CHAPTER - 1

INTRODUCTION

The Chapter deals with the concept of consumer behavior, Indian market trends, Indian consumer behavior, entertainment appliances, statement of problem, hypotheses, objectives of the study, methodology, scope and limitations of the study.

Consumer Behaviour emerged in the marketing concept as a crucial phenomenon. This marketing strategy evolved in the marketing world in late 1940’s. The marketers of the products began to analyse the need of the consumers and their degree of satisfaction through the purchasing of their products. Many torrent of results were obtained as up shot of the research on consumer behaviour. Many giant companies separately opened the research outlets on consumer behaviour and encouraged the researcher to employ the various strategies to maximize the consumers.

In the 1950s when goods became more readily available and competition intensified, some marketers adopted product orientation while others followed the selling orientation. The assumption underlying the product orientation is that consumers will buy the product that offers them the highest quality, the best performance and the most features. A product orientation leads a company to strive constantly to improve the quality of its product, with a result often referred to as “marketing myopia” (i.e. a focus on the ‘Product’ rather than on the ‘Consumer need’). A marketer in love with his product, may improve it far beyond its worth to the consumer, passing the cost of unneeded quality or special features on to the public. In a highly competitive market some companies keep adding unnecessary features in hope of attracting the buyers.

Companies that switched to selling orientation, changed their primary focus from improving the product to selling the product. During this process, companies exerted a tremendous ‘hard sell’ on consumers in order to move the goods they had unilaterally decided to produce. The implicit assumption in the selling orientation is that consumers are unlikely to buy a product unless they are actively and aggressively persuaded to do so. The problem with the selling orientation is that it does not take
consumer satisfaction into account. If consumers are induced to buy a product that they don’t want or need, their unhappiness is likely to be communicated through negative word – of – mouth that may dissuade other potential consumers. Furthermore if the product (or service or political candidate) does not fulfill a consumer need, it is unlikely that a repeat purchase (or donation or vote) will be forthcoming.

In the early 1950’s many marketers began to realise that they could sell more goods more easily, if they produced only those goods that they had pre-determined that consumers would buy. Instead of trying to persuade customers to buy what the firm had already produced, marketing oriented firms endeavoured to produce only what they had first determined the consumers would buy. Consumer needs and wants became the firm’s primary focus. This Consumer oriented marketing philosophy, introduced by General Electric in the mid-1950’s, came to be known as the marketing concept. The key assumption underlying the marketing concept is that, to be successful, a company must determine the needs and wants of specific target markets and deliver the desired satisfactions, better than the competition.

The marketing concept is based on the premise that a marketer should produce what he can sell, instead of trying to sell what he had made. While the selling concept focused on the needs of the seller, the marketing concept focuses on the needs of the buyer.

1.1 CONSUMER BEHAVIOUR

Consumer Behaviour refers to the behaviour that consumers display in searching for purchasing, using, evaluating and disposing of products and services that they expect will satisfy their needs. The study of consumer behaviour is the study of how individuals make decisions to spend their available resources (time, money, effort) on consumption related items. It includes the study of what they buy, why they buy, when they buy, where they buy, how often they buy and how often they use.

The term ‘consumer’ is often used to describe two different kinds of consumer entities - the personal consumer and the organizational consumer. The personal consumer buys goods and services for his or her own use (e.g. shaving cream or shampoo), for use of the household (a VCR), or a gift for a friend (a book).
The organizational consumer buys goods for profit and not for a profit business. Government agencies (local, state and national) and institutions (e.g., schools, hospitals, prisons) all of which must buy products, equipment and services in order to run their organizations, fall under this category.

The study of consumer behaviour holds great interest for us as consumers, as marketers and as scholars of human behaviour. As consumers we benefit from insights into our own consumption related decisions, what we buy, why we buy, how we buy and the promotional influences that persuade us to buy. The study of consumer behaviour enables us to become better – i.e. wiser – consumers.

As marketers and future marketers, it is important for us to recognise why and how individuals make their consumption decisions, so that we can make better strategic marketing decisions. If marketers understand consumer behaviour, they are able to predict how consumers are likely to react to various informational and environmental cues, and are able to shape their marketing strategies accordingly. Without doubt, marketers who understand consumer behaviour have great competitive advantage in the market place.

As scholars of human behaviour, we are concerned with understanding consumer behaviour, with gaining insights into why individuals act in certain consumption related ways and with learning what internal and external influences impel them to act as they do.

Profits from customer relationships are the major aspect of all business. So the basic objective of any business is Profit maximisation through customer satisfaction. But it is always difficult to get customer satisfaction. A consumer may state his needs and wants and yet may act otherwise. He may not be aware of his deeper motivations and may change his mind at any stage.

