

**Comparative Study On Consumer Preference Of Domestic Company's and MNC'S  
Selected FMCG Goods**

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**Abstract**

India's FMCG industry is expected to grow at 12 per cent in 2016, reaching the sales figure of US\$ 49 billion. The FMCG sector has grown at an annual average of about 11 per cent over the last decade. The overall FMCG market is expected to increase at (CAGR) of 14.7 per cent to touch US\$ 110.4 billion during 2012-2020, with the rural FMCG market anticipated to increase at a CAGR of 17.7 per cent to reach US\$ 100 billion during 2012-2025. This is likely to rise further, as many subsidiaries such as Hindustan Unilever, ACC and Ambuja Cement step up royalty payment as asked for by their parents. Maruti Suzuki pays royalty to Suzuki Motor at five per cent of its domestic revenue and eight per cent of its export revenue. Colgate-Palmolive pays five per cent of its revenues as royalty to its US parent. Cement makers ACC and Ambuja recently agreed to pay royalty to Swiss parent Holcim at one per cent of revenue. HUL, India's largest consumer goods maker, last year agreed to more than double its royalty payout to Unilever to 3.15 per cent of sales in a phased manner, from 1.4 per cent.

**Key Words:** Domestic Company, MNC, Indian Economy, FMCG Goods, Buying Behavior.

**Introduction**

The liberalization of the Indian economy had far reaching consequences, which led to entry of global brands in the Indian markets. MNCs are not new in India if we look in the past British East India Company and Dutch East India companies were there which came to India for trade and by taking advantage of political conditions of India gained power. After adopting new economic policy by government of India in July 1991 many MNCs came in the Indian economic scene because the government of India gave many incentives to the foreign investors. So it is clear that government opened the doors of Indian market to MNCs'.

The competition increased by MNCs is also disastrous for domestic industries only few strong domestic industries have enough strength to face the competition with global giants. As well as skilled persons are concerned MNCs give higher salaries to the skilled persons and thus able to explore the services of the most skilled persons and the Indian industries are still out of the services of these skilled people. No doubt MNCs bring foreign capital in India but this capital later becomes the cause of reimbursement of profit to the MNC's parent countries, which cause capital flight from the country.

MNCs are not fair in their working in the developing countries. Many MNCs are not paying their tax liability, they prefer to establish in that country where tax laws are not strict similarly they prefer to establish in that country where environmental laws are also not much strict and these are mainly developing countries we can take example of NOKIA which involve tax evasion in India. They even send their toxic waste in these countries by taking advantage of loose environmental laws even the quality of their products vary with country to country we can take the example of coca cola which is of superior quality in USA and is of inferior in India, another example is life buoy soap that are considered bad for the skin, and are apparently only used to clean certain animals abroad. It is openly sold in India as a regular soap for humans however. MNCs are also responsible for misallocation of resources in the developing countries. They provide mainly luxurious products because there is more profit in it. Thus demand for these products increase due to demonstration effect and this leads to misallocation of resources towards luxurious goods but the need of developing countries is to

produce more and more necessary goods because most of the people belong to poor or middle class.

### **Need and Importance of the study**

Fast Moving Consumer Goods (FMCGs) are. FMCGs are one of the most important sectors of an economy and are often referred to as defensives as they comprise the basic day to day needs of the citizens.

The most common in the list are toilet soaps, detergents, shampoos, toothpaste, shaving products, shoe polish, packaged foodstuff, and household accessories. These items are meant for daily or frequent consumption and have a high return. The Indian FMCG sector is the fourth largest sector in the economy.

India's FMCG industry is expected to grow at 12 per cent in 2016, reaching the sales figure of US\$ 49 billion. The FMCG sector has grown at an annual average of about 11 per cent over the last decade. The overall FMCG market is expected to increase at (CAGR) of 14.7 per cent to touch US\$ 110.4 billion during 2012-2020, with the rural FMCG market anticipated to increase at a CAGR of 17.7 per cent to reach US\$ 100 billion during 2012-2025. Food products is the leading segment, accounting for 43 per cent of the overall market. Personal care (22 per cent) and fabric care (12 per cent) come next in terms of market share.

