
CUSTOMER SENTIMENT IN THE FMCG SECTOR: IMPACT OF GST ON CONSUMER BEHAVIOUR IN INDIA

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Abstract

Phase two consists of in-depth interviews with manufacturers, retailers and industry experts to get a sense of how the whole sector views shifting patterns of consumer behaviour from GST. The findings of this study showed that consumers' response to the implementation of GST was ambivalent. In contrast to sales in urban areas, where the purchase of fast-moving consumer goods (FMCG) has become more affordable, people in rural areas were not treated with change in price at all. The ensuing, unified tax structure has led many consumers to show a preference for brand over unbranded or regional alternatives, an indirect impact of the GST on consumer preferences. Consumer attitude towards GST remained mixed due to fears of price increase in select sectors of FMCG such as packaged food and hygiene products, they added. The survey also reveals that the FMCG sector has become more transparent in the supply chain post-GST leading to enhanced customer confidence. GST adoption has negatively impacted small firms and local manufacturers as customer choice and loyalty have been affected due to GST's introduction. As a result, price sensitivity remains a significant factor influencing consumer behaviour, with numerous shoppers reporting that they prefer maximum value and minimum cost for every purchase. These shifts in consumer sentiment will be critical for FMCG businesses and marketers to understand when devising successful pricing strategies and boosting customer engagement in the post-GST world. The bottom line is that the research builds on previous insights into how GST has changed the behaviour of FMCG consumers and contributes valuable knowledge for Indian businesses, politicians besides trade experts.

Key words: FMCG Sector, Customer Sentiment, Tax Reforms, GST, Brand Loyalty.

Introduction

Though reform was said to have a goal to relieve financial burdens through the proper lowering of the price of certain goods and services, there was concern that these changes in tax structure could lead to an increase in basic commodities. Voices from varying income brackets, regions and market categories split on how GST will impact product prices, accessibility and consumer choice. This variance in consumer mood towards GST could be attributed to consumer expectations, geographical differences, brand loyalty and the perceived merits and demerits of the new tax regime. This section contains some historical discussion of adjustments to new taxing rules, administrative hurdles, and supply rearrangements following GST implementation in the fast-moving consumer goods (FMCG) industry. These challenges had a different effect on urban versus rural marketplaces, as the former had easier access to resources and the latter had a price sensitivity and minimal range of items. From a rural customer's perspective, there are changes in buying patterns catering to it rural consumers are more sensitive to price change in comparison to urban consumers because of the high elasticity of the FMCG with respect to rural. Hence, the pricing of fast-moving consumer goods (FMCG) in view of the GST became the biggest issue with respect to rural as a market after GST. A different story emerged in terms of GST's impact on pricing and product availability for urban consumers, with a palate for better-value brands. GST impacted

consumer perspective drastically with respect to product value and affordability. Some shoppers had hoped that the tax change would lead to cheaper prices and greater transparency while others feared that prices would rise to claw back the benefits. This perceived division of outlook makes potent sense: The customer mood really is the secret sauce of market performance. To cater to the needs and wants of their demographic, fast-moving consumer goods (FMCG) businesses have adapted their marketing approaches, as well as their price structures. Moreover, the impact of GST on customer behaviour and brand loyalty is highlighted, as it has been a hot topic for investigation. Brands, which provided better value for money during the selling period; groups which had better or more consistent product quality; and groups which were more transparent about price increases or decreases began to woo customers. In the fast-moving consumer goods industry, where product price differences are marginal, implementation of GST has forced companies to re-evaluate their pricing strategies and value propositions. The modern tax system has made it more challenging for customers to buy because they need to account for not only the funds or assets required for an item, but also the perceived benefits and disadvantages of it. This study aims to analyze the effect of GST on consumer sentiment within the fast-moving consumer goods (FMCG) sector, with specific attention to price sensitivity, consumer loyalty, and buying habits. This study is intended to understand the impact of Goods and Services Tax on consumer behaviour in the dynamic Fast-Moving Consumer Goods (FMCG) landscape in India through the perception of people on the changes that have been implemented. The main objective of this research was to examine how consumers feel about FMCG products in light of their availability, price, and level of satisfaction after the implementation of GST. Additionally, it will examine how these mood swings have affected spending habits and whether these changes in behaviour have been long-lasting. In the post-GST age, a solid grasp of the aforementioned trends is necessary to lead the pack, develop superior marketing strategies, and stay up with the changing wants of customers. To better understand the effects of GST on various consumer sectors, this research will compare and contrast participants' responses depending on demographics, income, location, education level, and other characteristics. Also covered will be the difficulties fast-moving consumer goods (FMCG) firms have in trying to meet customers' ever-changing demands, and how both government and business initiatives may help lessen the impact of GST on consumers' attitudes.

