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ORIGINAL CONTRIBUTION

PROTECTING THE INTEREST OF THE CONSUMERS - INITIATIVES OF FMCG COMPANIES IN INDIA AS CASE STUDY

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(Received Date: 22nd May, 2016; ; Revised Date: 20th June, 2016; Acceptance Date: 15th July, 2016)

ABSTRACT

This article intends to highlight the consumer protection initiatives of the FMCG (Fast Moving Consumer Goods) sector companies operating in India. There is a common myth amongst the people that the companies especially those operating in the FMCG sector are meant of deceive the consumers. But, there are several examples of the initiatives taken by the FMCG companies at the interest of the consumers. The Multinational companies are bound by their international policies which are in the interest of the consumers. The objective of this paper would be to showcase the best practices adopted by the FMCG companies towards consumer protection. The study would also analyze the impact of these initiatives on the consumer behavior. The study highlight as case study the initiatives taken by the Indian FMCG companies to ensure the consumers are provided with quality product, in market driven prices and are available as per their choice.

KEYWORDS— Consumer Protection: FMCG Sector: Consumer Behavior: Multinational Companies

1. INTRODUCTION

There is a very common perception that all the Fast Moving Consumer Good Companies (FMCG) companies makes a huge money out of the products sold by them. This is one of the many myths about the FMCG sector. Had this been the truth then all the companies operating this sector would have flourished. But, on the contrary most of the companies are finding it very difficult to sustain in this competitive economy. Several initiatives are been taken by these companies to penetrate and sustain their existence. The economies of India post

liberalization in 1991 have opened the door of choices for the consumers. If the electronic media revolution is also considered, with the introduction of multiple channels, the consumers are having access to information about different products. Thus create a highly competitive market for the FMCG sector.

The economy have gradually transformed from the Sellers' Market to the Buyer's Market. The FMCG companies are evaluating all possible means to make their products more attractive to the consumers. This paper would try to highlight

the initiatives been taken by the FMCG sector to sustain this competitive market and how these measures are beneficial for the consumers at large. The paper would also analyse how the consumers reacted and rejected few products which were not able to live up to the expectations of the consumers.

The paper would highlight the myths that some of the consumers are having about the FMCG sector and would try to analyze the realities behind the myths. The study would also highlight the role of the Government in ensuring that the interest of the consumers is protected. The study would highlight as a case study the initiatives taken by the companies operating in the FMCG sector in the India market which are in the interest of their consumers. This paper based on some published studies would try and understand the consumer behavior towards some specific brands which had been working in the interest of their consumers.

2. LITERATURE REVIEW

G.N. Sahu (1981) in his article explains that consumerism concerns the entire society as everybody is a consumer of some kind or the other of goods/services. According to him, the problems of consumers in India are: over charge, underweight, adulteration, imitation, defective packing and bad services by fraudulent, deceptive, unethical and unscrupulous businessmen. The problems are accentuated by the illiteracy, ignorance and lack of awareness of the majority of Indian consumers about their rights. Consumers can be relieved of this menacing problem, if both the Government and general public join hands with all sincerity.

A study conducted by AcNielsen, the market research agency, indicates that on an average, the loss to the Government in sales tax from such spurious products is 10 per cent, in excise duty 15 per cent, in Octroi 2 per cent and in

income tax 45 per cent. The minimum loss to the government is placed at Rs. 830 crores, and to the FMCG industry Rs. 2,500 crores in a year.

R.M. Vats, Consumer and the Law, (1994) examined the relationship between the manufacturer and the buyer and has also discussed legal implications of the various methods adopted by the manufacturers to introduce their position in the market. He has discussed the position of consumer vis-à-vis various types of services like banking, electricity, housing, insurance and telecommunications. He has also dealt with some of the prominent legislation like the Indian Penal Code, 1860, the Drugs and Cosmetics Act, 1940, Prevention of Food Adulteration Act, 1954, Essential Commodities Act, 1955 and the Trade and Merchandise Marks Act, 1958. The appendices to the book contain the provisions of the Indian Contract Act, 1872, the Sale of Goods Act, 1930, the Hire Purchase Act, 1972 and the Consumer Protection Act, 1986.

