Decision-Making of Non-Durable Consumable Goods In Tamil Nadu

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ABSTRACT

Consumer non-durable goods are one of the largest sectors in the economy of Tamil Nadu. Consumer goods market has experienced dramatic changes; both qualitative and quantitative improvements have occurred in this industry. Meanwhile, determinants of consumer purchase decision enormously depend on the financial performance and marketing strategies adopted by the player of this industry. This research has divided into two parts: first part consists of financial performance analysis of consumer goods market and the second part consists of determinants of Tamil Nadu young-adult consumer decision making process in the sector of consumer non-durable goods. A survey has been conducted among 240 young-adult Tamil Nadu consumers with an structured questionnaire; extracted from Consumer Style Inventory (CSI) as suggested by Sproles and Kendall (1986) has been tasted to validate the basic characteristics of these styles among young-adult Tamil Nadu consumers whereas the eight decision making style validated are brand conscious, Perfectionist, Price-Value Conscious Consumer, recreational-shopping conscious consumer, confused by Over-choice Consumer, impulsive consumer, habitual Consumer, novelty-fashion conscious consumer. The findings of this research will provide opportunity to marketers to better understand the need, want and demand of young-adult Tamil Nadu consumer in the sector of consumer non-durable goods.

Keywords: Consumer behavior, FMCG, Consumer goods, marketing strategies

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1. INTRODUCTION

Consumer goods are the products that can be sold very promptly with a lower price. The profits of consumer goods are lower than that of the large industry of capital products. Marketers distinguish consumer products from capital products on the basis of some factors, such as, high volume of production, lower contribution margins, and larger distribution network. Consumer goods are generally include daily use products, toiletries, medicine, cosmetics, cleaning products, household products, plastic products, glassware, electronics (Armstrong and Zou, 2010).

However, in Tamil Nadu the most popular marketers for consumer goods are Unilever, Square, Meghna group, Pran, ACI, Procter & Gamble, Nestle, Reckitt Benckiser, Coca-Cola, Pepsi-Cola, City group. All of the marketers are trying to improve the consumption pattern of the resident of Tamil Nadu. Their marketing strategy can alter the consumption, so that the enthusiasm of earning more income will also be increased. Multinational companies like Nestle and Coca-Cola trying to enlarge the sales volume in Tamil Nadu. For example, Nestle having around $700 million dollar annual turnover in Tamil Nadu (Biswas and Licata, 2012). The former studies show that approximately 48% marketers have general marketing strategies to enhance their financial performance. Consumer promotion is one of the most convenient marketing strategies for non-durable products. To measure the effectiveness of marketing strategies by the marketers, there are a variety of functions to be done. Whole the business should be divided into different segments. Marketers will narrate the relationship between marketing strategies and the shareholders" value. Shareholders value is measured by the financial performance of the organization.

Moreover, in this research we have focused on consumer non-durable product and in the context of Tamil Nadu, Fast Moving Consumer Goods (FMCG) plays a vital role in the country's economy. This segment is exemplified by the existence of Multi-National Company (MNC). It includes well designed distribution networks, strong competition in the market. In Tamil Nadu FMCG is extreme growing sector in the economy. It

acquires both the qualitative and quantitative improvement in the field of FMCG during a very short time. There is a common thought in FMCG; involvement of products affects the choice of brands (Levitt, 2009).

Nevertheless, in this situation the low involvements goods and services are known as Fast Moving Consumer Goods. Brand choice identification is a crucial task for marketers. The brand choices of customers fluctuate according to the involvement of products. Therefore it is difficult to trace the actual brand choices of customers by the marketers. Financial performances are measured by Return on Investment (ROI). This term also depend on the expenditure of marketing as it is an investment. Determining the ROI is a difficult function for the decision makers. All over the world grocery market plays an important role in the economy as well as in the financial performance. There is an interaction between the marketing strategy and financial performance of organization in Tamil Nadu (Kotler, 2013).