Inspite of such diversities among consumers, there are many similarities among them. To find these, the study of target customers’ wants, perceptions and shopping and buying behaviour will be helpful as it will provide the information necessary for developing new products, prices, channels communication and other marketing elements.
In the majority of markets, however buyers differ enormously in terms of their buying dynamics. The task faced by the marketing strategist in coming to terms with these differences is complex. In consumer markets, not only do buyers typically differ in terms of their age, income, educational levels and geographical location but more fundamentally in terms of their personality, their lifestyles and their expectations.

The importance of Consumer behaviour in marketing has been beautifully described in a journal titled, “Modern Management”, Calcutta, January 1999 in the following words, “Consumer behaviour is a rapidly growing field of research and teaching, which, in addition to marketing managers is also of considerable value to others who are professionally concerned with buying activity.” An important reason for studying consumer behaviour is evaluation of consumer groups with unsatisfied needs and desires. The essence of modern marketing concept is that all elements of business should be geared for the satisfaction of consumers.

1.2 NEED OF THE STUDY OF CONSUMER BEHAVIOUR

The widespread adoption of the marketing concept provided the impetus for the study of consumer behaviour. To identify unreached consumer needs, companies had to engage in extensive marketing research. In so doing, they discovered that consumers were highly complex individuals, subjected to a variety of psychological and social needs quite apart from their survival needs. They discovered that the needs and priorities of different consumer segments differed dramatically. And they discovered that in order to design new products and marketing strategies that would fulfill consumer needs, they had to study consumers and their consumption behaviour in depth. Thus, the marketing concept laid the ground work for the application of consumer behaviour principles to marketing strategy.
1.3 EMERGING POTENTIAL OF THE INDIAN MARKET

The recent Indian market trends are from mass to direct marketing, from transaction to relationship marketing. The new trend is only evolutionary and not revolutionary. The economic boom of the late 1980’s and early 1990’s and a more open industrial policy in India have brought in a new sense of optimism among the marketing managers, especially those dealing in consumer and durable goods. It has become common to talk about unlimited opportunities and the market reaches awaiting to be tapped in urban as well as rural India. The marketers are no doubt expanding and the very significant growth rates witnessed in small towns and rural areas over the past few years have opened new vistas for further growth.¹

The consumerism of the 80’s has been a topic of many popular writings. There is a talk of the emerging middle class which finally got recognition under the former Indian Prime Minister, Rajiv Gandhi’s liberal economic policy. As a result of this, the consumer and durable goods industry expanded their production. Conspicuous consumption became the way of life for a section of the population. Consumer asserted his sovereignty by choosing such products and brands which suited his or her personal image and changing life style, compelling the industry to become much more competitive and innovative. It also brought with it a commotion in the marketing welfare for acquiring and retaining a market strategy. The Indian consumers could no longer be taken for granted. With the fast growing small scale sector and large number of tie ups with foreign collaborators by the corporate sector, the nineties proved to be the watershed in the history of competitive marketing in India. The need to understand the emerging markets and the consumers who comprise them, has thus become a big challenge to the marketing experts, especially those of consumer goods which reach the entire realm of the population.

The present day Indian market for durable consumer goods is master minded by multinationals and their Indian counter parts. The producers are willing to invest large fortunes in competitive advertising and product differentiation. India might not

¹. Rao B.N., ‘Profile of Rural market 1984 – 89’ New Delhi, Operation research group, 1990 P - 10
yet be on par with the Asian tigers like, Hong Kong, South Korea, Taiwan and Singapore, but it is certainly on the way to becoming one.

Economic liberalization in India has opened the doors for a massive expansion in investment and production in the entire spectrum of industry. Along side this substantial growth depending of the industrial structure, the age of high mass consumption also seems to be a foreseeable prospect. Thus, India was identified as one of the largest markets for consumption goods in Asia, next only to China. The 200 million strong middle class consumers in India have clearly sent a message to the world that their appetite for consumer goods is enormous by any standard. What all this means to marketing and the consumers of the Indian market, is a topic to be examined in detail.

The rapid rise in consumer spending, which is no doubt derived from higher levels of disposable personal income, is not a mere quantitative spurt. It represents a significant qualitative change in the people’s perceptions of what they want and how they would go about the job of fulfilling their wants. Thus, the growing numbers of companies are increasingly looking towards orienting their business to go beyond customer needs and wants.

1.4 AN OVERVIEW OF INDIAN CONSUMERS

Indian market is vast and it is scattered over six lakh villages and five thousand small and big towns. The thick population of the land with their extreme diversities in terms of religion, customs and language provide the most peculiar market for the world. There are six religions and six hundred sects and sub sects. The people speak seventeen different languages and hundreds of local dialects. The diversity in the country and the absence of a common life style and consumption habits are the most challenging characteristics of the marketing environment in India.

