FACTORS AFFECTING SUCCESS OF FAST MOVING CONSUMER GOODS: A PANORAMIC VIEW

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Abstract

This paper has mainly pointed out about the factors which affects on the success of Fast Moving Consumer Goods. Factor analysis is employed on data of 16 items that have main effect on the individual consumer. The major objective of this study is to determine the factors which affect the success of FMCG. The response of the 80 respondents has been selected for the purpose of the study. The findings indicate that factor 1 and factor 2 has same at the top by which consumers make their opinion for use of buying in products. Overall the analysis provides an understanding the consumer differ significantly by age, education and income level as consumer wise on intrinsic motivation. The results are important for the group of the consumers in making their purchase decision, companies selling their products and the various parties involve advertiser, investors etc.FMCG market is seeing a plethora of brands with little or no differentiation in terms of product offerings. Any differentiation in terms of product offering gets adopted by the competitor in no time, killing the advantage. To create differentiation and build unique brand image for their offerings marketers need to explore the scope of promising differentiation marketing techniques.

Keywords: Ingredient branding, FMCG, Differentiation, Brand image, Factor Analysis, Principal Component Analysis.

Introduction

FMCG is the acronym for Fast Moving Consumer Goods. It refers to a wide range of consumables which people buy in regular intervals. FMCG industry**,** alternatively called as CPG (Consumer packaged goods) industry primarily deals with the production, distribution and marketing of consumer packaged goods. FMCGs have a short shelf life, either as a result of high

consumer demand or because the product deteriorates rapidly. The absolute profit made on FMCG products is relatively small, but as they sell in large quantities, the cumulative profit on such products can be large. Nowadays, FMCG also includes Fast Moving Consumer Electronics comprising of Cell phones, laptops, Digital Cameras and MP3 players which are replaced more frequently than other electronics goods.

Characteristics of FMCG

To implement the Ingredient branding in FMCG successfully, it is necessary to understand the characteristics of this market. The following are the typical characteristics of FMCGs: From the consumers' perspective:

1. Frequent purchase

2. Low involvement

3. Low price

From the marketers' perspective:

1. High volumes

2. Low margins

3. Extensive distribution networks

4. High stock turnover

As the products are generally low priced, the Ingredient brand which is used to inculcate value in the final product should be cost effective so that the consumer will be able to get value for money and in some cases where premium pricing is in place, the consumer must be convinced the higher price is justified. As FMCG companies concentrate mainly, on brand building and product development for growth, Ingredient Branding will help them in fulfilling both the targets. Competition is very intense in FMCG sector; market is filled with lots of unbranded and branded products. The Ingredient branding helps differentiating a product against similar competitive products. Distribution networks play a very significant role in FMCG industry. As extensive distribution is required companies needs a willingness to proactively collaborate with the channel members.

Review of Literature

Dr M. Selvakumar, M. Maria Jansi Rani and K. Jegatheesan (2013), study on the base of market survey, tells about the bright future of FMCG in India. On the basis of market survey

they tell about the SWOT analysis of Indian FMCG sector. Vihag Mishra, Atishay Jain, PrashantSahni (2013) said about the growth drivers and key players in the success of the FMCG. They study on various companies like HUL, ITC, and GODREJ consumer limited. AMBER and Styles (2006) argued that a brand is more than just a product and that is combination of all elements of the marketing mix. Rajeshwari Adappa Thakur said that "The sector's sustained growth has been possible due to continuous and steady improvement in consumer incomes" and also says "As income levels continue to grow more people are likely to shift to consumption of branded products" Leslie de Chernatony, Dr Leif E. Hem and Nina M. Iversen (2001) said about the factors influencing the brand extention. Francis Holly Adzah (2011) says about the FMCG and its key factors in the success of the FMCG. AndrazZorko, Valicon (2007) found about the FMCG brands really differ from the media or not. Rifat Jan focused on studying 2 different aspects Brand consciousness and Brand loyalty traits of the FMCG consumer using 4 variables i.e. Gender, Age, Qualification and Income. AydinCelen, TarkanErdogan, ErolTaymaz (2005) study is focused on the analysis of competitive dynamics (inter – firm rivalry, pricing and non-price policies, barriers to entry, regulatory conditions, etc.) within the sector, and draws lessons for competition policy.