Several studies have recommended that marketing strategy is a key determinant which affects the business performance largely. Neither of the studies has focused on the relationship between financial performance and marketing strategy in context of consumer goods industry in Tamil Nadu. Only better strategy can assure the maximization of profit in this sector. This study is conducted by support of the fundamental theories of finance and marketing. Different approaches of finance and marketing are adjusted for attaining the objectives of this study. This research has divided into two parts: first part consists of financial performance analysis of consumer goods market and the second part consists of determinants of Tamil Nadu young-adult consumer decision making process in the sector of FMCG to make effective marketing strategies for future end over. To do so we have developed a structured questionnaire extracted from Consumer Style Inventory (CSI) as suggested by Sproles and Kendall (1986) has been tasted to validate the basic characteristics of these styles among young-adult Tamil Nadu consumers whereas the eight decision making style validated are brand Conscious, perfectionist, price-Value Conscious, recreational-shopping conscious, confused by over-choice, impulsive, habitual and novelty-fashion conscious consumer.

2. LITERATURE REVIEW

There are several types of goods on the basis of their usages. If the product is ready to use and the final output of the production process is generally called consumer products. These are not for reproduction of another final product (Redding, 2009). The usages of this type of products are for household consumption. Goods are divided in two segments. One is private goods and anther is public goods. Household goods are referred as private goods and government provided goods are public goods. Fundamental needs are met by consumer staple goods (Blair, 2011). The demand of this type of goods is inelastic. On the other hand non fundamental products are called consumer discretionary goods. The demand of this type of products is elastic. When the condition of the economy is stable and good the demand of consumer discretionary products will increase (Schiffman, 2011). Consumer discretionary products largely influenced the economy as well as the financial performance of the organization. They are automobile and parts, durables and apparel, services, electronic and print media and retailing (Rose, 2011).

Name of the sectors	No. of companies
Education	510
Hotel And Restaurants	201
Radio and TV Broadcasting	85
Tourism	106
FMCGs	69
Automobiles	78
Ceramics	51
Apparels and Accessories	3,635

From the database of Registrar of Joint Stock of Companies and Firms (RJSC) we can see, there are 4715 companies involved in the consumption discretionary business. Shapiro (2010) noted there are 3,635 apparel and accessories manufacturing companies, 69 fast moving consumer goods (FMCG) producer, 201 hotel and restaurants and 510 education companies listed in Registrar of Joint Stock of Companies, Tamil Nadu. In Tamil Nadu, the consumption of private products has a stable growth in the economy for a levelheaded long period of time. They capture the major portion of GDP of Tamil Nadu. 76% to 85% of GDP is from household consumption. In 2012 household consumption placed at BDT 7,658.23 billion which is 76% of GDP. There is increasing trend of household consumption in GDP of Tamil Nadu (Wong and Ahuvia, 2009).

Average monthly Income and Consumption

Year	Income		Consumption Expenditure		Ratio	
	Rural	**Urban**	**Rural**	**Urban**	**Rural**	**Urban**
2015	3044	4487	2812	4072	92.37%	90.75 %
2022	7842	12463	7465	11815	95.19%	94.80 %
CAGR	5.9%	7.4%	6.0%	6.7 %	-	-

Source:

According to Tamil Nadu bureau of Statistics (BBS), in 2013 the ratio of household income and consumption is 95.19% for rural area and 94.80 % for urban area which are different from those of year 1995. During the 1995 to 2013 period, CAGR of income and consumption in urban areas were 7.4% and 6.7% respectively. In the same period, CAGR of income and consumption in rural areas were 5.9% and 6% respectively. The consumption ratio is growing faster than that of income during the period.