Dr. Suresh Patidar, (2000) concluded that India is a big country with diversity where needs of people is also different. On one side of coin educated and urbanized people are taking advantage of the provisions of the Consumer Protection Act, 1986 on the other side illiterate and rural people are yet to take full advantage of this legislation. Though this Act has provided relief to the consumers but still there is a need to improve in the implementation of this Act and also to incorporate some of provisions, which can protect the interest of consumers fully in coming years. The Act can only be successfully implemented if the people participates in the implementation of the Act. On one hand the consumers will have to be aware of their rights and other the service providers will have to do business honestly.

According to the PwC-FICCI report Winds of change (2013) the wellness consumer, nutrition foods, beverages and supplements comprise a INR 145 billion to 150 billion market in India, is growing at a CAGR of 10 to 12%.

Joseph R. Mason, Robert Kulick, and Hal J. Singer (2000) concluded that when considered from an economic perspective, consumer protection and preemption are not contrary policies, but rather are different means of ensuring that financial markets function to maximize the banking services available to consumers.

Rajasekaran, B and Saravanan, P. A. (2014) highlighted, "Consumer Satisfaction on Fast Moving Consumer Goods". The study throws on the attitudes, values, beliefs and perception of the consumers with regards to the consumption of fast moving consumer goods. To study the brand preference of fast moving consumer goods, the preference and opinion of consumer towards popular brands have been taken into consideration.

Mr. S. Thanigachalam (2014) concluded that successes of many businesses depend on their ability to create and retaining the customers. Companies to sell their products in standard price with good quality, availability of brands in all stores and is less costly to attracting new customers. Brand Loyalty provides companies strong and competitive weapons to fight with competitors in the market place. The importance promotional offers, availability of brands are important that companies must give it sufficient consideration before they plan and implement their marketing strategies. The FMCGs sector is a very dynamic sector in India. A major goal is to satisfy the needs and wants of consumer and their target markets more effectively and efficiently. Hence the researcher hopes that the information provided in this study will assist

companies in shaping their marketing strategies and better serving their customers.

Research Methodology

This study is fully based on the secondary sources, like conference papers, websites, articles, journals, case studies, e-books.

3. ANALYSIS AND DISCUSSION

Indian Economy



Figure 1: Source: International Monetary Fund, World Economic Outlook Database, April 2015

Purchasing Power Parity (PPP) which is a tool to measure GDP reflects that India's GDP per capita PPP have grown from USD 386 in 1980 to USD 7375 in the year 2014. If the graph is closely studied then it can be inferred that there had been 100% growth between 1991 and 2001, but there had been an overwhelming growth had been 155% between 2000 and 2010 as depicted in Figure 1. This is a clear indication of the fact why India is one of the most preferred destinations for all the Fast Moving consumer Goods companies. Thus, as against the common perception that only population of India is attracting the FMCG companies it is to be noted

that the population backed by the Purchasing Power Parity of the Indians is making the country so attractive.

FMCG Sector

FMCG goods are popularly known as consumer packaged goods. Items in this category include all consumables (other than groceries/pulses) people buy at regular intervals. The most common in the list are toilet soaps, detergents, shampoos, toothpaste, shaving products, shoe polish, packaged foodstuff, cosmetic, healthcare and household accessories and extends to certain electronic goods. These items are meant for daily of frequent consumption and have a high return. The fast moving consumer goods (FMCG) segment is the fourth largest sector in the Indian economy. The market size of FMCG in India is estimated to grow from US\$ 30 billion in 2011 to US\$ 74 billion in 2018. Food products are 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. Growing awareness, easier access, and changing lifestyles have been the key growth drivers for the sector.

Initiatives of Government

With the penetration of more and more FMCG companies in the Indian market to capture the huge consumer base, the role of the Government is also becoming very critical to safe guard the interest of the consumers. There are several Acts, Rules and Regulation governed by the Central and State Governments of India aimed towards protecting the interest of the consumers. One of the most important Act is the Consumer Protection Act which ensures that the consumer's Rights are protected. The concern is about the counterfeit and spurious products which are been supplied in the market in disguise of the genuine quality products offered by the established brands. The Government

machineries are taking initiatives to restrict the supply of such brands.