Need of the Study

With the growth of the FMCG companies, the competitive advantage in quality of services in terms of certain measurable terms has become a distinctive factor. Thus, it is very important for companies to get useful feedback of their actual performance and to trace-out the area of improvement in terms of quality service. This research is a primary data based study with main objective to study about the different perception and behavior of the customers' insights. 4.

Objectives

In the light of above review of literature and the issues raised the following are the objectives of the present study:

a.   To analyze the perception of customer towards FMCG.

b.   To know the factors affecting success of fast moving consumer goods.

c.   To identify the factors influencing preference and expectations and to find out principal components.

Research Methodology

a.   **Collection of data:** The study based on both primary and secondary data. The primary data collected through a structured questionnaire and by holding interview with various categories of convenience sample respondents. The secondary date collected from the published records of concern branch offices of various insurance companies, journals, books etc.

b.   **Tools of analysis:** The collected data recorded, analyzed and interpreted in the significant manner with the help of SPSS and excel sheet. The statistical tools used for the study included factor analysis, reliability test, KMO test etc.

c.   **Sample size:** For the purpose of study Udaipur districts selected in the state of Rajasthan. A total of 100 respondents were covered by the study but only 81 respondents had attempted all the statements and hence, the analysis was confined to these respondents only. Due care had been taken to include varying demographic profile to make the sample a truly representative one. The questionnaire consists of two sections. The first part consists of four questions about demographic information of the respondents in table-1. Second part consists of sixteen statements, to study the perception of the sample. For analyzing each statement, the opinion of the policyholders has been elicited on Likert five point scales ranging from Strongly Agree-5, Agree-4, No Opinion-3, Disagree-2, and Strongly Disagree-1.

d.   **Period of study:** The data was collected during the month of Jan 2015 to April 2015.

Data Analysis and Interpretation

Table 1: Demographic description of Sample

Factors	Classification	Frequency	Percent
Gender	Male	48	59.3
	Female	33	40.7
	Total	81	100
Age	Below 30	22	27.4
	30-40	37	47.7
	Above 40	21	25.9
	Total	81	100
Education	Below graduate	16	19.8
	Graduate	41	50.6
	Post-graduate	24	29.6
	Total	81	100
Income	Less than 20000	17	21.0
	20000-60000	29	35.8
	More than 60000	35	43.2
	Total	81	100

Table-1 shows 81 samples chosen for the study, 48 respondents were males and 33 respondents were females, 22 respondents belonged to the age group of under30, 37 respondents to 30-40, 21 respondents to above 40. Basis of educational background were below graduate, graduate and Post Graduate, correspondent respondents were 16, 41, and 24. Household income were <20000, 20001-60000, > 60000 with correspondent respondents of 17, 29, 35.

Table2: Result of Reliability Analysis for four dimensions

Dimensions	No. of Attributes	Expectation
Product Acknowledge	04	0.883
Price	04	0.510
Promotion	04	0.792
Place	04	0.769

Source: Computed data

Table 3

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.612
Bartlett's Test of Sphericity	Approx. Chi-Square	1145.926
	df	120
	Sig.	0.000

In this study, 16 items are tested on its reliability. Table-2 shows the components and total reliability of customers' insight scores. The findings shows that the reliability co-efficient for all dimensions are above 0.60. The reliability is consistently high that are 0.883 for product acknowledge, 0.510 for price, 0.832 for Promotion, 0.853 for Place. Moreover Kaiser-Mayo-Olkin test was conducted to measure the adequacy of the sample size. The test generated a score of 0.603 in table-3. Thus KMO test also proved that the samples were adequate enough to conduct the factor analysis.

Table 4: Rotated Component Matrix

Variables	1	2	3	4	5
Packaging and presentation (V11)	**.920**	.081	.014	.207	.035
e-shopping (V10)	**.841**	-.037	-.153	.226	.135
Easy availability (V12)	**.616**	.314	.337	-.118	-.411
Advertisement (V9)	.490	.062	.185	.279	.520

