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Research Paper

The Buying Habits of Fast Moving Consumer Goods: A Case Study on the Slum Area in Delhi

Management

KEYWORDS : Consumer Behavior, Purchasing, Slum area

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ABSTRACT

Targeting convenience customer behavior requires a shift in attitudes from retailers and manufacturers alike and its strong impact on the people living in slum areas of Delhi. Effectively targeting this group will require the development of a deeper understanding of consumer needs. The key will be offering goods and services that provide solutions of availability of the products to consumer needs --highlighting the need for more prepared foods, hot snacks and drinks, and more appropriate packaging formats. This study examines the latest developments and changes affecting the taste and habits of uses of the population of slums and to provide key data on consumer behavior and insight into consumer needs in these areas.

Introduction:

A slum, as defined by the United Nations agency UN-HABITAT, is a run-down area of a city characterized by substandard housing and squalor and lacking in tenure security. According to the United Nations, the percentage of urban dwellers living in slums decreased from 47 percent to 37 percent in the developing world between 1990 and 2005. However, due to rising population, and the rise especially in urban populations, the number of slum dwellers is rising. One billion people worldwide live in slums and the figure will likely grow to 2 billion by 2030. The term has traditionally referred to housing areas that were once relatively affluent but which deteriorated as the original dwellers moved on to newer and better parts of the city, but has come to include the vast informal settlements found in cities in the developing world.

Many shack dwellers vigorously oppose the description of their communities as 'slums' arguing that this results in them being pathologies and then, often, subject to threats of evictions. Many academics have vigorously criticized UN-Habitat and the World Bank arguing that their 'Cities without Slums' Campaign has led directly to a massive increase in forced evictions.

Although their characteristics vary between geographic regions, they are usually inhabited by the very poor or socially disadvantaged. Slum buildings vary from simple shacks to permanent and well-maintained structures. Most slums lack clean water, electricity, sanitation and other basic services.

The characteristics and politics associated with slums vary from place to place. Slums are usually characterized by urban decay, high rates of poverty, illiteracy, and unemployment. They are commonly seen as "breeding grounds" for social problems such as crime, drug addiction, alcoholism, high rates of mental illness, and suicide. In many poor countries they exhibit high rates of disease due to unsanitary conditions, malnutrition, and lack of basic health care. However, some like Dharavi, Mumbai, are a hive of business activity such as leather work, cottage industries, etc. Rural depopulation with thousands arriving daily into the cities makes slum clearance an uphill struggle.

Fast Moving Consumer Goods (FMCG), are products that have a quick turnover, and relatively low cost. FMCG products, which are generally replaced less than once a year (e.g. kitchen appliances).

Examples of FMCG generally includes a wide range of frequently purchased consumer products such as toiletries, soap, cosmetics, teeth cleaning products, shaving products and detergents, as well as other non-durables such as glassware, bulbs, batteries, paper products and plastic goods. FMCG may also include pharmaceuticals, consumer electronics, packaged food products and drinks, although these are often categorized separately.

Examples of FMCGs are soft drinks, tissue paper, and chocolate bars. A subset of FMCGs are Fast Moving Consumer Electronics which contain innovative electronic products such as mobile phones, MP3 players, digital cameras, GPS Systems and Laptops which are replaced more frequently than other electronic products. White goods in FMCG refer to house hold electronic items such as Refrigerator, T.V, and Music Systems etc.

Scope of The term FMCG refers to those retail goods that are generally replaced or fully used up over a short period of days, weeks, or months, and within one year. This contrasts with durable goods or major appliances such as kitchen appliances, which are generally replaced over a period of several years. FMCGs have a short shelf life, either as a result of high consumer demand or because the product deteriorates rapidly. Some FMCGs – such as meat, fruits and vegetables, dairy products and baked goods – are highly perishable. Other goods such as alcohol, toiletries, pre-packaged foods, soft drinks and cleaning products have high turnover rates.

The following are the main characteristics of FMCGs:

From the consumers' perspective:

- Frequent purchase
- Low involvement (little or no effort to choose the item -- products with strong brand loyalty are exceptions to this rule)
- Low price

From the marketers' angle:

- High volumes
- Low contribution margins
- Extensive distribution networks
- High stock turnover

Review of related literature:

Consumer behavior research takes place at every phase of the consumption process. It starts before the purchase and continues till the purchase is completed. In the last two decades, research on children in the consumer role has increased in volume and variety.