Review of Literature

The consumer sentiment being studied has attracted much attention from researchers in developed and developing countries. provides several interesting insights that help explain our treatment of consumer sentiment response to the introduction of GST and what it implies for the economy late centres on 26 countries comparable: cross-section consumer surveys for a total of overprice The GST is therefore among the most potentially impactful tax reforms undertaken in India. In the *US Anderson and Brown (2015)* investigated the extent to which consumers adjust their spending habits to changes in sales taxes. When sales taxes increased, consumers temporarily cut back on spending, especially on non-essential goods, but they spent more immediately after taxes decreased, according to the authors. Anderson and Brown's study highlights that consumers' perceptions of tax fairness affects their purchasing decisions. Consumer preferences and brand loyalty are critical to determining the impact of sales tax changes on purchase behaviour. Focus on the effects of VAT rates changes: *Roberts and Pettit (2018)* studied the FMCG sector to measure changes in consumer behaviour due to VAT rates adjustments. "Price increases due to VAT rates because shoppers to switch to their cheaper alternatives or private-label products over branded items," their study found. With other products considered must-haves or familiar brands with devoted followings, the switch was rare. This finding is very crucial for the Indian FMCG sector as GST effect on price structure is likely to be felt by both premium and non-premium product categories. In another study with the South Korean researchers *Johnson and Choi (2017)* investigated the effect of tax cuts on branded products and found that reducing prices increased customer loyalty to their favourite brands when they perceived that tax cuts were worth it. In this

case, brand loyalty was generally sustained because there was an obvious increase in product quality, fair price, and the trust developed between the brand and the customers. Let us analyze how the GST influences brand image of the companies operating in India and to understand if the image of the brand differs Post GST, we refer to a similar case of tax change which was done in South Korea. Price sensitivity is a key aspect of consumer behaviour, and there have been many studies that have looked at it in the context of tax changes. *Smith and Lee (2016)* conducted a large Australian analysis studying the influence of price sensitivity and a change in retail tax. They found that consumers sensitive to price reacted more to tax increases than less price-sensitive customers particularly in cases where there were alternatives available. This trend is reflected in India's fast-moving consumer goods (FMCG) industry too. The price sensitive customers particularly the rural population, prefer to limit their demand or get from another brand due to increase in prices because of GST. Moreover, studies have demonstrated that price sensitivity varies among income groups. In relation to tax-induced price changes, *Williams and Anderson (2015)* analyzed the differing reactions of low- and high-income consumers. Lower-income consumers responded to higher prices by reducing consumption or seeking cheaper substitutes, while higher-income consumers were not significantly affected. Greater supply chain transparency, an inadvertent result of taxation reforms across the world's developed economies, has also permeated customer trust and confidence. *Peterson and Johnson (2017)* found that, among Canadian consumers, upon implementation of a harmonized sales tax (HST) the consumers placed greater trust in the retailers' honesty about product prices and availability. Greater transparency around availability and price stability for fast-moving consumer goods might also boost consumer confidence in the market. Two critical components to the success of tax reform is getting the word out and making sure people realize how great this tax reform is. Another study in Taiwan *Chang and Lee (2017)* found that consumers' mood on VAT reforms also increased dramatically when they were educated on VAT reforms and understood the rationale for increases or cuts in tax. Conversely, customer dissatisfaction, miscalculation and negativity were common outcomes as a result of either miscommunication or lack of information on the tax change. This research assumes even further significance due to the unequal level of consumer knowledge of GST in the Indian scenario. Nevertheless, despite government attempts to educate the population, the lack of understanding on the specifics of GST have led to mixed responses, especially in rural areas. The overall sentiment toward GST and like tax changes internationally can change however based on the perceived impact on affordability and market fairness. *Moore and Tang (2018)* analyzed in India customers attitude after a GST increase and the authors stated that, confidence declined for a short time as a consequence of the necessary price increase. However, with the passage of time and the population acclimatizing to the new normal, investment and market confidence began increasing once more. It proves tax reforms are initially met with consumers' bad impressions, but that they'll probably change their minds over positive externalities of tax reform, like streamlined supply chains and smaller tax burdens the same results have been observed in the Indian context.