Product variety (V2)	-.206	**.879**	-.053	-.090	-.017
Quality of the product (V1)	.025	**.858**	.038	.125	-.192
Taste/ utility (V3)	.130	**.836**	.245	.154	.125
Goodwill of the product (V4)	.178	**.816**	.022	.178	.308
Comparative price (V5)	.083	.203	.260	**.898**	-.072
Discount and offers (V6)	.235	.102	.202	**.896**	-.017
Guarantee/warrantee (V8)	-.075	.110	-.013	**.854**	.154
Post sales and services (V7)	.270	-.318	.091	**.613**	-.123
Brand endorsement (V15)	.130	-.041	**.892**	.170	-.053
Affordability (V16)	-.129	.062	**.834**	.229	.289
Physical appearance (V13)	.291	.151	**.739**	-.331	-.118
Product demonstration (V14)	.306	.305	**.685**	.150	-.382

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization

Table 5: Total Variance Explained						
	Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.812	30.074	30.074	3.382	21.139	21.139
2	2.966	18.536	48.610	3.269	20.430	41.569
3	2.023	12.645	61.255	2.398	14.988	56.557
4	1.712	10.697	71.952	2.183	13.644	70.202
5	1.322	8.262	80.214	1.602	10.013	80.214
Extraction Method: Principal Component Analysis.						

In the Rotated Components Matrix, each number represents the partial correlation coefficient between variable and the rotated component. These coefficents help in identifying the variables that have large factor loadings for a given component.On employing factor analysis, five factors (Table-5) that constituted 80.21% of the variance were considered for the study. Furthermore, for authentication, the Scree Plot was also referred to only those factors that constituted the Eigen Value above 1 were considered as Principal Components Analysis was employed. Varimax with Kaiser Normalization rotation was used to extract the factors with factor loadings greater than +/- 0.30. As Varimax rotation was utilized, those statements which had a factor loading +/-0.30 and above were assigned to the respective component. It should be noted that the components have been named according to the variable (statements) with higher factor loadings.

The proportion of total variance explained is determined by dividing Eigen value of a factor by the number of variables considered. To decide how many principal components are to be retained we considered principal components having Eigen value equal to or greater than 1 alone are to be retained and those with less than 1 Eigen value are excluded.Component-1 accounts for 21.13 percent of total variance, component-2 for 21.43, component-3 for 14.98, component-4 for 13.64, component-5 for 10.01 percent of the total variance in the model.

Result and Discussion

One of the main objectives of this study is to analyze the perception of customers towards needs, service quality, transparency and reliability with the help of exploratory factor analysis, 18 items captured in four dimensions are exposed in this study and the following are results:

Factor 1: Promotion

Total variance explained (Table 5) has revealed that this factor has explicated the variance of 21.13% four variables (V9, V10, V11, V12) were loaded on this factor. The research has named this factor as promotional dimension i.e. easy availability of the FMCG, proper packaging and presentation, and facility of e-shopping have the high factor loading so the companies should pay utmost attention to fulfill the these basic perception of the customers.

Factor 2: Product Acknowledge

Four variables (V1, V2, V3, V4) were loaded on this factor and together they accounted for 20.43% of the variance. This factor provides the bird eye-views of information about the ways and means of FMCG product i.e. quality of product, variety mix of different product, maximum utility/taste of the product and goodwill of the product reveal highest factor loading. FMCG companies have immense possibilities for growth and if the companies are able to change the mindset of the consumers, i.e. if they are to take the consumers to branded products and offer new generations products, they would be able to generate higher growth in the near future.

Factor 3: Price

This is the third important factor which accounts for 14.98% of variance and four variables (V5, V6, V7, and V8) were loaded on this factor. According to this component highest factors loading are comparative fair price of the product, discount and offers motivate the customers to buy more

and more and provision of guarantee/warrantee also help to some extent for promotion of the FMCG.

Factor 4: Place

It has been found that fourth important factor has exposed the variance of 13.64% and four variables (V13, V14, V15 and V16). As the variables related to place of the marketing mix so the important factors to pay attention are brand endorsement, physical appearance, product demonstration and affordability of the product affecting FMCG. Consumers generally put less thought into the purchase of FMCG than they do for other products so the companies should pay much attention to these crucial factors to influence the customer behavior towards fast moving goods.

Limitations of the study

Firstly, the study was carried out in Udaipur city; therefore the results obtained may not be pertinent to the country as a whole. Secondly the study has been conducted by taking sample of 81 respondents or policy holders of various insurance companies so the results may not be implied conclusively that's why further study is recommended to fill the gap. Thirdly, in the current study exploratory factor analysis using principal component method with varimax rotation has been used, the results of this study may further be validated by employing confirmatory factor analysis on large sample.

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