, leading to greater profit. In addition, private label retailers have big competitive advantages – to set the prices, shelf space allocations and promotions, which are more appealing to consumers. In studies of food retailing, private label foods (private label brands) generate interest because of the ways in which they differ from multinational brands .Multinational's products, regardless of the departments in which they are sold, travel from the farm gate to the consumer's dinner plate by way of branded food manufacturers and distributors. For example, Heinz ketchup is a homogenous product across every chain throughout the country in

terms of taste and appearance. In contrast, supermarkets obtain private label through a form of vertical coordination or from manufacturers specializing in private label products. Private label brands are unique to the chains at which they are sold, or at least are so marketed. Nearly every supermarket chain in the country offers at least one private label products in addition to Multinational brands products. However, the data used in this study show that private label brands are promoted more frequently than Multinational brands, with the average private label on sale 54 percent of the time and the average Multinational brands 36 percent of the time.

LITERATURE REVIEW

In order to carry on the present study, several earlier studies were reviewed. Some of them

are mentioned as under:

Childers and Rao (1992), showed that in order to reduce social risk, customers also rely on the national brands due to the signals which national brand manufacturers send to consumers through the marketing tools: sense of the group belonging, status, decision-making ability, being ashionable or stylish and "above" the consumers, which do not have a specific product, and many others.

DelVecchio (2001) considers that often consumers take functional type of risk for the opportunity to decrease financial risk, which means that in some situations customers are ready to accept the lower quality of the product for less financial cost.

AC Nielsen (2007), researches made in Belgium market, private label brands are leading in meat delicatessen, milk, lemonade, ground coffee, fruit juice, toilet tissue, frozen fish, meat pre-packed, cat food and frozen seafood and snails product categories . It proves previously mentioned theory that private labels are more successful in the product categories where consumers do not have high perceived risk of product purchase.

Agnë Đeðtokaitë (2010), "Consumer Orientations Toward Private Labels and National Brands in the Different Product Categories: exploring young adults' personal values through Means-End-Chain analysis" aimed to offer more insights into consumers' store brand products' buying motives and, by applying the means-end chains methodology and the corresponding "laddering" interviewing technique, to design cognitive structures (i.e. Productattributes – use benefits – consumers' values links) of the consumers' purchasing behavior towards the national brands and the private labels. Two grocery categories are selected (food - orange juice, and non-food - toothpaste) with the idea to create 2x2 block design in which the store brands' buyers are opposed manufacturers' brand buyers and food was opposed to non-food product categories

Hariprakash (2011), "Private labels in Indian retail industry" discussed about the Private Brands in Indian Retail Industry. There are radical changes taking place in the Indian retail Industry. Strong underlying economic growth, population expansion, the increasing wealth of individuals and the rapid construction of organized retail infrastructure are the

factors contributing for such changes. One of the new things seen in the Indian retail Industry is the growth of Private Brands in the organized retail. It mainly focuses on the importance of private labels to a retailer, some of the well-known private brands in Indian retail Industry, the growth potential of private brands, and performance of private brands.

OBJECTIVES OF THE STUDY

The various objectives of the study are as under:

- To study the awareness about private label and multinational FMCG brands among

  the sample respondents.

- To study the impact of gender towards the private label and multinational FMCG brands.

- To assess the factors helping in building the consumer preferences towards private label and multinational FMCG brands.

RESEARCH METHODOLOGY

The research design used in the present study is descriptive in nature.

Sample*:* The sampling unit may be a geographical one such as state, district, village Etc. In

this research sampling unit is individual consumer in Indore, Madhya Pradesh. The sample size consists of 150 consumers, data of 145 respondents were found valid and have been part of the research. The demographical variables Gender, Age, income, Education and occupation are considered in the study.

METHOD OF DATA COLLECTION

The primary data is collected from the sample respondents. Primary data are those, which are collected for the first time and this happen to be original in character. We collected primary data through **sample survey** from the selected elements **in malls and super markets**. The research instrument used for data collection is a structured questionnaire. The questionnaire has two parts.

  Part-I consists of general information about respondents backgrounds and demographic Profile.

Part-II consists of questions relating to consumer preferences towards private label and

multinational FMCG products.