Hence it is the need to know the consumer perception of Indian company FMCG goods. So that, consumer expectation will be attained by the domestic company and it will lead to its development. Since, Indian economy will come to rise respectively simply through individual buying preference of Domestic Companies FMCG goods.

In six years, royalty payments have doubled from 1.3 per cent in FY08 to 2.5 per cent in FY13. This is likely to rise further, as many subsidiaries such as Hindustan Unilever, ACC and Ambuja Cement step up royalty payment as asked for by their parents.

Experts say royalty payment is standard practice globally.

"MNCs all over the globe, including Indian companies, charge royalty from their foreign subsidiaries for using parent services. Access to parents' brands, technology and processes helps subsidiaries scale up faster and they are well within their rights to ask for a share of the revenue. The rate of royalty payment is, however, debatable and varies from company to company,"

-Avinash Gupta, senior director at Deloitte India.

For example, Maruti Suzuki pays royalty to Suzuki Motor at five per cent of its domestic revenue and eight per cent of its export revenue. Colgate-Palmolive pays five per cent of its revenues as royalty to its US parent. Cement makers ACC and Ambuja recently agreed to pay royalty to Swiss parent Holcim at one per cent of revenue. HUL, India's largest consumer goods maker, last year agreed to more than double its royalty payout to Unilever to 3.15 per cent of sales in a phased manner, from 1.4 per cent.

Hence it is important to know every Indian how big huge money that they are expensing on foreign country wealth. It is one of the importance of study that inducing peoples to invest domestic company goods.

### **Statement of the Problem**

If we unite, we can make difference in our country economy. A cold drink that costs only 70/80 paisa to produce is sold for nine rupees. A major chunk of profits from these are sent abroad. This is the serious drain on Indian economy. Indian economy is in deep crises. Our country like many other ASIAN countries is undergoing a severe economic crunch. Many Indian industries are closing down. The Indian economy is in crises and if we do not take proper steps to control those, we will be in a critical situation.

More than 30,000 crore rupees of foreign exchange are being siphoned out of our country on products such as cosmetics, toiletries, snacks, beverages, etc which is grown produced and consumed here. Over and above all this economic sanctions have been imposed on us. We have nothing against multinational companies, but to protect our own interests everybody have to buy Indian goods. This is the only way to save our country from severe economic crises. One need not give up his or her lifestyle and just to switch over to Domestic Company Goods. This study particularly dealt with selected FMCG goods regarding consumer preference on Domestic and MNCs’.

### **Objectives of the study**

1. To find out the preference of customers towards Domestic companies’ and MNCs’ selected FMCG goods.
2. To analyse both the consumers’ perception regarding alternative company goods.
3. To assess the factors influencing the consumer to preferring particular companies goods.
4. To ascertain the criteria of product evaluation by consumer regarding origin of the goods.

### **Review of Literature**

Aparajita Roy (2016) in his study “Growth and Development of FMCG Retailing in India: A Study based on Consumers' Impulse Buying Behavior” states that the study of consumer behavior denotes that there are mainly two different types of involvement as far as purchasing products are concerned, which again to a great extent is dependent on the price, availability, usage and quality of the product purchased. Fast Moving Consumer Goods are generally those classified under Low Involvement products as they are purchased without spending too much of time and money and generally on a more regular basis. Most of such products are bought on a weekly, fortnightly or monthly basis indicating that these products have a constant and continuous demand throughout the year.

Pramod and Patil (2016) in their research “An Overview of Indian FMCG Sector” at finding portion discusses that Indian FMCG sector has almost tripled in last decade, much faster than past decades. Even in the meltdown years of FY 2008 and FY 2009 the FMCG industry witnessed sustained growth rates of 14% and 11% respectively, this sector was relatively recession-proof. This growth in FMCG sector is due to increase in demand, developments in supply side and favorable changes in Government Policy.

