

A Comparative Analysis of Consumer Preferences for Local vs. Branded FMCG Products in India

¹Diya Gupta, ²Ms. Rashmi Tripathi

¹(Student, Amity Business School)

²(Assistant Professor, Amity Business School)

¹Amity University, Lucknow, Uttar Pradesh

¹diyagupta5575@gmail.com, ²rtripathi@lko.amity.edu

Abstract- The Fast-Moving Consumer Goods (FMCG) sector in India is a big part of the country's economy. It is changing a lot. These changes happen because big multinational companies compete with many local brands that are growing. Normal reports show sales and market share. They do not show how each consumer thinks. We study how Indian consumers choose to buy local (regional or unbranded) or well-known branded (national or multinational) products.

We used a simple survey and basic analysis. We asked 55 people from cities and villages. We wanted to learn about buying habits in Food and Beverages, Personal Care, and Household Care. We used a five-point scale to see how much Price, Quality, Availability, Brand Trust, and Advertising affect their choices.

The results show the market is not simple. We cannot say easy things. Big brands still lead in Household Care because people do not want to risk product results. But local brands are growing in Food and Personal Care. This happens because people want cheaper options and like products that feel real, fresh, and natural. The data also shows differences between city and village buyers. Village buyers care most about price and if the product is easy to find. City buyers look for quality, safety, and products that fit their lifestyle. This paper gives a base for bigger research and good ideas for marketers who want to understand Indian buyers now.

Keywords: FMCG, consumer preference, local brands, branded products, buying behavior, Vocal for Local.

I. Introduction

1.1 The Changing Landscape of the Indian FMCG Market

The Fast-Moving Consumer Goods (FMCG) industry is the fourth-largest sector in the Indian economy. It is a vast ecosystem characterized by massive scale, high frequency of transactions, and very low profit margins on individual items. According to the India Brand Equity Foundation (IBEF, 2025), the market reached a valuation of approximately ₹20.73 lakh crore in the fiscal year 2024. This number highlights not just the volume of products being sold, but also how essential these goods are to the daily lives of over a billion people.

For decades, specifically following the economic liberalization of the 1990s, the Indian FMCG market was dominated by multinational conglomerates (MNCs). Companies like Hindustan Unilever, Procter & Gamble, Nestlé, and Reckitt Benckiser controlled the terrain. These companies used their large financial reserves to build efficient distribution networks and flooded media channels with expensive advertising campaigns. In doing so, they successfully convinced millions of consumers that "branded" products were superior, creating a hierarchy where local goods were often viewed as inferior or "desi" (local) compromises.

However, the last ten years have seen a disruption of this status quo. A quiet but powerful resurgence of regional and local enterprises has begun to take away market share from these big companies. This evolution is not just about economics; it represents a deep shift in culture and society. The main story of Indian consumption is moving from "aspiration"—where people wanted to copy Western standards of living—to "affirmation," where people want to embrace and celebrate their local identity. This change is being sped up by increased internet connectivity, which allows local brands to use social media to talk directly to consumers, bypassing traditional media gatekeepers. Furthermore, the

economic reality after the COVID-19 pandemic has made people more focused on value for money, causing consumers to question the high prices (the "brand premium") they pay for national products.

1.2 The "Vocal for Local" Phenomenon

Government policy has played a major role in this shift, moving beyond simple economic rules to shape social feelings. The "Make in India" initiative and the "Vocal for Local" campaign have moved from policy documents to becoming part of the social consciousness (Government of India, 2024). These campaigns have successfully framed buying locally made goods as a civic duty—a way for the average citizen to support domestic industry, create jobs, and strengthen the national economy.

However, the Indian consumer's definition of "local" is practical and sophisticated. It does not mean a total rejection of foreign companies. Rather, it shows a preference for products that feel culturally authentic and economically beneficial to the immediate community. For example, a consumer might see a big difference between a foreign product that is imported (carrying high costs) and a foreign product that is manufactured locally in India (providing local jobs), viewing the latter much more favorably. Similarly, "local" can refer to a regional brand with a long history in a specific state (like a specific pickle brand from Gujarat or a snack from Tamil Nadu) which carries a cultural value that a generic national brand lacks.

1.3 The Need for Micro-Level Analysis

While high-level sales data confirms that local brands are growing in volume, it fails to explain *why*. Why does a homemaker in a Tier-2 city choose a regional brand of wheat flour over a famous national brand like Aashirvaad? Is the decision only about money, or does it involve trust, perceived freshness, flavor, or a desire to support a local business? Furthermore, does this logic apply equally to soap as it does to detergent? The perceived risk associated with a food item (which impacts health) is very different from the risk of a floor cleaner (which impacts cleaning efficacy).