Drugs and Cosmetics Act, 1940, Prevention of Food Adulteration Act, 1954, Essential Commodities Act, 1955 and the Trade and Merchandise Marks Act, 1958 are few of the major apparatuses in the hand of the Government to protect the interest of the consumers.

But, the Consumer Protection Bill 2015 is one of the most advanced control mechanism awaiting the approval of the houses to be converted to an Act. The Consumer Protection in India ensures the following Rights.

- *Right to Safety:* Means right to be protected against the marketing of goods and services, which are hazardous to life and property. The purchased goods and services availed of should not only meet their immediate needs, but also fulfil long term interests. Before purchasing, consumers should insist on the quality of the products as well as on the guarantee of the products and services. They should preferably purchase quality marked products such as ISI,AGMARK, etc
- *Right to be informed:* Means right to be informed about the quality, quantity, potency, purity, standard and price of goods so as to protect the consumer against unfair trade practices. Consumer should insist on getting all the information about the product or service before making a choice or a decision. This will enable him to act wisely and responsibly and also enable him to desist from falling prey to high pressure selling techniques.
- *Right to Choose:* Means right to be assured, wherever possible of access to variety of goods and services at competitive price. In case of

monopolies, it means right to be assured of satisfactory quality and service at a fair price. It also includes right to basic goods and services. This is because unrestricted right of the minority to choose can mean a denial for the majority of its fair share. This right can be better exercised in a competitive market where a variety of goods are available at competitive prices

- *Right to be Heard:* Means that consumer's interests will receive due consideration at appropriate forums. It also includes right to be represented in various forums formed to consider the consumer's welfare. The Consumers should form non-political and non-commercial consumer organizations which can be given representation in various committees formed by the Government and other bodies in matters relating to consumers.
- *Right to Seek redressal:* Means right to seek redressal against unfair trade practices or unscrupulous exploitation of consumers. It also includes right to fair settlement of the genuine grievances of the consumer. Consumers must make complaint for their genuine grievances. Many a times their complaint may be of small value but its impact on the society as a whole may be very large. They can also take the help of consumer organizations in seeking redressal of their grievances.
- *Right to Consumer Education:* Means the right to acquire the knowledge and skill to be an informed consumer throughout life. Ignorance of consumers, particularly of rural consumers, is mainly responsible for their exploitation. They should know their rights and must exercise them. Only then real consumer protection can be achieved with success.

Consumer Behavior

In Indian the consumers are becoming more conscious about their purchasing choice. According to different study there are some key factors that influence the purchase decisions which include:

Factors like Price, Availability, Quality, Taste, and Attractiveness of the Packages, Quantity, Ingredients Brand and Influence by Media. But the factor varies from product to product.

a) In respect of Chocolate Bar: Taste was considered to be the most important factor while Availability & Media Influence as consider as next important factor.

b) In case of Milk: Quality was considered to be the most important factor and Ingredients i.e. Fat content was considered to be the next important factor.

c) In case of Edible Oil: Quality was considered to be the most important factor, while Taste and Packing were next important factors.

d) In case of Bath Soap: Availability, Brand and Media Influence were considered to be most important factors, while Ingredients was next important factor.

e) In case of Shampoo: Brand was considered to be the most important factor while Quality and Ingredients was considered to be the next important factors.

The FMCG companies are constantly monitoring the consumer behavior and are taking initiatives to make their products more attractive to their buyers. One of the most important initiative adopted by the Multinational FMCG companies are quality control and new product development. Major capital investments are done towards Research and Development (R&D). One more investment is on the packaging innovations. This is essential to preserve and retain the quality of the product and the

consumers are ensured of receiving products in hygienic condition and without any pilferage. The introduction of tetra pack, for perishable items is an important step in that direction.