Pednekar and Achut (2015) in their research work under the name “Customer Satisfaction and Its Inference Towards Select Fast Moving Consumer Goods: A Study” concludes that most of the products are purchased on the basis of quality, price, brand status, identity, services, packaging, credibility and self esteem. They get attracted to the many variables related to the utility and the price value.

Sheeraz Tantray and Ashok Aima(2015)in their study “Consumer Ethnocentrism: Does it really matter for Indian Consumers” focuses how to assess the ethnocentric tendencies of Indian consumers particularly the younger generation so as to suggest the measures for domestic and international marketers to widen their market base. The study has both theoretical and practical contributions and the same has been objectively documented as the consumer ethnocentrism could serve as potential ingredient for displaying a positive bias towards the home country which could subsequently lead to favorable evaluation of domestic country products.

Vinayagamoorthy and Kannanit (2015) in their paper “The Impulse Buying Behavior of Consumes for the FMCG Products in Salem” found out that since income of individual is increasing and more and more people are moving towards western culture in dressing sense, in eating etc so the purchasing power of the people has really gone up and thus the impulse buying of the commodities is on a great increment mainly due to pricing strategies of retail players and full of festivals throughout the year. The results of that research study clearly indicate that there exists a weak association between consumer lifestyle, fashion involvement

and post-decision stage of consumer's purchasing behavior with the impulse buying behavior including the attitudinal as well as behavioral aspects of the consumers buying behavior. Pre-decision stage of consumer's purchasing behavior established strong association with the impulse buying behavior of the consumers.

Dattatray P. More (2015) in his study "A Study Of Brand Awareness & Consumer Behavior Towards FMCG Products in Rural Area Of Solapur District" deals with characteristics buying pattern, brand awareness, and factor involved in decision making in case of FMCG products in rural market. With rising awareness level and mass availability of information rural demand is increasing significantly hence, rural market offers tremendous potential for growth and expansion for all the companies merely they have to overcome the challenge of consumer expectations, brand awareness, and their behavior. FMCG products have tremendous demand in rural area as mass population is resides in rural area they are contributing significantly towards the total demand of all the companies. The Customers in rural market prefers to buy in small size from nearest retailer and their purchase is need based. In most of the families purchasing decision regarding FMCG products is taken by the respective person using that product or by elder male in their family. Regarding the brand awareness it is seen that the maximum customers are not aware about the brands, and some of them are not brand loyal so their decision is influenced by retailer's recommendation. Hence the sale of leading companies is less in Rural Market.

Palaniammal, Jayalakshmi and Saravanan (2015) in their study "An Empirical Study on Impact of Customer Satisfaction on Brand Loyalty of FMCG Products" concludes that brand loyalty is where a person buys products from the same manufacture repeatedly rather than from other suppliers. True brand loyalty exists when customers have a high relative attitude towards the brand which is then exhibits through re-purchase behavior. Brand loyalty is viewed as multi-dimensional contract. Customers perceived value, brand trust, customer's satisfaction; repeat purchase behavior and commitment are found to be the key influencing factors of the brand loyalty. The customer mindset includes everything that loyalty in the minds of customers with respect to the brand. It includes thoughts, feelings, experience, images perceptions, beliefs and attitudes. An advertisement is the most influencing to buy the soap, shampoo and tooth paste products. Maximum of respondents are giving most important to quality. 37%, 45%, and 25% of the respondents are maintained brand loyalty for soap, shampoo and tooth paste respectively.

Daphne T. Fernandes(2015) in her study "Customer Preferences and Brand Awareness for FMCG Products in Rural Market: An Empirical Study on the Rural Market of the Rajkot Region" concludes that he brand awareness in rural areas particularly in respect of beauty care and health care products is showing an increasing tendency. (Most of the people both from illiterate & literate groups prefer branded products with the belief that quality is assured as the manufacturers are reputed companies. For Ex: Colgate Tooth Paste, Head & Shoulder shampoo). People are not worried about the price of the product. They are showing willingness to spend higher price when they realize that they can afford to spend. Since the usage of branded products of reputed companies will elevate their status as well as stature in that village.