This pilot study aims to answer these questions by examining how demographics and product categories interact. By analyzing the responses of 55 individuals from both urban and rural backgrounds, we seek to map the basic boundaries of the "Local vs. Branded" debate. The goal is to identify the "tipping points" where the price advantage of a local brand becomes more important than the trust advantage of a national brand, and vice versa.

II. Literature Review

2.1 Consumer Ethnocentrism and Moral Duty

The concept of Consumer Ethnocentrism provides the theoretical background for understanding the "Vocal for Local" trend. Introduced by Shimp and Sharma (1987) through their CETSCALE (Consumer Ethnocentrism Scale), the theory suggests that for some consumers, buying foreign goods is morally wrong because it hurts the domestic economy. It measures how much moral obligation consumers feel to buy domestic products. In the Indian context, various studies have shown that ethnocentrism positively influences the intention to buy local products.

However, the modern application of this theory is more complex. Kumar et al. (2020) argue that Indian consumers exhibit "pragmatic patriotism." They are not blind loyalists; they are willing to purchase foreign brands if those brands manufacture locally or if domestic alternatives do not meet basic quality standards. This suggests a "threshold effect"—ethnocentrism drives preference only after a baseline level of quality and price parity is established. In other words, consumers will support local, but not at the cost of terrible quality.

2.2 Price as a Signal of Quality

In emerging markets like India, consumers often rely on mental shortcuts, or heuristics, to make decisions because they lack complete information. Historically, price has been the main indicator of quality; higher prices were assumed to mean better safety, consistency, and ingredients. This is a core part of Signal Theory. However, this relationship is changing. Recent research by NielsenIQ (2022) indicates that the quality gap between local and branded products has narrowed significantly.

Local manufacturers have improved their packaging technologies, sourced better raw materials, and implemented standardized quality control. This allows them to offer "functional parity"—meaning the product works just as well—at a 15-30% price advantage. Once a consumer tries a local product and finds it satisfactory, the old idea that "high price equals high quality" is broken, potentially leading to a permanent switch. The literature suggests that the "value" proposition is now the main driver, overtaking the "status" proposition that dominated previous decades.

2.3 The Urban-Rural Divide

India is often described as two distinct markets operating at the same time: Urban and Rural. Understanding this difference is vital for FMCG analysis.

- **Urban Dynamics:** Urban consumers are generally seen as brand-aware, exposed to global trends, and having higher purchasing power. For them, a brand is often an extension of their identity and social status.
- **Rural Dynamics:** The rural market, which holds the majority of the population, is highly sensitive to price. Chandra (2025) observes that rural demand growth is currently growing faster than urban growth. This is driven by the availability of small, affordable unit packs known as "sachets." This section explores how the local "Kirana store owner" acts as a key influencer in rural areas, often guiding consumer choice based on the profit margins offered by local versus national distributors.

2.4 Brand Loyalty in Low-Involvement Categories

FMCG products are typically "low-involvement," meaning consumers do not spend a lot of time thinking about them. Because of this, brand loyalty is historically fragile. Zadeh et al. (2022) describe the Indian consumer as "experimental," constantly looking for better value. Since the cost of switching is low (both financially and socially), a local brand can easily enter the market if it offers a discount. The challenge, however, is keeping the customer. This literature review sets the stage to examine whether local brands are just temporary cheap alternatives or if they are building lasting loyalty through emotional or cultural connections.

III. Theoretical Framework

To systematically analyze consumer preference, this study adopts a framework that integrates two theories: The Theory of Planned Behavior (TPB) and Signal Theory.

1. **Attitude toward the Behavior:** This is shaped by how the consumer perceives "Local" versus "Branded." We propose that for Food products, the attitude toward Local is positive, driven by ideas of Authenticity and Freshness. For Household Care, the attitude toward Branded is positive, driven by Trust and Efficacy.
2. **Subjective Norms:** This covers the social pressure to buy local (the "Vocal for Local" sentiment) versus the social status of using branded goods. In urban areas, the "norm" is shifting toward supporting local entrepreneurs. In rural areas, the norm is often dictated by community elders or shopkeepers.
3. **Perceived Behavioral Control:** This relates to the availability of the product and the financial ability to purchase it (Price Sensitivity).

Based on this framework, the study hypothesizes that:

- **H1:** Product Category changes the relationship between Ethnocentrism and Purchase Intention (The relationship is stronger for Food, weaker for Household items).
- **H2:** Price Sensitivity has a negative relationship with Brand Loyalty for Rural consumers (as price sensitivity goes up, loyalty goes down).
- **H3:** Perceived Quality is a stronger predictor of Purchase Intention for Urban consumers than for Rural consumers.