At times these initiatives results in huge cost and increases the cost of production of goods sold. It often becomes difficult for the Multinational FMCG companies to justify the prices of the product. Many leading companies faces tough competition on pricing form the local companies in this sector, those are not that serious on R&D and other issues. In marketing there are few early innovators who spend money and introduce innovative products but there are few followers who would easily copy the innovation and get products at competitive pricing as they had not spent on the R&D. There are also a set of companies who would claim the same quality and supply products at a very low price. Most unfortunate fact is that initiatives taken by the Multinational FMCG companies are perceived by some consumer segment as means to ditch the consumers. There are few common myths which had been highlighted by many studies.

Myths about the FMCG companies

- *Change in Packaging: Packing remains same but quantity is reduced*

The FMCG companies are introducing innovative packaging both in design and quality. These are mainly done to protect the quality of the product and to ensure the hygiene of the products. Changes in packaging at times are also essential to combat spurious. But often the consumers perceive that this is a means to deceive them. The Government is having mechanism to verify the quantity actually offered vis-a-vis mentioned in the pack size. Thus no FMCG company would actually get into such dispute and dilute their brand.

- *Introduction of small pack size: Smaller unit cost more and bigger unit cost less*

Introduction of sachet is considered as a revolution is ensuring that the economically weak sector of the society are able to get access the quality products. A revolution which started with shampoo have not been extended to Ketchup, edible oil, chocolate, spices etc. It is very expensive to produce products in smaller pack size and at the same time there is direct competition from the items available in loose quantity. But, the companies can make it feasible from the volume economies of scale. But at the same time it would always remain much economic to buy larger pack sizes. But, considering the fact that major population of India are daily wage earner this new concept are giving them the choice to better quality product, in affordable price

- *Penetrating pricing to fight completion: Artificially jacking up price and offer heavy discounts selectively*

There is a common and right perspective that nothing comes free in this world. But the FMCG sector are in such a highly competitive market that they have to offer special discounts to retain their existence in the market. Even if the product life cycle is considered it is imperative to offer penetrative pricing to enter a new market and at times discounted pricing have to be offered by existing players to restrict the entry of new players. While the companies had to be flexible on these pricing depending on the market situation, but the consumers are the ultimate beneficiary. Thus, the perceptions that a discount are always artificial and intends to dupe the consumers are not always correct.

- *Product diversification through R&D: Creating impression of being premium*

The multinational FMCG companies are spending a huge amount of money on R&D. The

R&D at times at the regional levels to innovate the products based on the need of a particular region. As far as India is concerned most of the FMCG companies are having an R&D wing. This helps them to offer niche products to the market so that their existence is protected. But, the consumers at large are benefiting from such initiatives. With the change in the environment, working condition and lifestyle of the Indian consumers the consumer demand is also changing. But, any premium product comes with a cost and that should not be perceived as means to dupe the consumer. Similar quality products if imported from other country are much more expensive and might not be as per the need of the Indian consumers.

Initiatives to sustain – Case Study

A. Consumer complaint contact

Some of the companies introduced the concept of the providing a postal address and now and email id where the customers can write back and share their feedback regarding the product. This was an easy means to reach out to the manufacturer. Legally it is now compulsory for all the FMCG companies to publish these details. There are few companies who publish a toll free number Customer care or provide ansms number in which the consumers can record their issue and immediately some executive reverts back to the complainant. This is a means to directly get the feedback from the consumers to which normally an FMCG company would not have much access to.

B. 100% Money back guarantee

This was introduced as best practices by some of the US companies. Over the year this became a part of the federal law. Though these are no such requirement in India, still most of the companies of US origin are offering this service. According to this policy, the consumers can return the

products even after consuming twenty five percent of the products and if not satisfied. Amway India Ltd is having such a policy in India. Though being into FMCG sector this gives an unique opportunity for the unsatisfied customers to return the products if it was not as per the expectation.

C. No question asked return policy

This is a very common offer given by the big online shopping platforms. This policy is to take care of the fact that there can be a mismatch between the picture reflected on the website and the actual product. The look and feel of the products may also differ or simply may not be as per the expectation of the buyer. An online shopping platform offered this as an “Unique Selling Proposition” for their platform. But, over the years the European and US law makers introduced this as a law. Till date in India it is practices voluntarily but is being considered as a useful remedy to safeguard the buyers from the fraudulent websites.