The respondents were requested to assess each of the scale items on a Likert 5 point scale used for each statement where 1 = strongly disagree to 5 = strongly agree. Questionnaires were administered in English to customers of shopping malls and major shopping centers
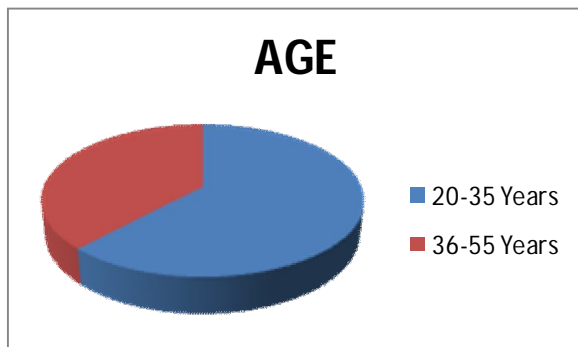
DATA ANALYSIS

After collection of data, it is analyzed by using statistical technique like frequency distribution
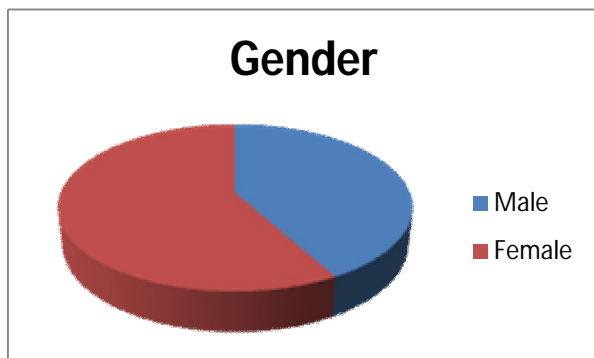
and factor analysis.

Analysis of Part-I

Sample Demographic Profile

AGE

	AGE
20-35 Years	62%
36-55 Years	38%

- 20-35 Years
- 36-55 Years

It was observed that 62% of the respondents fall in the age group of 36-55 Years. Thus it may be interpreted that the maturity of a person affects the buying behavior.

Gender

|	Gender
Male	42%
Female	58%

- Male
- Female

From the above data it can be concluded that females show more interest in buying FMCG products as the frequency of the respondents is higher in case of females as compared to Males.
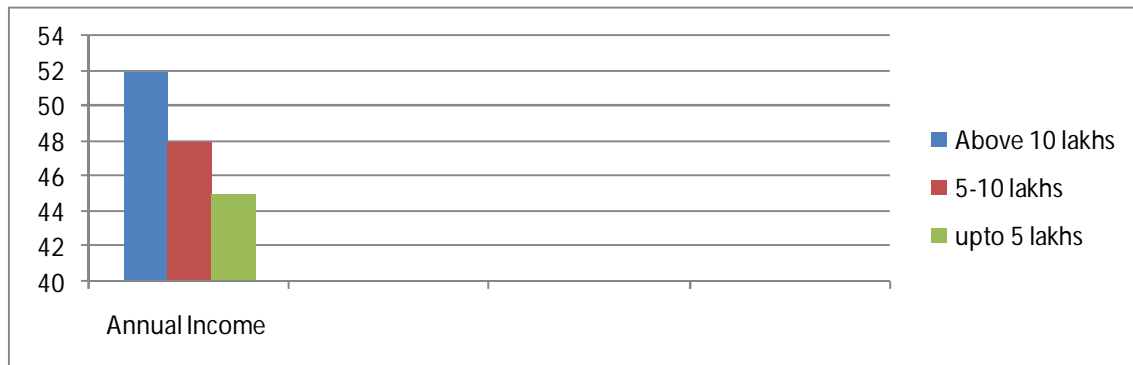
In case of annual income, three slabs are taken and it was seen that 52% of the respondents have their annual income above 10 lakhs. The reason for this finding could be that as the income of a person increases, he becomes choosier and also he is interested in using such products with which he is aware
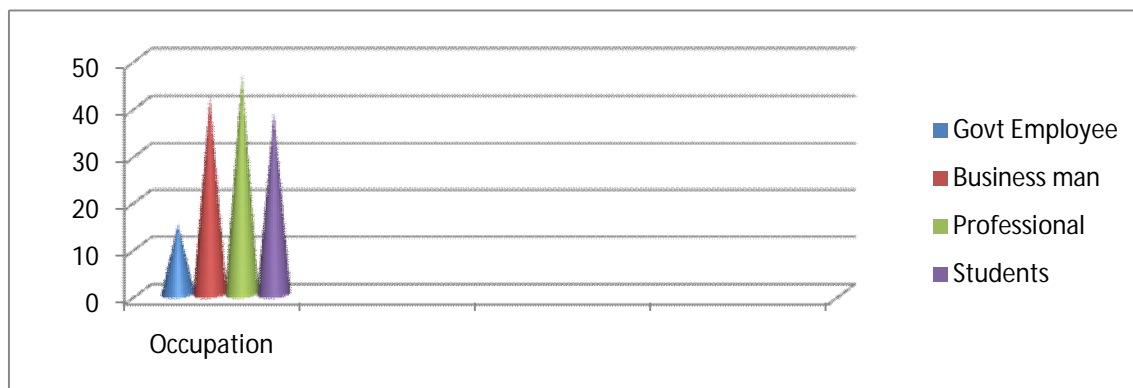
From the above graph, it can be interpreted that out of the four categories, the maximum contribution in the present study is given by the professional people because this is the segment where the customers are having much knowledge about the latest trends that are going on in the market and also due to this reason their preference also changes frequently.

