

SIGNIFICANCE OF ECO-LABELLING IN 'FMCG' SECTOR ON CONSUMER BUYING BEHAVIOUR

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ABSTRACT:

The increasing social and regulatory concerns for the environment has resulted in an increasing number of companies to consider green issues as a major source of strategic change. An increasing number of brands are now relying on eco-labelling as an associative branding strategy for communicating their sustainability performance. The availability, as well as preference for eco-friendly products, have increased; however, understanding of sustainable products is still not sufficient enough because most studies have been focusing only on organic products. It is important to focus not only on the eco-friendly ingredients but at the same time on the eco-friendly packaging because the packaging has recently been found to be a primary cause of pollution. Major environmental problems and depletion of natural resources have forced humans to focus on consumption that does not harm the environment. More and more organizations are producing environmentally friendly products today and consumers are also showing increased willingness to purchase such products. However, a majority of previous studies report that consumers' favourable attitudes do not translate into actual buying actions and most of the consumers do not purchase green products.

The purpose of the study was to investigate the effect of Eco-labelling in FMCG sector on consumer buying behaviour.

This study is primarily based on primary as well as secondary data. The primary data is collected from the sample survey that was conducted in Udaipur city. ____ respondents were selected for the survey and respondents were asked to answer the questionnaire. The questionnaire was designed to obtain the required information. The secondary data was collected from journals, books and other published data.

Keywords: Eco – Labelling, FMCG, Consumer Purchasing Decision, Green Marketing, Consumer Awareness, Eco awareness, Green purchasing, green products Green consumption.

INTRODUCTION

Technological or Mechanical changes are occurring at the glimmer of an eye and principles are changing in time. Purchasing propensities for the buyers are quick fluctuating as are the fortunes of different associations. To continue in such a situation, an association needs to foresee the adjustments in the conduct of purchasers.

The marketing of products is becoming a more and more complex process in the context of globalization, liberalization, and privatization and modernization policy of the Government.

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The challenge before marketing managers is twofold: How to battle rivalry and keep up the piece of the overall industry? How to misuse the chances, set up a client base and hold client dependability? To confront the above difficulties there is a requirement for new strategies for moving toward the customers by considering the buyers purchasing conduct when all is said in done and their purchasing behaviours and inclinations specifically.

Over the past decade, companies have shown a renewed interest in environmental and social issues. This interest has been affecting their labelling practice and a great number of companies have been making on-pack claims. During the same period, research Article shows that consumers have become more aware of green claims (Intel, 2006).

This interest in green issues in combination with critical global social and environmental problems such as climate change makes labelling and green claims even more significant. This is mainly because of the environmental, ethical and social responsibility messages that green claims underline. The article has also focused on consumers and specifically green consumers, their purchase behaviour, their preferences and finally their perceptions. Article writer and marketers have tried to identify, segment and target the green consumer

LITERATURE REVIEW

Steffen Schmidt, Sascha Langner1, (2017) This study indicates that there exists three parameters that influence brand knowledge transfer i.e adequate ecolabel-brand fit, early ecolabel recognition time, and different implicit-explicit knowledge acquisition. Secondly, the usage of ecolabelling in packaging seems to be an efficient branding strategy to embed implicit and explicit sustainability into brand knowledge.

Sruthiya Vn, 2017 As per the study, most of the people are not aware of such products in the FMCG sector, even people do think it as 'greenwashing' by the companies to make more profit [7,8]. Majority of the consumers are willing to pay more if the products are environmentally friendly, having greener feature attached. The organizations need to concentrate more on creating awareness regarding the availability of such products in the market.

Soyoung Seo 1, Hee-Kyung Ahn, (2016) This study states that consumers tend to choose eco-friendly ingredient utilitarian products to eco-friendly packaged utilitarian products because consumers consider an eco-friendly ingredient product as healthier than a conventional product.

K. Sudhalakshmi, 2014 This study indicates that the consumers are aware of the eco-friendly FMCG products and they have more concerned about eco-friendly products. The study shows they are now able to identify the eco-friendly FMCG products through the eco-label and therefore it can be considered as a major tool for Environmental marketing.