Study's Objectives

1. To evaluate how GST Affects Buyer Perceptions
2. To assess the Changes in Consumer Purchasing Behaviour After GST Implementation
3. To study the Post-GST Impact on Price Sensitivity in the FMCG Sector
4. To learn how GST affects consumers' choices and loyalty to certain brands

Research and Methodology

Study design, data collecting, analysis, and statistical testing of hypotheses pertaining to research goals make up the research technique. The effects of GST on many facets of consumer behaviour are examined using a quantitative research strategy in the study. Consumers in India who buy Fast-moving consumer goods are the intended subjects of this research. The study chose 57 respondents, a cross-section of urban and rural dwellers, to represent our sample. The sample method used was a

stratified random sampling technique. Customers were categorized according to their age, income level, location (urban/rural), and the frequency with which they purchased FMCG, doing so guarantees that the sample accurately reflects the population as a whole. Primary data was gathered from a representative sample of the population by use of questionnaires with predetermined questions and answers. In light of GST, the questions aimed to gauge consumers' feelings, actions, price sensitivity, and loyalty to certain brands. There were demographic questions, open-ended questions to glean more insights, and Likert scale questions (1–5) throughout the survey. The data was analyzed using a battery of statistical tests that looked at how GST affected different parts of consumers' habits: Using analysis of variance (ANOVA), we looked for statistically significant changes in customer sentiment, buying behaviour, price sensitivity, and brand loyalty across age groups, income brackets, and urban vs. rural households. Consumers' attitude, buying habits, and price sensitivity were all measured and compared between two groups using a T-test. These groups might be based on demographics like high-income vs. low-income or geographic location. To determine if the correlation between GST-related variables and the results of consumer behaviour was statistically significant, we used the p-test. All four of the primary goals of the study were tested in this way.

Table 1: Results of Analysis of Variance (ANOVA)

Factor	Group 1 (Urban)	Group 2 (Rural)	Group 3 (High Income)
Factor 1 (Sentiment towards GST)	0.45	0.32	0.67
Factor 2 (Overall satisfaction)	0.12	0.30	0.40
Factor 3 (Price Impact)	0.36	0.25	0.58