IV. Research Methodology

4.1 Objectives

This exploratory research is guided by three main objectives designed to bridge the gap between macro-data and micro-behavior:

1. **Categorization:** To measure and compare the preference for local versus branded goods across three distinct verticals: Food & Beverages, Personal Care, and Household Care.
2. **Factor Identification:** To determine the relative importance of five specific drivers: Price, Quality, Availability, Brand Trust, and Advertising.
3. **Demographic Comparison:** To contrast the purchasing drivers of Urban respondents against those of Rural respondents to identify the split between "Value" seekers and "Lifestyle" seekers.

4.2 Sampling and Data Instruments

Because this is a pilot study, a sample of 55 respondents was chosen to identify trends for a larger, subsequent study.

- **Sampling Method:** Stratified sampling was used to ensure a balanced mix of Urban (Tier-1 city residents) and Rural (village residents).
- **Demographic Split:**
 - Urban: 30 respondents (55%)
 - Rural: 25 respondents (45%)

Survey Design: The survey instrument consisted of 20 questions divided into three sections:

- Section 1 gathered demographic data (Age, Income, Gender).
- Section 2 recorded nominal data on recent purchases (Local vs. Branded).
- Section 3 utilized a five-point Likert scale (1 = Strongly Disagree, 5 = Strongly Agree) to measure the intensity of various purchasing factors.

Table 1: Demographic Profile of Respondents (N=55)

Demographic Variable	Category	Count	Percentage
Gender	Male	32	58%
	Female	23	42%
Location	Urban	30	55%
	Rural	25	45%
Age Group	18 – 25 Years	15	27%
	26 - 40 Years	25	45%
	41 – 60 Years	15	28%
Monthly Income	< ₹15,000	20	36%
	₹15,000 - ₹40,000	25	46%
	> ₹40,000	10	18%

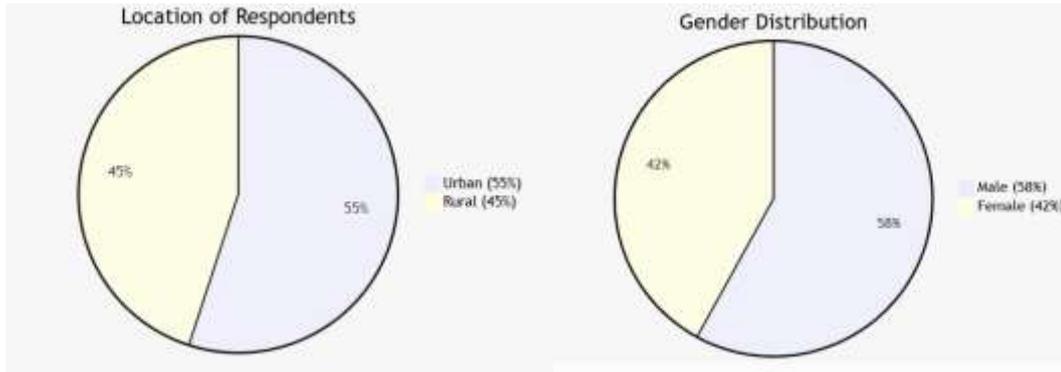


Figure 1: Demographic Distribution of Respondents

(N =55) (Note: This figure would visually represent the table above, showing a balanced representation of gender and location.)

4.3 Analytical Framework

The data was subjected to descriptive statistical analysis, which generated frequency distributions and mean scores. The decision to rely on descriptive statistics rather than complex inferential tests (like regression) was driven by the small sample size of this pilot study. The results are intended to be indicative and hypothesis-generating. Cross-tabulation was utilized to map the relationships between demographic variables (specifically location) and product preferences. The qualitative responses from the survey were analyzed using thematic analysis to identify recurring keywords such as "Freshness," "Chemicals," "Expensive," and "Availability."

V. Findings and Discussion

5.1 Demographic Insights

The demographic profile (Table 1) reveals a sample that is heavily weighted toward the 26-40 age group (45%). This group represents the primary decision-making cohort for Indian households. They are typically balancing the needs of young children and aging parents, making them very sensitive to both health (quality) and budget (price). The gender split (58% Male) suggests a slight overrepresentation of male respondents, which is a common limitation in convenience sampling in India. However, the female response rate was sufficient to capture the perspective of the primary grocery buyer for the household.

5.2 Category-Wise Preference Analysis

The data in Table 2 illustrates that consumer preference is not uniform; it changes drastically depending on the product's function and the perceived risk associated with it.