Allaa M. Aenab (2014) in his study namely "Use of Material Management in FMCG Sector in India with Particular Reference to Hindustan Unilever Limited" suggests value for money and Customer Care, Operational attributes, Physical attributes, Brand Image and Customer Specific Details - in any correspondence with the customers the message should be sent in these components only to have the maximum benefit from the advertisement. Also these components should be dealt with independently. The advertisements should speak only of the believable concepts rather than glorifying the pretentious ones. The basic need of the customer need to be addressed which is actually not much expensive and better quality.

Rachita Sambyal (2014) in her study “Exploring the informational cascading impact of Social factors on FMCG purchase Decision” found that significant impact of opinion leaders both on infrequent and frequent customers but its impact was observed to be higher on frequent purchase decisions. Influence of family was found to be significant on infrequent purchase decision.

Rallabandi Srinivasu (2014) in his study “Fast Moving Consumer Goods Retail Market, Growth Prospect, Market Overview and Food Inflation in Indian Market – An Overview” reveals that India’s FMCG sector creates employment for more than three million people in downstream activities. It is currently growing at double-digit rate and is expected to maintain a high growth rate. Indian buyers were a bit conservative partly due to lesser disposable income and partly due to fewer competitive and more variety of products. Food inflation could restrict consumers’ demand and pricing flexibility for FMCG while lowering consumers’ purchasing power that diverts purchases away from certain FMCG.

Gyan Prakash and Pramod Pathak (2014) in their research work under the title namely “Understanding Rural Buying Behavior: A Study with Special Reference to FMCG Products” suggests the followings. The findings of this study indicate that price, brand name, quality, availability, packaging, and so forth were the important factors influencing the rural consumers' purchase decisions. The study also focused on the important aspects such as the effective modes of communication, reasons for switching brands, billing patterns, and satisfaction level among the rural consumers.

Deva Prasanna (2014) “A Study on Consumer Behavior towards Selected Fast Moving Consumer Goods in Chennai City” study reveals that consumer behavior is largely affected by place, product, price, promotional, psychological and people influences. The satisfaction level of consumers also depends on product specific and market wide factors. Consumer behavior will improve when their expectations are fulfilled by their distribution channels.

From the article “Online Sales Promotions of Grocery and Other FMCG Products in Chennai Entity” by Alexander CVJ Victoria and M. Ganesan (2014) it was found that the retailer would be a rich source of information about the consumer and the likely response to online sales promotion activities. Developing a system to tap such responses from time to time both at retailer and consumer level would be helpful for planning future sales promotion activities. In order to build trust and commitment online sales should tap preferences, perceptions of retailers as well as consumers. Thus, it is an easy process where we can view and get our favorite Grocery and other FMCG products like shampoo, soaps, snacks, cosmetics and even medicines near our door step within time is a boon for us.

Shweta Choudhary (2014) in his study “Managing Brands over Time with Respect to FMCG Sector” concludes following through the findings of the study. Brand Management in the sector of FMCG plays a vital role. The FMCG industry or CPG abbreviation of Consumer Packaged Goods is highly competitive one. Low operational cost, solid distribution channels & growing population are the driving factors responsible for the success of the FMCG sector. In today’s age of commercialization customers automatically recount a product with brand name. Companies are seeking to establish a global brand. In global scenario marketing strategies for managing brand over time have become inevitable. The bottom line is that managing brand in today’s competitive world of FMCG is not an easy task thus brand managers are required to be handled more effectively & efficiently. With the growing competition managing brand needless to say is becoming more challenging.

## **Research Methodology**

### **Data collection method:**

The study was conducted through face- to- face structured questionnaires. Researcher myself interacts with consumer visiting shopping malls and also visited to the families of Indore region and filled the questionnaires as per their views. Questionnaires are designed

keeping in view the objective of project which understanding consumers' FMCG brand preferences.