Analysis of Part-II

The Part II of the questionnaire consists of 18 variables which contribute to the customer satisfaction index. This data was analyzed by using factor analysis. After running the tool it was observed that the 18 variables were grouped into 4 groups on the basis of some commonness. Group I has the highest influence on customer satisfaction index and gradually the influence decrease through group II, group III and then the group IV.

Factor Analysis

Factor analysis is a multivariate statistical method used to describe variability among observed, correlated variables in terms of a potentially lower number of unobserved variables called factors. Factor analysis is performed by examining the pattern of correlations (or covariance's) between the observed measures. Measures that are highly correlated (either positively or negatively) are likely influenced by the same factors, while those that are relatively uncorrelated are likely influenced by different factors. In order to check the sample adequacy, Kaiser-Meyer-Olkin (KMO) and Bartlett's Test was performed on the data. The KMO measures the sampling adequacy which should be greater than 0.5 for a satisfactory factor analysis to proceed. Looking at the table below, the KMO measure is 0.777. From the same table, it can be seen that the Bartlett's test of sphericity is significant. That is, its associated probability is less than 0.05. This means that the correlation matrix is not an identity matrix and the sample is adequate to undergo factor analysis. The sum of the squared factor loadings for all factors for a given variable (row) is the variance in that variable accounted for by all the factors, and this is called the communality. The communality measures the percent of variance in a given variable explained by all the factors jointly and may be interpreted as the reliability of the indicator. From the above communality table it may be observed that all the variables have contributed in the present study. From the above total variance table, it can be concluded that after running the factor analysis on the data, the 18 variables are grouped into four groups on the basis of commonness among them. These groups are given a particular name. The details of the four groups that are extracted after running the factor analysis are as under: Knowledge about the products, products feature, its quality, functional utility, availability of variants of products, attractive packaging of the product, information about the special offers, discount and schemes, product image, availability of brand, nominal price are the variables that fall in the first group in the present study. This group was named as comprehension. In case of FMCG products, there is intense competition. Hence, the customer prefers to buy that brand which is available to him easily at a nominal price and also is able to fulfill his requirements. Group 2 is named as Value. It means that the consumer prefers to buy that brand in case of FMCG category which is available to him conveniently at a low price but having good quality and should belong to the company having a good image in the market. The third group is named as

Eminence. The different variables that fall in this group include the price and quality of a brand. This shows that in case of FMCG products both the parameters plays a significant role in making consumer preference. Outlook is the name given to the fourth factor. It includes the attitude of a sales person. If the sales person is able to handle the queries of a customer in a proper manner and is able to convince a customer effectively, then the outlook of a customer gets changed and he prefers to buy the brand from the outlet.