This situation influences the financial performance of the organization gradually. Studies show that there is a close relation between the marketing strategies of pricing and financial performance of the firm as well as the industry (Caglio and Ditillo, 2010). In Tamil Nadu, small industries do not have sufficient working capital. Therefore it has a resulting impact on the success and survival of the business in the competitive market (Broadbent and Laughlin, 2011). The management of working capital should be efficient and effective. Small industries are lacking good management of working capital (Ahrens, 2013). To be profitable in business, the operating cycle of functions should be run without any break. To maintain this flow of operation working capital and its amount should be balanced with the total assets of the organization. Working capital is obvious for marketing of goods and services (Kolehmainen and Mitchell, 2010). Marketing strategy like dumping, allowing discount, charging higher price can largely affect the amount of working capital (Chanegrih, 2011).

3. METHODOLOGY

The rationale of this study is to explore "Consumer decision-making-styles for nondurable consumer goods" This study is done by the qualitative approach of research where qualitative research is concerned with qualitative phenomenon. The purpose of this type of research is to achieve the understanding of the fundamental motives and desires of the issue. The specific objective of this study is to explore the financial performance of consumer goods market in Tamil Nadu and to evaluate the determinants of consumer purchase decision in the sector of young-adult Tamil Nadu consumers" for non-durable goods. Following hypothesis has been adopted to meet the requirement of this research objective.

4. RESEARCH HYPOTHESIS:

H1: There is a positive relationship between perfectionist, high-quality conscious consumer characteristic and young-adult Tamil Nadu decision-making styles for nondurable consumer goods.

H2: There is a positive relationship between brand conscious consumer characteristic and young-adult Tamil Nadu decision-making styles for nondurable consumer goods.

H3: There is a positive relationship between novelty-fashion conscious consumer characteristic and young-adult Tamil Nadu decision-making styles for nondurable consumer goods.

H4: There is a positive relationship between recreational shopping conscious characteristic and young-adult Tamil Nadu decision-making styles for nondurable consumer goods.

H5: There is a positive relationship between price conscious consumer characteristic and young-adult Tamil Nadu decision-making styles for nondurable consumer goods.

H6: There is a positive relationship between impulsive or careless consumer characteristic and young-adult Tamil Nadu decision-making styles for nondurable consumer goods.

H7: There is a positive relationship between confused by over choice consumer characteristic and young-adult Tamil Nadu decision-making styles for nondurable consumer goods.

H8: There is a positive relationship between brand-loyal consumer characteristic and young-adult Tamil Nadu decision-making styles for nondurable consumer goods.

Qualitative research is concerned with subjective assessment of attitudes, opinions, and behaviors (Gilbert, 2012). To conduct a research, the most important and elementary task is data collection (Miles and Huberman, 2011). This study is conducted by the both primary and secondary data. Primary data can be collected through experiment and through survey (Malhotra, 2009). Primary data collection would be interview, questionnaire and face to face conversation. Factual research philosophy has been taken in this study. Researchers took factual research philosophy to describe personal experiences of facts. In this approach the researcher can make sure about the relevance and reliability of collected data (Reed, 2009). This also can describe the specific attitudes

related to this research. There are many types interview form. Interview form may be structured, semi-structured or unstructured (Strauss and Corbin, 2010). Moreover, in this study, researchers select non-probability sampling to achieve the specific objective of the study.

Key facts: Population: Supermarkets/Retailers in Tamil Nadu

Sampling Unit: Young-adult Tamil Nadu who buy product from supermarkets

Sample Size: 240

Sampling Area: Dhaka Metropolitan

In this study, researchers has used structured questionnaire based on consumer style inventory (CSI). Total number of respondents was 240 and we have conducted survey based on 17 questions adopted from CSI model.

Reliability Statistics	
Cronbach's Alpha	N of Items
.582	17

In order to discard any incomplete form data collected from respondents was checked twice and in order to make sure about the accuracy of collected data we have used SPSS software to derived the main value so that we can make final decision in order to accept or reject the formed hypothesis whereas the Cranach's Alpha was calculated at around 0.582, hence indicating acceptable reliability for all the measured constructs.