Category	% Preferring Local Brands	% Preferring Branded Products
Food & Beverages (Staples, Snacks)	40%	60%
Personal Care (Soap, Shampoo, Oil)	45%	55%
Household Goods (Cleaners, Detergents)	35%	65%

Table 2: Consumer Preference for Local vs.

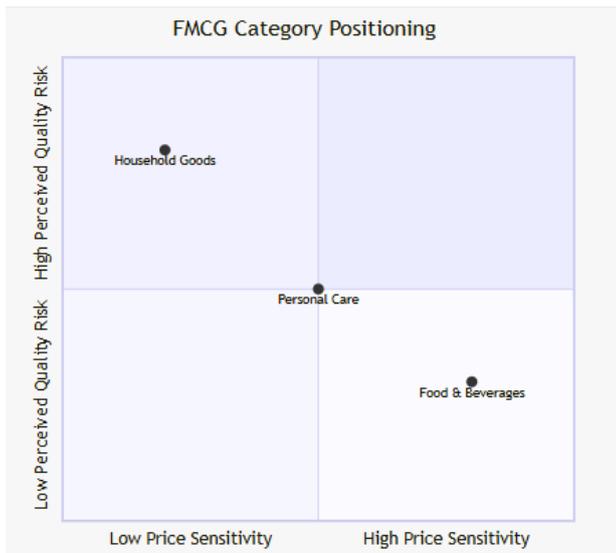


Figure 2: Consumer Preference for Local vs. Branded FMCG Products (Note: This figure would illustrate the data in Table 2, showing branded products dominating overall, but local brands holding a strong share in food and personal care.)

Discussion of Categories:

- Food & Beverages (40% Local): Local brands are strong in this area. The data shows that the main reason is "Sensory Authenticity." People feel that local snacks and spices taste real. National brands often seem too bland or too salty. For example, a local namkeen has the right spice and oil. Also, rice and flour from local mills are seen as fresher. Branded packaged goods have

Branded FMCG Products (N=55)

preservatives to last longer. So, in food, "Local" means "Fresh," "Real," and "Custom."

- Personal Care (45% Local): This is different from the usual rule where big companies lead. The change comes from the "Herbal and Ayurvedic" trend. Many people now worry about chemicals like sulfates and parabens. Local brands say their products are natural and safe. They use old recipes. This helps them fight big companies who claim their products are scientific. Younger urban women like these local brands more. This shows the younger people want to go back to old ways, not the older ones.

- Household Goods (35% Local): Here, big brands win with 65%. The reason is "Functional Risk." People do not want to take risks with products like bleach or strong detergents. If a local detergent does not clean well or harms clothes, the problem is clear. So, people trust big brands like Surf Excel or Harpic. In this group, trust is more important than price.

5.3 The Drivers of Decision Making

Table 3 presents the mean scores for various factors, highlighting the psychological differences between Urban and Rural respondents.

Table 3: Importance of Factors in FMCG Brand Choice (Mean Scores)

Factor	Urban Mean (N=30)	Rural Mean (N=25)
Price	4.3	4.7
Quality	4.5	4.2
Availability	4.2	4.5
Brand Trust	4.4	4.3
Advertising	3.1	2.8

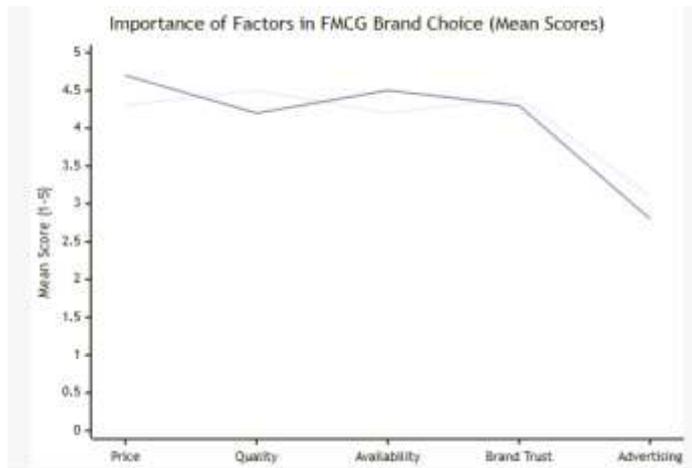


Figure 3: Factors Influencing FMCG Brand Choice among Urban and Rural Consumers (Note: This figure would visually compare the bars, showing Price and Availability are higher for Rural, while Quality and Brand Trust are higher for Urban.)