W.M.C.B. Wanninayake, Pradeep Randiwela, (2008) According to the findings, most of the respondents have indicated that biodegradable packing will affect strongly and moderately respectively on consumer buying decisions. 46% of consumers are willing to avail the services from places and distribution channels which do not cause any kind of environmental harm. (e.g.-eco-friendly hotels) and others go for any choice considering cost and convenience. 62% of employees are willing to avail the services from outlets which are not situated in the polluted environment.

Yatish Joshi, Zilur Rahman, 2015, This was a review paper on green purchase behaviour. revealed that a majority of studies failed to identify the determinants of green purchase behaviour. the authors conducted an extensive review of 53 empirical articles on consumer green purchase behaviour and identified major factors influencing consumer green purchase decisions. It was established in this study that consumers are willing to buy green products although this will somehow do not translate into actual purchases. The reason behind this is overpricing which hurt the buying capacity of a consumer. For example, how can an average consumer be expected to buy a herbal or green soap that is 5 times the price of an ordinary soap? This pricing strategies make the product a ‘niche product’ consumable or used only by a section of society rather than by everyone.

Dr T. Unnamalai, 2016 According to this study, awareness about green products and green environment is still in the infant stage. The awareness level and the usage of Green FMCG products among the people is very low. But the majority of them are having consciousness about the eco-friendly environment to save the earth from pollution. There is no relationship between the income and the age of the consumers’ and their attitudes about the green products • There is a relationship between the attitude of the consumers and the purchasing pattern of the consumers. The attitude of the consumer for green FMCG products in positively correlated with the purchasing pattern of the consumers.

Panayiota Alevizou, 2011 As per findings of this paper, sustainability claims are an important part and the peak of an overall company labelling practice which has been generated by internal company initiators and/or influenced by external influencers and has as a main objective the connection of the company with sustainability via the product packaging. This type of labelling practice widens the characteristics of traditional green claims to a wider, flexible, interactive and adaptable type of labelling leading to a peripheral rather than direct way of labelling.

Sruthiya Vn: This study states that majority of the people are not aware of such products in the FMCG sector, even people do think it as ‘greenwashing’ by the companies to make more profit, but the majority of the consumers are willing to pay more if the products are environmentally friendly, having greener feature attached. The organizations need to concentrate more on creating awareness regarding the availability of such products in the market.

AREA OF STUDY:

In such Article, Udaipur city is included for study to identify the consumer buying behaviour.

SOURCE OF DATA:

The study in the Article involves primary data and secondary data. A self-completion questionnaire is framed for collecting information through the primary source. Secondary data is collected through internet, books, magazines, newspaper etc.

OBJECTIVE OF THE STUDY

- To evaluate consumer preference and awareness regarding eco-labelling. / to know the consumer attitude towards FMCG product with the green label
- To evaluate the impact of eco-labelling on the purchase of the product
- To analyse whether the consumers are willing to pay higher prices for the eco-Labelled

products

HIGHLIGHT ON GREEN MARKETING, ECO-LABELLING, FMCG SECTOR IN INDIA

GREEN MARKETING

Now a day, the entire world is thinking and debating about the environment and its protection. Global warming is the continuous rise in warming of the earth's surface due to the increased level of carbon compounds in the environment. All over the world, as a gradual increase in earth temperature calls various threats that make the existence of human life hard on this planet. It has been found that main reason behind the emission of CO₂ in the atmosphere is because of non-stop burning of fossil fuel, usage of fertilizers, cutting the forest, extra use of electricity, gases used in refrigerator etc. So, to stop the life-threatening effect of global warming one should take steps to break from all such activities which lead to an increase in the CO₂ level and other greenhouse gases leading to the other greenhouse effect and then earth surface warming. Consumers are concern about the environment and the products which they using are harmless to the environment or not, due to consumers, manufacturers are forcefully turned to show their concern towards the environment. Initially, consumers worry more about the environment and gradually change their behaviour (Arbutnot (1977), Simon (1992), Diamantopoulos et al. (2003)). Thus, a new market for viable or sustainable products emerges, which is further strengthened by active consumers, since it is a way to contribute all though indirectly to the protection of the environment.