### **Sampling**

Convenient sampling method is used in the study. 150 respondents who buy stipulated FMCG goods were selected. Sample constitutes the youngsters in the age group 14-40 years, spited equally between genders. There is a vast majority of youngsters of the mentioned age group in our country. They all constitute our population. The overall sample size will be 150 putting consumers. This is very small as compared to population size but this is due to limited time and resources. The FMCG categories considered in this research are Shampoo, Soap and Tooth paste. The income group having income above Rs 2000 is considered.

### **Data source**

Primary data were collected by direct interview and by survey method. Secondary data were collected by internet and journals.

### **Findings**

#### **Desire of the FMCG Brand Preference**

It is found that majority 39 percent of the respondents' brand preference relating to stated FMCG goods is determined by the chief wage earner of the family where 17 percent of the respondent' done by spouse of chief wage earner and 9 percent is determine by the combination of spouse plus chief wage earner. Other 17 percent of the respondents' brand preference is influenced by all the members of the family. Only 17 percent of the respondents determine their own brand preference.

#### **Different FMCG goods that Consumer Using**

##### **a. Shampoo**

It was found that majority 17percent of the respondents are using clinic Plus shampoo. 9 percent using All Clear and Pantene each, and 7 percent is using Head & Shoulders and Sunsilk for each. Where the rest is using Dove (5%), indulekha (5%), Fiama Di Wills (4%), Garnier (3%), Lakme(2%), Loreal(2%) and Vivel (2%). Totally majority 71.33 percent of the respondents are using MNC Company Shampoo.

It was found that 8 percent of the respondents are using Karthika, 7 percent were Meera and 5 percent were Chick. Other respondents are using patanjali (4%), Dabur Vatika (3%), Himalaya (1%) and Park Avenue (1%). That is totally minority 28.67 percent of the respondents are using Domestic Company Shampoo.

##### **b. Bathing Soap**

It was found that majority 19 percent of the respondents are using Hamam soap, 8 percent were using Lifebuoy soap, 7 percent were using Dove soap, 5 percent were using Margo soap and 4 percent were using Pears soap. Other 2.67 percent of the respondents go for Rexona, Lux and Fiama Di Wills each. Another 2 percent were go for Vivel, Yardley and Indulekha each. 1.33 percent of the respondents are using Amway, Liril, Fa, Dettol and others each. Meager 0.67 percent of the respondents are using Johnson&Johnson Soap. Totally majority 64.67 percent of the respondents are using MNC Company Soap.

It was found that majority 6.67 percent of the respondents are using Chandrika Soap and 6 percent were using Cinthol Soap. 4.67 Percent of the respondents are using Mysore sandal, Nature Power and Santoor each. 3.33 percent were Himalya and 2.67 percent were Patanjali. 1.33 percent were using Medimix and Park Avenue Soap each. Totally minority 35.33 percent of the respondents are using Domestic Company Soap.

### **c. Toothpaste**

It was found that majority 36 percent of the respondents are using Colgate toothpaste, 22 percent were using Close Up. A meager 6 percent Pepsodent, 4.67 percent were Sensodyne and 2.67 were Oral B. 2 percent are using Amway, Aquafreah and Cibacca each. A least 1.33 percent is using Crest toothpaste. Totally majority 78.67 percent of the respondents are using MNC Company Toothpaste.

It was found that 7.33 percent of the respondents are using Dabur Red toothpaste, 3.33 were Himalya, 2.67 were Meswak, 2 were Anchor and 1.33 was Babool. 0.67 percent of the respondents are using Patanjali, Promise and Prudent each. Totally minority 21.33 percent of the respondents are using Domestic Company Toothpaste.

### **Considering factors while purchasing**

Garret ranking technique has been employed by the researcher to analyze the consideration factors of consumer while purchasing FMCG goods. Through the analysis it was found that the following manner people buy FMCG goods.

