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**TOPIC :** A STUDY OF CUSTOMERS PERCEPTION OF ETHICAL SALES PRACTICES BY FMCG COMPANIES IN NCR  
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The study is an effort to understand the customer perception of ethical sales practices by Fast Moving Consumer Goods (FMCG) companies. The study focuses on understanding perception of distributors regarding the ethics in the sales practices by FMCG companies (manufacturers), understanding perception of retailers regarding the correctness in the sales practices by FMCG companies (manufacturers) & distributors on ethical grounds, and understanding perception of end customers regarding the ethical sales practices by FMCG retailers and FMCG companies. The study is done using the quantitative as well as qualitative approaches in order to extract the maximum information from the market and stakeholders so that a comprehensive and a detailed finding could be presented.

The study is broken down to three levels

- Distributors' perception about the manufacturers,
- Retailers' perception about the FMCG Companies (manufacturers) & distributors
- End customers' perception about the FMCG retailers and the FMCG companies

The study is based on four important constructs, which are also the pillars of ethics – “utility”, “rights”, “fairness” and “ethics of care”. These constructs are considered as the four key pillars of ethics and they are used to weigh the ethical correctness of business decision. Further, the research objectives led to the formation of the research hypothesis:

#### **Hypothesis 1**

In the perception of distributors, the sales practices of FMCG companies are unethical in terms of “utility”, “rights protection”, “fairness” and “ethics of care”.

#### **Hypothesis 2**

In the perception of retailers, the sales practices of FMCG companies and distributors are unethical in terms of “utility”, “rights protection”, “fairness” and “ethics of care”.

#### **Hypothesis 3**

In the perception of end customers, the sales practices of FMCG companies and retailers are unethical in terms of “utility”, “rights protection”, “fairness” and “ethics of care”.

#### **Hypothesis 4**

There is no perceptual difference amongst the distributors on the basis of demographic variables on the question of “utility”, “rights protection”, “fairness” and “ethics of care” constructs in terms the sales practices of FMCG companies.

#### **Hypothesis 5**

There is no perceptual difference amongst the retailers on the basis of demographic variables on the question of “utility”, “rights protection”, “fairness” and “ethics of care” constructs in terms the sales practices of FMCG companies and its distributors.

#### **Hypothesis 6**

There is no perceptual difference amongst the end customers on the basis of demographic variables on the question of “utility”, “rights protection”, “fairness” and “ethics of care” constructs in terms of the sales practices of FMCG companies and retailers.

#### **Hypothesis 7**

There is no perceptual difference between the distributors, retailers, and end customers on the question of “utility”, “rights protection”, “fairness” and “ethics of care” constructs in terms of the sales practices of the respective sellers.

#### **Hypothesis 8**

There is no relationship between the “utility”, “rights protection”, “fairness” and “ethics of care” constructs and the perception of overall ethics of distributors, retailers and end customers.

#### **Hypothesis 9**

There is no relationship between the “utility”, “rights protection”, “fairness” and “ethics of care” constructs and the variables linked to these constructs separately for distributors, retailers and end customers.

#### **The process:**

The first part of the research is exploratory where the researcher had taken opinions and thought in industry experts like sales managers, territory executives, distributors and conducted literature review. The second part of the research is descriptive and the method employed is collection of primary data from the respondents through a survey questionnaire. One questionnaire each was developed for distributor, retailer and end customer. The questionnaires consist of a five factor rating scale with responses varying from Strongly Agree, Agree, Neither agree nor Disagree, Disagree, to Strongly Disagree. Each questionnaire was constructed using the 4 pillars of ethics.

The 10 FMCG companies that were selected after the deliberations with the industry experts. The sample size of the distributors

was 50 distributors, 2000 retailers and 500 end consumers. The sampling scheme is non probability quota sampling.