The Green Marketing means planning, developing and promotion of a product that usually satisfy the needs of consumers for quality, output, accessible prices and services, without negative effect on the environment concerning the use of the raw material, the consumption of energy etc. Companies are following green marketing practices to show their environmental responsibilities. Companies may follow a green product or green packaging or green advertising or green pricing or may it follow all of those. Green Marketing is the marketing of products that are considered to be environmentally safe. Thus, green marketing includes activities like modification of the product, production process, packaging and advertising. Green Marketing creates awareness in consumers to save the environment from their part.

ECO-LABELLING

One of the most important labelling classifications has been the ISO type classification, which distinguishes three main categories of labels:

- Type I eco-labels (such as the EU eco-label) and certifications (e. g. the FSC),
- Type II company generated claims (such as environmentally friendly) and
- Type III product declarations (such as energy rating report cards).

Eco-labels have been the focus of the majority of the studies in the area of labelling given their wider impact and the stakeholders involved. According to Peattie (2009), labelling is an important means of communicating with consumers about sustainable consumption and it plays a crucial role in shopping for food and domestic appliances. Furthermore, he notes that sustainability labels are also one of the most widely employed communications techniques that aim to influence consumers' behaviour. At this point, it should be noted that sustainability labels are mainly considered the Type I eco-labels and third-party certifications.

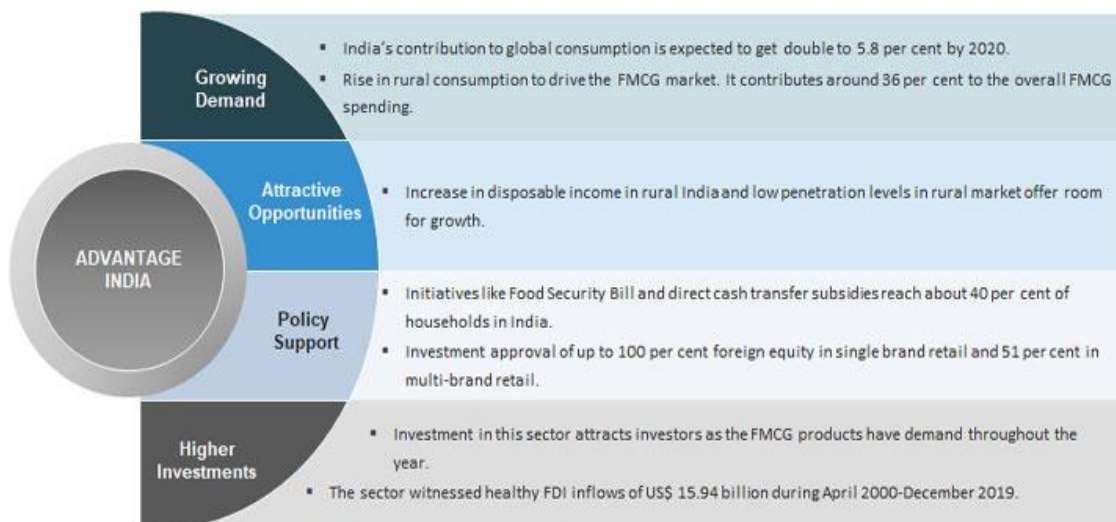
There are also other green claims in the market that cannot be overlooked such as voluntary labelling schemes and company generated claims.

Eco-labels and green claims by definition and ideally are meant to be connected with sustainable production and motivate sustainable consumption. Companies are faced with many labelling decisions and consumers are faced with many labelling choices.

Both parties complain about misleading claims. Companies argue that consumers claim they want greener products but their purchase behaviour indicates otherwise. Some consumers think that companies make misleading claims on their products and thus, confuse them. There seems to be a communication gap between companies and consumers as well as a gap in the literature exploring this miscommunication.

An eco-label or green label is a label which identifies the overall environmental preference of a product or service within a particular product/service category based on life cycle consideration. An eco-label is given by an impartial third party to products or services which are found to meet established environmental leadership criteria. We come across many advertisements which make false claims about the product and term this as self-styled “green claims” which has nothing to do with authenticity.