D. Diversifying into Niche Market

As profit margins come under increased pressure, fast-moving consumer goods (FMCG) companies are diversifying into new product categories that have better profitability. Most of these variants are either in niche or premium range categories, where competition is less and margins are fatter. According to the companies, it is the higher profitability encourages them to look for these niche categories. In these sectors, growth too, is better.

Dabur, maker of Real juice and Chyawanprash, is planning to enter the high-end aroma products such as car fresheners and aroma candles under its popular Odonil brand. The company, which is present in the beauty care market with Fem brand, is now looking at launching a slew of high-end professional grooming products, such

as facial kits. Dabour is also planning to launch a range of products targeted specifically at spas, beauty salons and beauty centers.

Marico, which has presence in the hair care market through Parachute oil plans to foray into body lotions and other beauty products. They are looking at premium product categories like anti-ageing beauty products.

Reckitt Benckiser has launched a premium variant of the popular Dettol brand, called No Touch Hand Wash System. It is a battery operated gadget, which detects the hand movement and automatically dispenses just the necessary amount of soap.

Britannia is planning to foray into niche health food category like healthy snacks and is also ready to move into the healthy breakfast cereals segment to increase its profit margins. They have test-marketed oatmeal in Mumbai and recently in Tamil Nadu. Now they are also test-marketing Poha and Upma in these two markets. In the next three months, we expect to take these products to other parts of the country.

I. Brand Protection Initiatives

Favorite brands such as Parle-G, Fair and Lovely, Tiger Biscuits, Dairy Milk, Perk and Ariel are duplicated and sold with names such as Paile G or Party G, 'Pure & Lovely' or 'Flair & Lovely' and similar sounding names. One more concern is adulterated products, particularly in the food and drug categories can be dangerous. In most cases, these spurious products are produced under unhygienic conditions and without proper technical supervision. The ingredients used are not of standard quality or quantity and do not provide the benefits of the established brands and even lead to undesirable side effects. The spurious products have the same MRP as genuine brands. The dealer in such

cases buys look-alike products cheaply and sells them at the genuine product prices.

The manufacturers have been countering such practices through the legal process. To bring some order in the battle of defending consumer rights as well as to launch a unified defense against these spurious product manufacturers, the Federation of Chambers of Commerce and Industry has set up a special brand protection committee (BPC). This committee will not only assist these companies by providing actionable information, but also take actions directly on categories where the menace of counterfeit and pass off products. At present, the BPC has members from P & G, HLL, Nirma, Colgate, Marico, SmithKline Beecham, Coca-Cola, PepsiCo, Gillette, Britannia and others. BPC is adopting a four-pronged strategy - advocate more effective enforcement of existing laws and rules; measure and publicise the negative impact of counterfeits and pass-offs; take action against infringers via regulatory authorities; and open communication channels between stakeholders to generate awareness and stimulate action.

4. CONCLUSION

Indian lifestyle is shifting very fast and the consumers are exposed to alternative choices. Focusing on the consumer needs is essential for the FMCG companies to sustain and maintain their margins in this competitive economy. The companies are innovating based on the consumer demand and shifting consumer preference. The Indian companies are focusing in R&R and new product innovations which is best suited in the Indian market condition. The Multinational FMCG companies are facing a huge treat from the counterfeit and spurious which is diluting their brand and also impacting the health of the consumer been duped by the duplicates. The companies are incurring a lot of cost for ensuring quality product reaches the consumers. The prevailing competitive environment in which the

FMCG sector operates allows them to charge only that amount determined by the market conditions. Thus it can be concluded that the FMCG companies operating with the motive of profiteering are rejected by the consumers. The modern economy is a consumer's market and any company which is not respecting the buyers would not be able to sustain in the Indian market.

5. FUTURE SCOPE OF WORK

This study creates are future scope of studying the perception of the consumers about the initiatives taken by the Indian FMCG companies. The study can also analyze whether the perception varies between the Rural and Urban consumers. The scope of work can also be extended to understand the awareness of the consumers about the initiatives taken by the companies and how the same is in their interest.

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