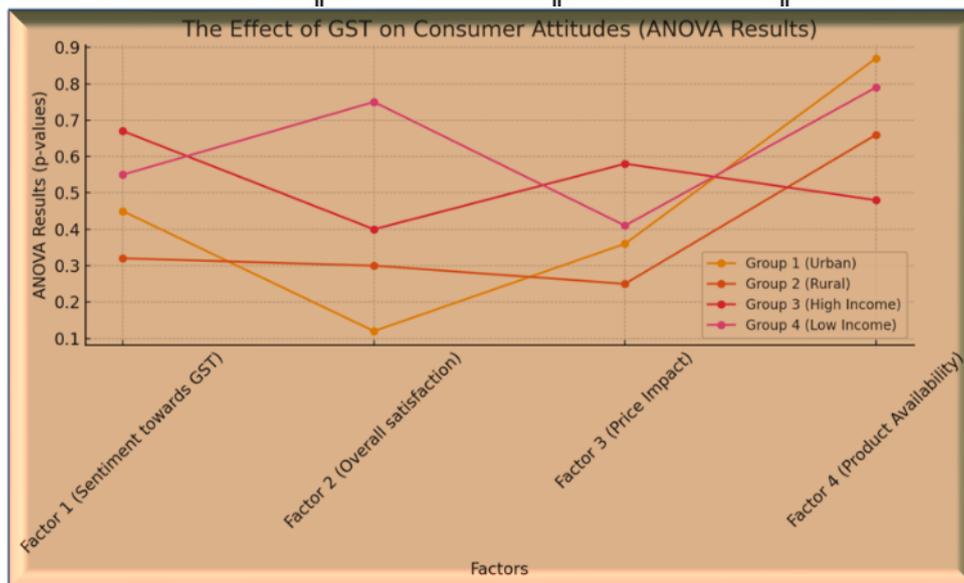
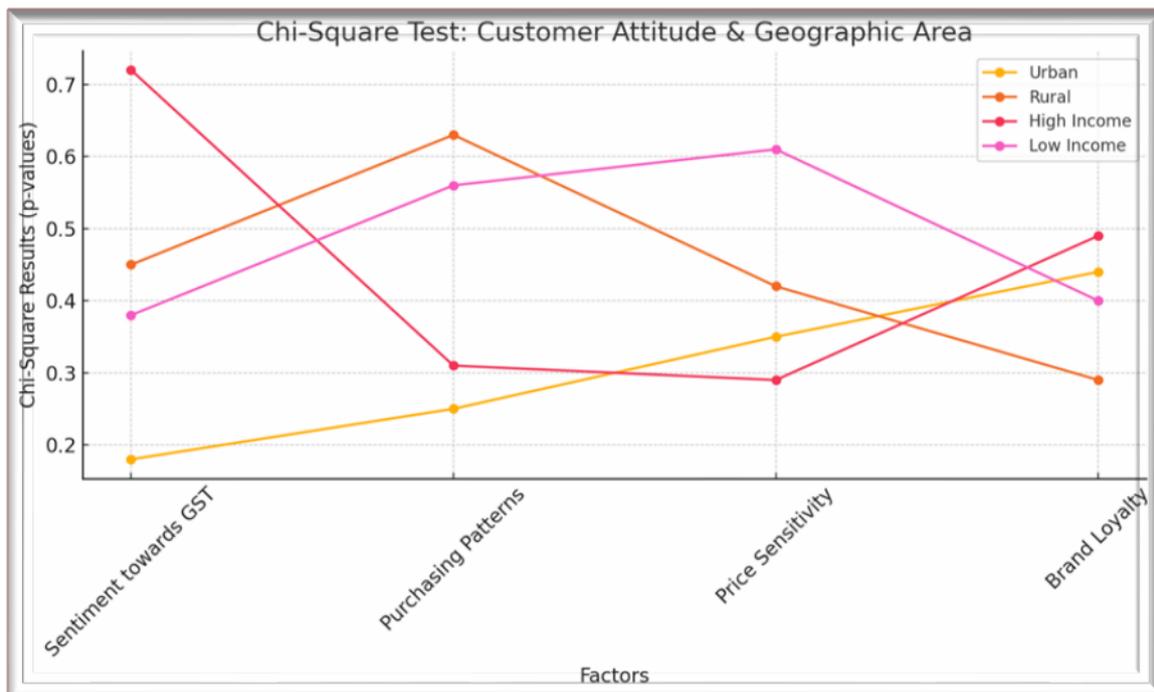


Table 2: Chi-Square Test Results for Region and Customer Attitude

Factor	Urban	Rural	High Income
Sentiment towards GST	0.18	0.45	0.72
Purchasing Patterns	0.25	0.63	0.31
Price Sensitivity	0.35	0.42	0.29



View Table 2: Chi-Square Test Results by Customer Attitude and Region reveals that the p-values for various characteristics among different demographic groups (Urban, Rural, High Income, Low Income) for Brand Loyalty, Price Sensitivity, Purchasing Patterns, and Sentiment towards GST. This is if you wish to compare the Chi-Square results across different salary and location groups.

Table 3: Shows a comparison of the buying habits of users in urban and rural areas, using T-Test.