FMCG SECTOR IN INDIA



Fast-moving consumer goods sector is the 4th largest sector in India with Household and Personal Care, which accounts for 50% of FMCG sales. Growing awareness, easier access and changing lifestyles have been the main reasons for the growth of the sector. The urban segment which accounts a revenue share of around 55 % is the largest contributor to the overall revenue of the FMCG sector in India. In the last few years, the FMCG sector has grown at a faster pace in rural India when compared with urban India. Semi-urban and rural segments are growing at an increasing pace and FMCG products account for 50 per cent of total rural spending.

MARKET MAGNITUDE

The retail sector in India is supposed to reach US\$ 1.1 trillion by 2020 from US\$ 840 billion in 2017, with modern trade expected to grow at 20 per cent - 25 % per annum, which is likely to increase the revenues of FMCG companies. Revenues from the FMCG sector has reached Rs 3.4 lakh crore (US\$ 52.75 billion) in FY18 and is estimated to reach US\$ 103.7 billion in

2020. This sector has increased by 16.5 % between July-September 2018; which is supported by moderate inflation, increase in private consumption and rural income. It contributes around 36% of the total FMCG spending. FMCG urban segment witnessed a growth rate of 8 per cent whereas the rural segment grew at 5 per cent in the quarter ended in September 2019. The revenue of FMCG's rural segment is forecasted to grow to 11-12 % in 2020.

RECENT GROWTH OR CHANGES IN THE FMCG SECTOR ARE AS FOLLOWS:

- In November 2019, ITC Ltd acquired 33.42 per cent stake in Delectable Technologies, which is a vending machine start-up.
- India's first children cooking oil launched by Mother Sparsh in 2019.
- In June 2019, ITC launched a dairy beverage range of Sunfeast Wonderz Milk in four variants
- In November 2019, Santoor launched Santoor Deo pocket perfumes for West Bengal.
- Nestle is planning to invest Rs 700 crore (US\$ 100.16 million) to open a new plant in Sanand for Maggi.
- I will be investing Rs 700 crore (US\$ 100 million) in food park in Madhya Pradesh
- Patanjali will spend US\$743.72 million in various food parks in Maharashtra, Madhya Pradesh, Assam, Andhra Pradesh and Uttar Pradesh.
- Dabur is planning to invest Rs 250-300 crore (US\$ 38.79-46.55 million) in FY19 for capacity expansion and is also planning to make acquisitions in the domestic market.

LEADING FMCG COMPANIES IN INDIA

Hindustan Unilever, ITC, Nestle, Colgate-Palmolive, Parle Agro, Britannia Industries, Marico, Procter & Gamble, Godrej Group, Amul, Patanjali Ayurved, Dabur, Emami, Nirma, Johnson & Johnson

It is characterised by high turnover consumer packaged goods, i.e. goods that are produced, distributed, marketed and consumed within a short period. FMCG products which dominate the market are detergents, toiletries, tooth cleaning products, cosmetics, etc. The FMCG sector in India also includes pharmaceuticals, consumer electronics, soft drinks packaged food products and chocolates. Since the sector comprises of a diverse range of products, different companies dominate the market in various sub-sectors. However, some of the top FMCG companies in India are- Dabur (60%), Colgate (54.7%), Hindustan Unilever (54%). Therefore, we can say that the high growth rate of the FMCG industry in India goes beyond growth drivers such as income growth and urbanisation. The consumption habits of India's new-age consumers have resulted in an attitudinal shift in the market. The India of 2030 will have 370 mn generation Z consumers, with changed priorities when it comes to purchasing goods. The new Indian consumer is highly aware, health-conscious and nutrition and high expendable income. This has led to the emergence of new FMCG sub-sectors, such as the air and water purifier market and organic food staples. These trends will further lead to the development of the FMCG industry profile. Foxconn-powered SHARP has released a range of innovative air purifiers cum humidifiers, targeted specifically at the Indian market. With the growth of the traditional FMCG sector- and the emergence of sub-sectors that were non-existent until a few years ago- the future of this industry looks good for investors.

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