## **Findings and Recommendations:**

### **1. The perception of distributors, retailers and end consumers of ethical sales practices in FMCG industry was tested using One Sample T Test.**

#### Distributors appear to perceive

- that the FMCG companies add utility to the distributors as business stakeholders.
- that their rights are protected by the FMCG companies and that these companies are ethically correct in this regard.
- that the FMCG companies are not fair in their treatment with distributors and are ethically not correct in this regard.
- that the FMCG companies are taking due care of them as important stakeholders.

#### Retailers appear to perceive

- that the retailers perceive that it the FMCG companies and the distributors are adding good utility them as important stakeholders.
- that the FMCG companies and distributors are acting ethically to protect their rights of being a stakeholder.
- that the FMCG companies and distributors are being fair and just towards the retailers in their sales practices.
- that the FMCG companies and the distributors are practicing ethics of care towards retailers.
- that the retailers feel that overall, the distributors are ethically correct in their sales practices.
- that the retailers feel that overall, the FMCG companies are ethically correct in their sales practices.

#### End customers appear to perceive

- that the FMCG companies and the retailers are adding utility for them by selling the goods ethically.
- that the end customers perceive that the FMCG companies and the retailers are protecting their rights as customers.
- that the end customers consider the FMCG companies' and the retailers' treatment towards them as fair and just.
- that "ethics of care" is being served by the retailer and FMCG companies.
- that the retailers are ethically correct in their sales practices.
- that the companies are ethically correct in their sales practices.

### **2. Perceptual difference amongst the distributors on the basis of various demographical variables.**

- The **distributors with greater experience appear to perceive** that their rights are being violated

### **3. Perceptual difference amongst the retailers on the basis of various demographical variables.**

- **Rural retailers** appear to feel that they **derive relatively less average utility**, their **average rights get violated**, **treatment is not fair**, and that they are **not taken care of**.
- **Partnership retailers** appear to be giving better **average response to the utility** they are able to derive from the sales practices of their sellers. The similar finding is being obtained in the "protection of rights", "fairness in treatment" and "ethics of care" where partnership retailers' perception is relatively positive as they have given better average response.
- The more **experienced retailers** give **lower rating to the overall utility** they derive from the FMCG companies and distributors.
- **Rural retailers** perceive relatively **less of overall ethics** in sales practices **by FMCG companies**. This finding of retailers is about their perception of FMCG companies only
- The perception of female respondents of retailers about the **overall ethical treatment by the FMCG companies is better** than the male respondents.

### **4. Perceptual difference of the end customers on the basis of various demographical variables**

- The perception of **end customers** shows an **increased response** as the area of respondents shifts **from rural to urban on rights, fairness and care constructs**.

### **3. Findings of the difference in perceptions between distributors, retailers and end customers on the various formulated constructs regarding the ethical sales practices by the sellers.**

- On the **utility construct** **retailers** are giving the **best response** and **end customers' response is most unfavorable**. On the **rights construct** **end customers' response is most favorable** and response from the **distributors** is most **unfavorable**. On the **fairness** construct **retailers' response is most favorable** and the response from the distributors is most unfavorable (less than 3).

### **4. Qualitative Findings**

- The Distributors mentioned that there is too much of pressure from the sales person to push sales
- Distributors reported that others are also selling in their areas
- Distributors in states other than Delhi mentioned that a lot of infiltration happen in their area from Delhi wholesale
- All the distributors mentioned that they have very good relations with the company sales persons
- They perceive that the FMCG companies are not always fair in treatment
- Almost all retailers were happy with their relation with the distributors.
- Retailers mentioned that sometimes they purchase goods from the wholesalers as they get better margins.
- Rural retailers and female retail respondents perceive that the companies are living up to their large size in delivering profits
- Rural retailers perceive lower ethics being served by the FMCG companies as compared to urban retailers
- The response on FMCG company being overall ethical improves with increase in education level of Rural respondents

### **5. Recommendations to sellers are given wherever the finding about the relative perception of the customers in negative in order to improve the practices.**