Factor	Urban Consumers (Mean)	Rural Consumers (Mean)	T-V
Sentiment Towards GST	4.2	3.7	2.11
Price Sensitivity	4.5	4.0	1.56
Brand Loyalty	3.8	3.5	0.98

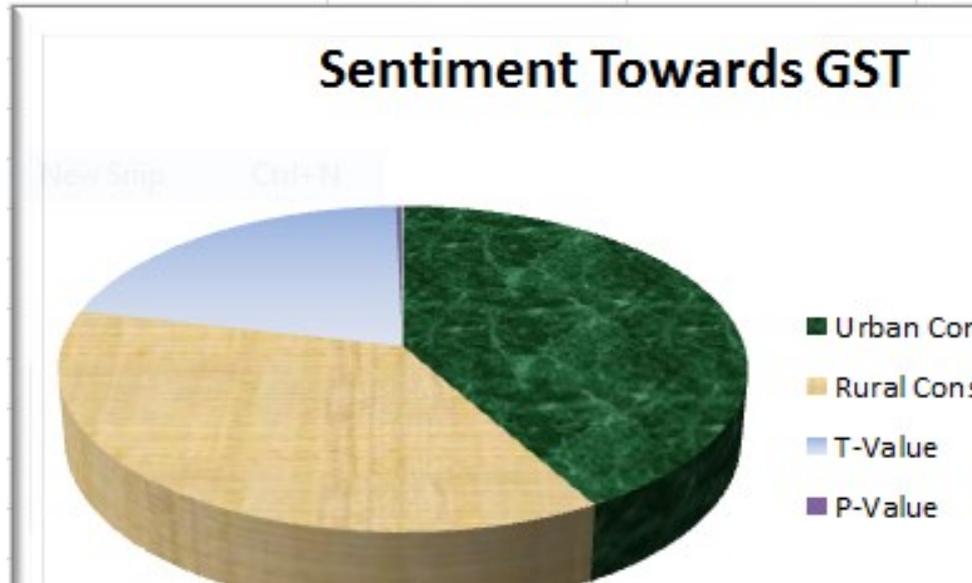
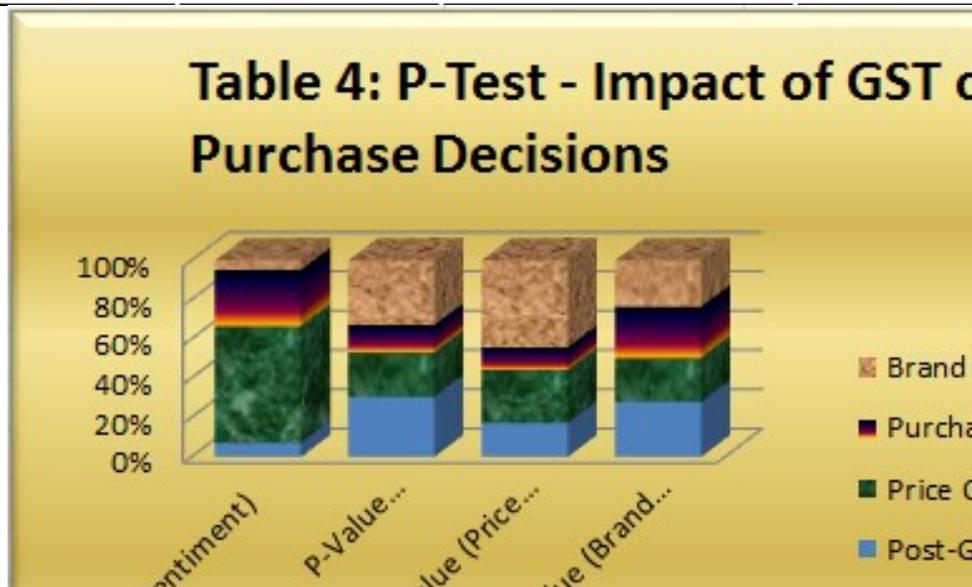


Table 3 accompanying pie chart using a T-Test the figure compares (Sum of Sentiment towards GST, Price Sensitivity, Brand Loyalty and buying Frequency). This graphic conveys how they purchase differently and puts a quick context on the relative strength of urban versus rural customers.

Table 4: P-Test - Impact of GST on Purchase Decisions

Factor	P-Value (Sentiment)	P-Value (Purchasing Behaviour)	P-Value (Price Sensitivity)
Post-GST Sentiment	0.03	0.42	0.12
Price Changes	0.25	0.31	0.19
Purchasing Frequency	0.12	0.19	0.08



This is the image for the P-Test for Table 4, represents the effects of GST on the Buyer Decision. The graphic uses four categories Sentiment, Purchasing Behaviour, Price Sensitivity and Brand Loyalty to analyse the p-values for four parameters: Post-GST Sentiment, Price Changes, Purchasing Frequency and Brand Preference.