A review of some of the important research studies conducted earlier is as follows.

Reports service: (Reports on grocery retail, fast moving consumer goods sectors)

Article from: Grocer | January 11, 2003 | Copyright in Share

The Market for Soft Drinks in the UK

Low-calorie drinks have become an increasingly crucial part of the British soft drinks market, with almost 50% of cola carbonates now accounted for by this variant. While children are less concerned about FMCG.

Customer base analysis: partial defection of behaviorally loyal clients in a non-contractual FMCG retail setting

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Objectives of the Research Study:
Using real-life data from an FMCG retailer, we show that future partial defection can be successfully predicted, i.e. exceeding the benchmark hurdle of the null model. There are no significant divergences in terms of performance among alternative classification techniques. Similar to direct-marketing applications we find that past behavioral variables, more specifically RFM variables (regency, frequency, and monetary value) are the best predictors of partial customer defection. This set of variables complements demographic variables confirming findings by other authors about its importance in predicting churn behavior. Moreover, additional variables (listed in decreasing order of importance) such as the length of customer relationship, mode of payment, buying behavior across categories, usage of promotions and brand purchase behavior are shown to be moderately useful to incorporate in attrition models.

1. Impact on slum children in purchase of FMCG.
2. To find out age (children) relation with parents buying habits.
3. To study the need of changes in current marketing strategies.
4. To find out how companies may run some brand awareness at slum area/local level for brands.

Hypothesis of research study:
H1: There are many factors hampering the growth of retail FMCG in slum areas of India so there are many possibilities to overcome the problems & promote the expansion of retail FMCG in India.

H2. There is a significance impact on slum children in purchase of FMCG

H3. There is an urgent need of changes in current local marketing strategy.

Research Methodology Adopted for the Research:
The study is of exploratory nature and both primary and secondary data were collected for the purpose of the study.

The proposed research has the following components.

*Research method : Exploratory Research
*Population: All the population of slum area
*Sample: 300 consumers from slum area randomly selected.
*Tools used: Questionnaire and observation
*Statistical Techniques used: SPSS software

Primary Data:
The survey is proposed to be carried out:

1. Through questionnaire methods. Collection of primary data from selected samples using structured questionnaire, which is personally administered.

Sample size is 300 from randomly selected 150 children and 150 parents from slum area of NCR Delhi.

Findings of Research study:
The study reveals that there is a significance impact on slum children in purchase of FMCG. The research study finds out that there is an urgent need of changes in current local marketing strategy.

Conclusion:
We may conclude that, compared to customer demographics, RFM (behavioral) variables are better in separating behaviorally loyal customers from those who have a tendency to (partially) defect. This is somewhat in contrast to the expectations we formulated based on existing research, which strongly emphasizes the explanatory/predictive power of the demographic variables.

1. This study will be useful in identifying current requirement of marketing strategy of FMCG.
2. Future changing requirements of the marketing strategy of FMCG.
3. To predict promotional activity of companies need to promote their brand in local Haatts and weekly markets.
4. The study will explore facts that the FMCG companies to local awareness and promotion.

Limitation of data:
This is bound to come up with some limitations & constraints, which make the efficiency of the same & to some extent device it from its main line of thought. Though no stone has been left unturned & no effort was being spared to make the study accurate & relevant to the objectives, yet there are some limitations & general problems, which are not worthy to make the study meaningful.

1. First of all, study is confined to only food items of the retail fast-mover consumer goods (FMCG) sector.
2. Demographics as well as past purchase behaviour were used as inputs in the models, based on data.
3. The sample size of 300, children 150 and 150 parents either mother or father, (300 respondents does not represent the universe fully.)
5. Through every caution in forming questionnaire and in conducting, the study was taken but to human nature, the possibility of biases in the questionnaire can't be ruled out. Many respondents may give biased answers.

Scope for future Research:
The research study will show that customer satisfaction data can provide useful insights into identifying customers at risk. Even though this fact limits our ability to gain theoretical insight into customer behaviour processes, it can be anticipated that obtaining these data by sending out questionnaires would be a very laborious and expensive exercise (the more so for a database containing millions of customers). Moreover, we anticipate that including these variables would not necessarily improve our predictive capability and would introduce other problems such as non-response bias. Therefore, we leave this as an issue for further research.

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