CONCLUSION

The Indian FMCG sector is the fourth largest sector in the economy with a total market size in excess of $13.1 billion. It has a strong MNC presence and is characterized by a well established distribution network, intense competition between the organized and unorganized segments and low operational cost. The competition between Multinational brands and private label brands is important for generating consumer welfare through lower overall prices and increased quality and variety in supermarkets. The study reveals that comprehension which deals with the awareness and knowledge about a brand is the major factor affecting the consumer preference to buy a multinational or private label brand in FMCG products. Moreover, value about the products with respect to price and quality also affects the consumer preference. Different people have different perceptions with respect to price and quality of a brand. Some people perceive that high price stands for high quality whereas, some perceive that even if the price of a product is low or nominal the quality of a product can be good and this feature can be available to the consumers in case of private label branding. The least important factor that has been found out in the study is the outlook with respect to the sales person's attitude. The reason for this factor being lease important could be that in today's marketing environment, the customers selects and ultimately buys the products by his own choice and hence the role of sales person specially in case of selling FMCG products is very less as these products are mostly displayed in the shelf so that customer can easily find them and also can purchase them. Thus it may be concluded from the present study that if any marketer wants to survive in the market and also wants to increase its market share then the marketer has to keep the consumer preferences in his mind and accordingly decide on the marketing mix elements so that the changing preferences of the consumers can be fulfilled easily.

References:

- Klucharev, V., Smidts, A., and Fernandez, G.(2008), Brain mechanisms of persuasive communication: How "Expert Power" modulates memory and attitudes, Social Cognitive and Affective Neuroscience, 3 (1), 353 – 366

- Labeaga, J. M., Lado, N. and Martos, M. (2007), Behavioral loyalty towards store brands, Journal of Retailing and Consumer Services, 14 (5), 347 – 356

- Liljander, V., Polsa, P., and van Riel, A. (2009), Modeling consumer responses to an apparel store brand: Store image as a risk reducer, Journal of Retailing and Consumer Services, 16 (4), 281-290

- Liu, T. and Wang, C. (2008), Factors affecting attitudes toward private labels and promoted brands, Journal of Marketing Management, 24(3), 283-298

- Luijten, T. and Reijnders, W. (2009), The development of store brands and the store as a brand in supermarkets in the Netherlands, The International Review of Retail, Distribution and Consumer Research, 19(1), 45-58

- Martin-Herran, G., Sigue, S. P., and Zaccour, G. (2010), The Dilemma of Pull and Push- Price Promotions, Journal of Retailing, 86 (1), 5.

Annexure

KMO AND BARTLETT'S TEST

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.777
Bartlett's Test of Sphericity	Approx. Chi-Square	1.683E3
	df	153
	Sig.	.000

COMMUNALITY TABLE

Variables	Initial	Extraction
Generates awareness about the brand	1.000	.477
knowledge about product	1.000	.414
Knowledge about the product Features	1.000	.573
Enhance knowledge about product Quality	1.000	.819
Knowledge about the functional utility	1.000	.614
Availability of variants	1.000	.660
Attractive packaging	1.000	.744
Information about special offers, discount and schemes.	1.000	.562
Product image	1.000	.520

Company image	1.000	.943
Availability of brand	1.000	.610
Sales person attitude	1.000	.891
Convenience of the store	1.000	.881
Nominal price	1.000	.747
High price, high quality	1.000	.887
High price, low quality	1.000	.732
Low price, high quality	1.000	.597
Low price, low quality	1.000	.550

TOTAL VARIANCE TABLE

Factor	Total variance	% of Variance
comprehension	4.483	24.909
Value	2.988	16.602
Eminence	2.561	14.229
Outlook	2.181	12.161

FACTOR 1: COMPREHENSION

Variable	Factor loading
Generates awareness about the brand	0.587
knowledge about product	0.483
Knowledge about the product Features	0.541
Enhance knowledge about product Quality	0.729
Knowledge about the functional utility	0.763
Availability of variants	0.738
Attractive packaging	0.807
Information about special offers, discount and schemes.	0.597
Product image	0.503
Availability of brand	0.540
Nominal price	0.769

FACTOR 2: VALUE

Variable	Factor loading
Company image	0.962
Convenience of the store	0.858
Low price, high quality	0.353

FACTOR 3: EMINENCE

Variable	Factor loading
High price, low quality	0.850
Low price, low quality	0.730
High price, high quality	0.783

FACTOR 4: OUTLOOK

Variable	Factor loading
Sales person attitude	0.906