5. RESULTS AND DISCUSSIONS

The hypotheses formed were tested with the help of the questions framed in the questionnaire. However, among eight hypotheses, three hypotheses were rejected. First hypotheses were:

H1: „There is a positive relationship between perfectionist, high-quality conscious consumer characteristic and young-adult Tamil Nadu decision-making styles for nondurable consumer goods". It was found from the t-test that young-adult Tamil Nadu consumers are not "Price Equal Quality" Consumers. They don't prefer expensive brand as well as they don't believe that the higher the price of a product, the better its quality. For first hypothesis t-test value of all three factors 10.490, 9.121, 7.416 are greater than the reference value.

H2: „There is a positive relationship between brand conscious consumer characteristic and young-adult Tamil Nadu decision-making styles for nondurable consumer goods". It was found from the calculated value that „T" value for getting very good quality is very important to me is 5.114 and respectably „T" value for i make special effort to choose the very best quality products is 2.217 and the calculated value is greater than the reference value. This hypothesis was also rejected and based on the information we can recommend that for young-adult Tamil Nadu consumer getting very quality product is not important and they prefer some other factors compare with quality.

H3: „There is a positive relationship between novelty-fashion conscious consumer characteristic and young-adult Tamil Nadu decision-making styles for nondurable consumer goods". Hypothesis three was accepted. It was found that young-adult Tamil Nadu consumer are much more fashion conscious and they shop different stores to find out their best possible outcome. From survey it was found that „T" value for fashion conscious consumers is -.161 and „T" value for „effort for fashionable shopping" is .083

H4: „There is a positive relationship between recreational shopping conscious characteristic and young-adult Tamil Nadu decision-making styles for nondurable consumer goods". Most of the young generation in Tamil Nadu buy consumer non-durable products because they think shopping is enjoyable for them and it was found from table that the „T" value is .155 and based on the references value this factor can give us a assumption that young consumer prefer shopping because they think shopping is enjoyable although they rejected that they buy product just for fun and the „T" value is 2.762.

H5: „There is a positive relationship between price conscious consumer characteristic and young-adult Tamil Nadu decision-making styles for nondurable consumer goods". Likewise, hypothesis five was rejected because the entire factor was rejected by respondents. If the product offered as sales/discounted price they don't prefer to buy as much as possible and the table value for sales/discounted price is 2.501 and it is much higher than the reference value.

H6: There is a positive relationship between impulsive or careless consumer characteristic and young-adult Tamil Nadu decision-making styles for nondurable consumer goods. H7: There is a positive relationship between confused by over choice consumer characteristic and young-adult Tamil Nadu decision-making styles for nondurable consumer goods. Young consumers are much more impulsive in nature. It was from the survey that they don't give purchases much thought or care and most of the time they are confused what to buy and from where to and with which prices. „T" value for not spend time, quick shopping, careless purchase, and confusion while purchasing was -.157, .766, .790, .474. as a result hypothesis six and hypothesis seven were excepted.

H8: „There is a positive relationship between brand-loyal consumer characteristic and young-adult Tamil Nadu

decision-making styles for nondurable consumer goods". Most interestingly it was found that young generations are like to buy product from same shop again and again if they find suitable condition adjust with consumption power only then they became brand loyal. In case of brand loyal „T‟ value is -.080 and for shop loyal „T‟ value is -.377 as because the table value is less than the reference value the assumption is also accepted.