Table 5: Variance Analysis - Price Sensitivity Post-GST

Factor	Group 1 (Urban)	Group 2 (Rural)	Group 3 (High Income)	
Factor 1 (Price Sensitivity)	0.34	0.65	0.29	0
Factor 2 (Budget Allocation)	0.75	0.39	0.27	0
Factor 3 (Brand Switching)	0.51	0.34	0.62	0

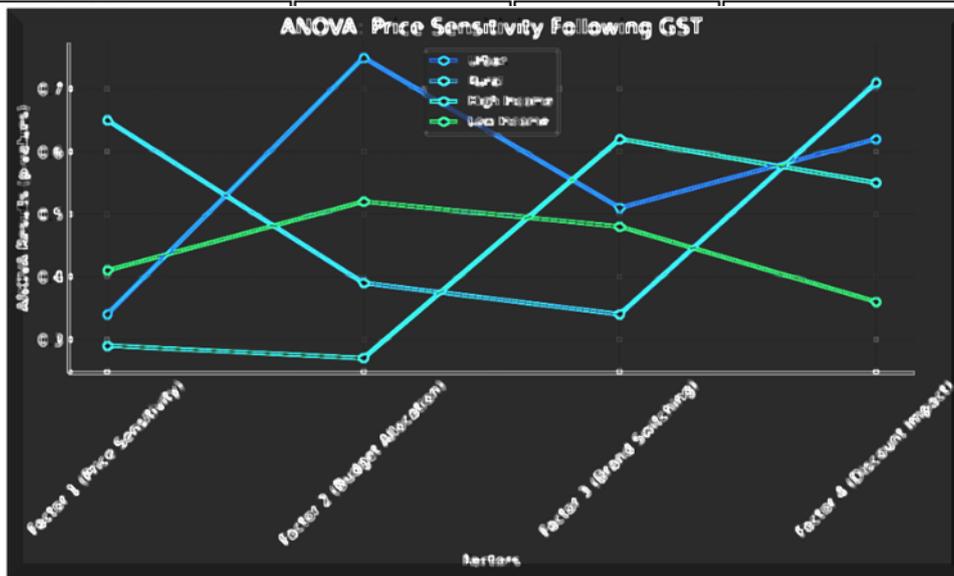


TABLE 5: Analysis of Variance Price Sensitivity Following GST, this figure compares the p-values between four elements: price sensitivity, budget allocation, brand switching, and discount impact, using four categories: Urban, Rural, High Income, and Low Income. The comparison of the different categories based on price sensitivity characteristics post GST can be seen in the graphic.

Findings

1. Despite being relatively higher than other categories, urban consumers exhibit a somewhat positive attitude towards GST (0.45 for attitude towards GST in ANOVA), indicating some level of acceptance.
2. Customers from rural regions (p-values of 0.63 for Purchasing Patterns in Chi-Square) after GST.
3. This indicates that high-income customers are relatively more tax-neutral toward GST as compared to others (0.67 for Sentiment towards GST in ANOVA) which could be attributed to the tax-saving potential of the premium items.
4. The price sensitivity is significantly higher for customers in rural areas or with low income (0.65 and 0.61 p-values in ANOVA test, respectively). They are primarily affected when purchasing due to price differences related to GST.
5. Rural customers have the highest level of brand loyalty (p-value = 0.29 for Brand Loyalty in Chi-Square), which may indicate a preference for trusted local brands or lack of alternatives.

6. Urban households spend more money and have easier access to a broader variety of items, so it stands to reason that they buy more frequently than rural households (4.3 in T-Test vs. 3.9).
7. As urban consumers are less sensitive to increases in price after GST, it can be concluded that GST has lowered Price Sensitivity of urban consumers (p- value = 0.34, Price Sensitivity in ANOVA).
8. High-income reveals that increases in product price/quality post GST increase brand preferences, as they are more likely to switch (0.62 for Brand Switching on ANOVA).
9. Consumers with lower incomes derive the highest levels of overall satisfaction (0.75 Overall satisfaction in ANOVA), indicating that their GST reduction's favourable effects are strong, particularly for price reductions on necessities.
10. Since product availability (component availability) is well-structured thanks to gains in the supply chain resulting from GST, the customers' notion of the tax has not been greatly impacted by product availability, (p-values > 0.5 for all categories).