Discussion:

- **Price Sensitivity:** Price is the most important factor for rural consumers. They gave it a score of 4.7. Rural buyers have little extra money. They often use a daily budget, not a monthly one. Local brands sell small, cheap sachets like ₹1 or ₹2 units. National brands do not focus on these in remote areas. Urban respondents also rated Price high at 4.3. This means that city buyers also care about price. Inflation and "premiumization fatigue" make people avoid paying high prices for basic goods.
- **Quality vs. Price:** Urban consumers care more about Quality, giving it 4.5. They use a "conditional switching" rule. They buy local brands only if the quality is good. If a local shampoo causes hair fall, they switch back to branded ones. Rural consumers accept lower quality if the price is much lower. For urban buyers, quality means "consistency and luxury." For rural buyers, quality means "it works."
- **Availability:** Rural consumers say Availability is very important with a 4.5 rating. Distribution is hard in rural areas. If a product is not in the local Kirana store, people cannot buy it. E-commerce is low, and supermarkets are not there. Local brands win because they give shopkeepers better prices and terms. Urban consumers gave availability a 4.2 rating. They have many ways to get products, like supermarkets and apps such as Blinkit or Zepto.
- **The Decline of Advertising:** Advertising scored low, 3.1 in urban areas and 2.8 in rural ones. Traditional ads on TV and print do not work well anymore. People trust word-of-mouth, online reviews, and their own experience more. This helps local brands with small ad budgets compete. Legacy brands that depend on TV ads face a big problem.

5.4 The Urban-Rural Motivation Gap

The study uncovers a divergence in motivation that leads to the same outcome (buying local).

- **Rural Motivation (Economic):** The rural consumer is a "Value Hunter." Buying local is a rational economic decision driven by the need to maximize limited resources. They support local brands because they are cheaper and accessible, not necessarily out of patriotic sentiment.
- **Urban Motivation (Lifestyle):** The urban consumer is an "Experimentalist." For them, buying local is often a lifestyle choice that signals cultural awareness, support for the domestic economy, and a preference for "authentic" or "chemical-free" products. It is a conscious, deliberate choice rather than a default necessity.

VI. Managerial Implications

The insights from this pilot study offer actionable strategies for both domestic challengers and established market leaders. The market is no longer a simple win-or-lose game but a complex battlefield of perception and value.

6.1 Strategies for Local and Regional Players

- **Quality as a Basic Requirement:** To scale beyond the initial phase of acceptance, quality consistency is non-negotiable. The study shows that while price attracts the customer, quality retains them. Local manufacturers must invest in standardization, better packaging, and research to ensure their products match national standards. The "rustic" charm should not extend to inconsistent quality.
- **Leverage the "Herbal" Narrative:** Local brands should focus heavily on the "Natural/Ayurvedic" positioning in the Personal Care category. This is their strongest differentiator against MNCs. Scientific backing of these claims—such as basic certifications or ingredient transparency—can further boost trust among urban consumers.
- **Distribution Dominance in Rural Markets:** Local brands must protect their "Availability" advantage in rural areas by maintaining strong relationships with Kirana stores. Offering higher margins and credit facilities can ensure shopkeepers continue to recommend their products over national brands.

6.2 Strategies for National and MNC Brands

- **The "Glocal" Strategy:** National brands cannot rely solely on their legacy. They need to introduce "local" variants—such as regional flavors (e.g., "Pudina Chutney" in a snack or specific regional fragrances in soaps) to appeal to the rising sense of cultural pride. They must act "local" to win the "local" consumer.
- **Decentralized Distribution:** National brands struggle in rural areas due to complex supply chains. Big companies should consider acquiring or partnering with local distribution networks to improve their last-mile reach. They cannot compete on availability if they do not fix the rural supply chain.
- **Marketing Spend Reallocation:** With the low influence of traditional advertising, brands should shift budgets to digital marketing and point-of-sale promotions. Influencer marketing, particularly using regional language influencers, is more effective than generic TV ads. They need to be part of the "conversations" happening on WhatsApp and Instagram.

VII. Conclusion

This pilot study of 55 consumers provides a micro-level snapshot of the changing dynamics within the Indian FMCG sector. The results demonstrate that the rise of local brands is not a temporary anomaly but a structural shift driven by improved quality, affordability, and changing cultural values. While branded products retain dominance in high-risk categories like household care, local brands are making significant progress in food and personal care by aligning with the consumer's desire for authenticity and value.

The findings highlight the complexity of the Indian market. It is no longer sufficient to view consumers through a single lens. Success in this landscape requires a nuanced understanding of the distinct motivations of Urban and Rural

populations. For marketers, the path forward involves balancing global quality standards with deep local relevance. The future belongs to brands that can be "Global in scale but Local in soul," resonating with the pragmatic rural farmer and the ideological urbanite alike.

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