Table 01: One sample t-test

	T	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Expensive brands are usually my choices.	10.490	239	.000	.94583	.7682	1.1234
The higher the price of a product, the better its quality.	9.121	239	.000	.74583	.5848	.9069
Nice department stores offer me the best products.	7.416	239	.000	.56667	.4161	.7172
Getting very good quality is very important to me.	5.114	239	.000	.34167	.2101	.4733
I make special effort to choose the quality products.	2.217	239	.028	.15417	.0172	.2911
I buy as much as possible at sales prices.	2.501	239	.013	.15833	.0336	.2831
The lower price products are usually my choice.	1.244	239	.215	.07500	-.0438	.1938
It's fun to buy something new and exciting.	2.762	239	.006	.14583	.0418	.2498
Going shopping is one of the enjoyable activities.	.155	239	.877	.00833	-.0976	.1143
Careless purchases I later wish I had not.	.790	239	.430	.04167	-.0622	.1456
So many brands often I feel confused.	.474	239	.636	.02500	-.0790	.1290
I really don't give my purchases much thought	-.157	239	.876	-.00833	-.1130	.0964
I Shop quickly, buying the first product.	.766	239	.444	.04167	-.0654	.1488
I have favourite brands I buy over and over.	-.080	239	.937	-.00417	-.1072	.0989
Once I find a product or brand I like, I stick with it	-.377	239	.706	-.02083	-.1296	.0879
Fashionable styling is very important to me.	-.161	239	.872	-.00833	-.1104	.0937
To get variety, I shop different brands.	.083	239	.934	.00417	-.0949	.1032

Table 02: Total variance explained

Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.998	17.633	17.633	2.998	17.633	17.633	2.358	13.872	13.872
2	1.416	8.328	25.962	1.416	8.328	25.962	1.914	11.262	25.134
3	1.310	7.708	33.670	1.310	7.708	33.670	1.255	7.380	32.514
4	1.209	7.113	40.783	1.209	7.113	40.783	1.191	7.008	39.522
5	1.146	6.739	47.522	1.146	6.739	47.522	1.178	6.927	46.450
6	1.074	6.316	53.838	1.074	6.316	53.838	1.177	6.921	53.371
7	1.037	6.101	59.939	1.037	6.101	59.939	1.117	6.568	59.939
8	.941	5.533	65.472						
9	.910	5.351	70.823						
10	.866	5.096	75.919						
11	.859	5.053	80.972						
12	.749	4.406	85.378						
13	.660	3.880	89.258						
14	.653	3.844	93.102						
15	.498	2.929	96.031						
16	.414	2.437	98.468						
17	.260	1.532	100.000						

Table 03: Rotated Component Matrix

Factors	Component						
	1	2	3	4	5	6	7
Expensive brands are usually my choices.	.833	.079	-.040	.026	-.135	.004	.039
The higher the price of a product, the better its quality.	.868	.107	.044	.044	-.011	-.034	.000
Nice department stores offer me the best products.	.727	.223	.038	-.012	.236	-.043	-.010
Getting very good quality is very important to me.	.490	.582	.076	-.012	.147	-.060	-.128
I make special effort to choose the quality products.	.279	.654	-.003	-.187	-.106	.130	.025
I buy as much as possible at sales prices.	.096	.578	.107	.060	.139	.147	.124
The lower price products are usually my choice.	.028	.736	-.095	.030	-.175	-.053	-.017
It's fun to buy something new and exciting.	-.016	.269	.679	.159	.134	.049	-.120
Going shopping is one of the enjoyable activities.	-.008	.063	-.020	.716	.055	-.273	.259
Careless purchases I later wish I had not.	.150	-.031	-.166	.031	.561	.442	.401
So many brands often I feel confused.	-.031	.102	.205	.059	-.094	.733	-.049
I really don't give my purchases much thought	.128	-.266	-.063	.580	-.228	.209	-.040

I Shop quickly, buying the first product.	.110	-.058	.373	.049	.063	-.439	.041
I have favourite brands I buy over and over.	.042	-.087	-.107	-.492	-.172	-.176	.308
Once I find a product or brand I like, I stick with it	.024	-.164	.720	-.156	-.087	.068	.184
Fashionable styling is very important to me.	.027	-.075	-.102	-.028	.065	.043	-.823
To get variety, I shop different brands.	.009	-.063	.092	.002	.761	-.211	-.169