Above all Quality and Value for the money got first rank that is consumer will concentrate the goods quality and value for the money first. Second they are looking into the brand image and power. Third they are influenced by the availability of the goods. Fourth consideration is reliability and loyalty to the brand. Last but not least, the influence of other takes place at fifth consideration of the consumers.

### **Brand Awareness**

It was found that minority 26.67 percent of the respondents have no awareness whether they are using MNC or domestic company FMCG goods. It was found that majority 73.33 percent of the respondents are aware that they are using whether MNC company or domestic company FMCG goods. This proportion is the combination of where they are acquiring such knowledge. Majority 30.67 respondents are aware from advertisement and the rest aware from themselves, social networks, friends, family at the percent level of 16.67. 11.33. 9.33 and 5.33 respectively.

### **Perception of the Respondents towards MNC Company goods**

In order to check the relationship among the various variables such as educational qualification, occupation and income level of the respondent with respect to perception towards MNC company goods. Chi-square test is conducted. Through the analysis it was found that there is no any significance difference between perception levels of the respondents towards MNC Company goods and their occupations, income, educational qualification in any manner.

### **Perception of the Respondents towards Domestic Company goods**

In order to check the relationship among the various variables such as educational qualification, occupation and income level of the respondent with respect to perception towards domestic company goods. Chi-square test is conducted. Through the analysis it was found that there is no any significance difference between perception levels of the respondents towards Domestic Company goods and their occupations, income, educational qualification in any manner.

### **Suggestions**

#### **To FMCG Company**

- i. Since majority of the respondents brand preference is determined by the chief wage earner of the family as well as majority of the respondents buying decision influenced by the advertisement, it is suggested that FMCG company can go for advertisements targeting the Chief Wage Earner of the family i.e. leader of the family.

- ii. A major reason behind the less usage of FMCG goods in a day by the respondents is chemical substance of goods. It is suggested to manufacturing organic FMCG goods as far as they can.
- iii. Since majority of the respondents using the same brand for more than a year, it is the suggestion that new entry FMCG goods require huge promotional strategic activities to capture customer for it.

#### **To MNC Company**

It is suggested that MNC Company can try a sample size of premium or luxury FMCG goods. For instance HUL provides Hamam and lifebuoy for 5rs rather than lux, dove and pears.

#### **To Domestic Company**

By considering low income people, it is the suggestion to the domestic company to manufacture low priced as well long validity FMCG goods. For instance consumer can afford lifebuoy soap at the rate of rs 24 rather he doesn't find any domestic company soap.

#### **To Government**

It is essence to the public to know the ethnocentric attitudes of buying behavior. It is the suggestion to the government to regulate the FMCG industries. When the researcher goes for data collection, he realizes that most people had been thinking that HUL is a domestic company because of the term 'Hindustan'. Hence this suggestion is given to the government to regulate the name of the upcoming MNC, not only that but also provide necessary awareness to the consumer.

#### **To Consumers / Public**

Think a second, the benefits to you as well as your society and nation whatever the goods before you are going to buy. The buying decision that the people take would cause to the success and failure of a company. Majority FMCG goods are packaged with plastics, hence after the consumption please dispose it in a proper manner.

#### **Conclusion**

In today's scenario, Consumer is the king because he has got various choices around him. If you are not able of providing him the desired result he will definitely switch over to the other provider. Therefore to survive in this competitive competition, you need to be the best. FMCG was able to maintain hold its top rank providing quality product at reasonable price to consumer. Quality is the main motivating factor for the consumer to buy the product of FMCG. Introduction of new products in the market to satisfy the consumer is also an importance reason for FMCGs to hold the top in the consumer market.

The consumers today are endowed with a wide range of options to make their pick in FMCG products. There is a lot of competition in the FMCG sector as a number of factors are to be considered while selling the products. This precisely denotes that only the innovators can survive this tough competition. The best strategy for any company is to focus on improving the quality of product or service so that it is universally recognized as being superior to anything else available. Once company have achieved this perception, it will sell more, at higher prices, easier, at a lower cost of customer acquisition, and will enjoy greater repeat sales and referrals than with any other strategy.



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