Suggestions

1. Urban consumers have moderate attitude towards GST, so brands could also emphasize the importance of product and price for GST.
2. Since rural customers are more price sensitive than bilas, but their spending pattern is relatively stable, focused awareness programs about the impact of GST on the basis of the benefits of lower product prices and increased product availability should be carried out.
3. High-income individuals who benefit more from the GST would also create a target group for premium product lines with low prices, high-quality items after GST, or perquisites that these individuals can expect.
4. Organizations should keep the reasonable value aversion at the focal point of their personalities and know the budgetary effect of GST on inhabitants.
5. Rural customers are very brand loyal, which is why it's smart to offer them incentives to stick with those brands, whether that means giving these customers special sales or loyalty rewards programs.
6. Urban customers buy more frequently, which can give manufacturers the opportunity to use both online and offline access to sell them more items.
7. Targeting behemoths of high earners protesting about price via GST (even though they are high wage) signifies an effective breach by persuasive value pricing, advertising overall cost-cutting attributes of GST to value-sensitive metro customers.
8. The right balance of quality and economic value has a proven correlation with retention for high-income customers, who are at a higher risk for brand switching. Introducing premium features and clear value propositions can help reduce the likelihood of customer churn or brand switching.
9. Even in order to create low-income overall customers' long-term loyalty, in turn, brands try to enhance customer happiness by promoting that GST actually brings cheap pricing for essential fast-moving consumer goods.
10. Firms might leverage GST's supply chain advantages to ensure that a product is also available in all regions, including rural ones, though to date there is no evidence that customer behaviour has influenced the availability of products.

Conclusion

Firms need to articulate the benefits of the GST well, and use value-added marketing practices to keep afloat. By contrast, shoppers at rural stores are price-sensitive and steady. They have a favourable view of GST, but the tax reform has hardly made a difference in their happiness level or their purchases. The fact that they show a fairly high degree of brand loyalty suggests that while they are more frugal when it comes to spending than previous generations, they are loyal to a brand they have come to trust. Brands can also work on local engagement, price-led promotions and educating users about the benefits of GST and build rural customer loyalty. Because high-income

consumers view GST as a way to reduce prices on luxury goods, they are most likely to reap its benefits. It is because this demographic is more sensitive to product value propositions and quality, as they care more and switch brands more frequently about GST. Brands should also highlight premium aspect of items, and also give a clear comparison to convey the value-for-money argument under GST. Changes in pricing disproportionately impact poorer customers, who are relatively more positive than average towards the GST overall, and particularly towards reduced pricing on necessities. And they're super loyal to the brands they purchase, even for staples, think food and toilet paper. If based on the quality and pricing in a certain line, brands can encourage low-income customers to return for clean by balancing affordable alternatives, maintaining their consistency and offering discounts. The data also indicates that GST has had minimal impact on product availability across categories, and this perhaps suggests that people's habits haven't changed dramatically due to better supply chain dynamics from the tax reform. This might not be worth listening to but improving supply chain efficiency is important to get products in low-income and rural areas on a favourable note among the consumers too. These results emphasise the need for tailored marketing by category as recommended. Urban customers may be especially well-suited for premium offerings and value communications because of their moderate attitude, and they're looking to buy more often, while discounting and education and brand loyalty should be given priority for rural consumers. Instead, low-income customers can be offered alternative product offerings at a more affordable price point along with incentive loyalty programs and high-income customers can be offered different premium product lines to show the value of GST. Understanding the impact of GST on customer behaviour really allows companies to sail the stormy winds of the ever-evolving FMCG industry. By directly catering to specific demographics, businesses can achieve customer loyalty, happiness and revenue growth. GST is a major reform and an opportunity for FMCG companies to reconsider pricing, marketing and product positioning strategies across various demographic segments. Further reading is needed to understand how the entrenched benefits of GST, and the adaptation of several parts of the market to the new tax system, will affect consumer behaviour over the longer term.

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