Table 04: Rotated Component Transformation Matrix

Component	1	2	3	4	5	6	7
1	.788	.602	.089	.005	.092	.030	.013
2	.489	-.653	-.099	.301	.281	-.394	.015
3	-.201	.070	.810	.287	.464	-.017	.020
4	.042	-.057	-.161	.698	-.108	.652	.212
5	-.148	.204	-.332	.259	.358	-.015	-.794
6	.010	.081	.262	.411	-.722	-.400	-.275
7	.276	-.395	.348	-.322	-.190	.509	-.498

6. CONCLUSION

There are many studies that have provided information on determinants of consumer purchase decision in the sector of non-durable consumer goods and among then few studies have identifies the marketing strategies based on the findings of that studies. From this research it was found that young-adult Tamil Nadu consumers are much more impulsive and careless in nature although they don't prefer high quality high price product. They prefer lower price subject to the consideration of new fashion and trend. Marketer need to identify best possible strategies for this confused group of consumer. But most of those studies are based on the financial performance of large multinational companies of 1st world's countries. Those have emphasized on the profit maximization by marketing strategy. Several studies have recommended that marketing strategy is a key determinant which affects the business performance largely. Neither of the studies has focused on the relationship between financial performance and marketing strategy in context of consumer goods industry in Tamil Nadu. Only better strategy can assure the maximization of profit in this sector. This study is conducted by support of the fundamental theories of finance and marketing.

Different approaches of finance and marketing are adjusted for attaining the objectives of this study. According to normative philosophy of marketing, the success of one organization is truly depending on the achievement of competitive advantage. This competitive advantage refers that business should provide better- quality products or services to the customers at a lower price than that of competitors in the market with a view to satisfying the customers. Market orientation is one of the main determinants for the financial performance. Organizational traditions try to create greater value to the customer and keep trying for the attainment of continuous flow of greater performance. Market orientation is having three broad dimensions to make easy the task of market the goods or services. Those are customer orientation, competitor orientation, and inter-functional coordination. It was found from data analysis that consumption is influenced by several factors. These factors determine the consumption pattern of goods and services. These factors include range of income, level of consumption, marginal propensity to consume, savings, rate of inflation, other economic, political and social factors.

The hypotheses formed were tested with the help of the questions framed in the questionnaire. It was found from the t-test that young-adult Tamil Nadu consumers are not "Price Equal Quality" Consumers. They don't prefer expensive brand as well as they don't believe that the higher the price of a product, the better its quality. „There is a positive relationship between brand conscious consumer characteristic and young-adult Tamil Nadu decision-making styles for nondurable consumer goods". Based on the information we can recommend that for young-adult Tamil Nadu consumer getting very quality product is not important and they prefer some other factors compare with quality. It was found that young-adult Tamil Nadu consumer are much more fashion conscious and they shop different stores to find out their best possible outcome.

Most of the young generation in Tamil Nadu buy consumer non-durable products because they think shopping is enjoyable for them and it was found from table that the „T" value is .155 and based on the references value this factor can give us an assumption that young consumer prefer shopping because they think shopping is enjoyable although they rejected that they buy product just for fun and the „T" value is 2.762. If the product offered as sales/discounted price they don't prefer to buy as much as possible and the table value for sales/discounted price is 2.501 and it is much higher than the reference value. Young consumers are much more impulsive in nature. It was from the survey that they don't give purchases much thought or care and most of the time they are confused what to buy and from where to and with which prices. Young generations are like to buy product from same shop again and again if they find suitable condition adjust with consumption power only then they became brand loyal.

Marketing strategy for setting price of goods and services is very much crucial. This function largely affects the

financial performance of the organization. Price disparity is a marketing strategy that symbolizes the price position of the organization. It includes stability of pricing, consistency of pricing, discounts. Price endorsement is inter-connected with price disparity. These function aim to correspond with the buying capacity of consumers so that organization can achieve better financial performance to make a position in the competitive market. Price endorsement is the promotion of price by the means of advertisement. Allowing discount on price is another way of price endorsement. It encourages the consumer to buy additional volume of goods and services. So the aim of achieving larger profit can be attained. This situation influences the financial performance of the organization gradually.

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