Every buyer in the Indian market buys the product to suit his own economic and social environment. One has to be cautious while applying the theories to understand the behavioural dynamics of the Indian consumers.
To understand the peculiarities of the Indian consumer and to construct his buying profile, the analysis has to be carried out in relation to his environment, his culture and tradition, his educational and economic status, his level of exposure and the degree of his sophistication.

A comprehensive study on the Indian consumer satisfaction and dissatisfaction has not been undertaken so far. Only a few brief studies have been conducted by academic institutions and individual researchers on isolated aspects of the buying behaviour of the Indian consumers.

It is evident from such studies that Indian, as a class, present a striking contrast to the people of the west. Mostly they are not an adventurous, thrill seeking and highly stirring community. Basically, they are conservative minded and tradition bound people. It is not an exaggeration to say that more than the future, it is the past that influences their style of living. They do not seek after great events for their happiness. Expensive holidays and sight seeing are something alien to their normal life style. They are content with the small happenings in the family or community. These are the some general characteristics of the Indian people, but it does not mean that Indians are homogenous people, fitting into a common characteristic.²

Although the existing products satisfy a certain need, the manufacturers sense an additional requirement for many of Indian consumers. This is a direct result of the rapidly changing social and economic environment in India during 1990’s. The economic liberalisation that has been sweeping across the country for the last few years has altered the lives of a large section of India’s flourishing middle class consumers. They have become far more internal in their outlook and aspirations, more sophisticated and flexible in lifestyle and attitudes and certainly more adventurous and demanding in terms of product usage and leisure activities. With the advent of new “Manmohanomics” (The Economic Policy of Dr.Manmohan Singh) there are many more opportunities to make money and even more avenues to spend it. Another dramatic change which has had widespread social and economic ramifications is the

explosion of satellite television. The satellite revolution started 1991 and there are now approximately 18 million homes wired to cable or satellite television. All these channels will largely be supported by advertising the growing range of goods and services available in India.

Due to the diversity in religion and caste, language and cultural styles, customs and calendars, it will be more practicable to classify the Indian consumer on the basis of his economic status such as the rich Indian consumer, the middle class consumer and lower middle class consumer. Numerically the first group is a negligible minority. Though this group indulges in conspicuous consumption of a high order, it does not form a demand base large enough for any manufacturing firm to concentrate upon. It is the middle class that constitute the largest consuming sector for manufacturing goods in the country today. The third category, the lower middle class consumer group, stands out as a striking contrast to the first. Its purchasing power is very low. It receives the benefits of several social, educational and economic programs of the nation and over a period of years, the upper strata of this group may improve economically and merge into the middle class.

For any marketer in the country, the middle income group offers the maximum scope and the maximum demand potential. The Indian middle class consumer may objectively be further classified into urban middle class and semi urban middle class consumer, because of certain inherent distinctions in the buying habits, motives and need levels. The demands and requirements of city life are quite different from those of the semi urban life. This difference will reflect on consumption patterns and buying patterns. A family living in a two roomed flat in a crowded city will be using several consumer items and necessities which may be considered as avoidable luxuries by its semi urban counterparts.

The urban consumer is relatively better educated. He is willing to learn and is receptive to new ideas. He wants economic and emotional security. He will not normally do something that is likely to upset his emotional ties. His need for love and the level of satisfaction of this need are important factors deciding his emotional balance. He wants social security too. He wants to be a part of the social set up in which he lives. The urban middle class buyer lives on a fixed income. The
introduction of consumer credit by several marketing agencies in the country has benefited them to a great extent, particularly anything is available to him on installment payments. These characteristics of the urban middle class may throw light on his life style and buying motives.

The effective demand of the semi urban consumer is limited when compared with that of his urban counterpart. This is mainly because of his poor purchasing power. The majority of semi urban consumers are not monthly wage earners like urban consumers. The literacy level of many of these consumers is still remarkably low. In terms of buying habits and motives, semi urban consumers are expected to be significantly different from urban consumers. They are, by and large, more cautious and skeptical in their approach to buying. They are careful and cautious while buying and hence their decisions are slow and delayed.

Thus, many important facts of Indian consumers need to be investigated. The first is the extent and depth of change in the life style and attitudes of Indian consumers. Secondly, the consumers who belong to different socio economic segments with varying level income and education, with fast changing skills and occupation needs further examination. Hence, the whole analysis in the study is done with reference to urban and semi urban middle class population collectively.

1.5 ENTERTAINMENT PRODUCTS

Entertainment Products are those which entertain the consumers during their leisure time. These products have had a vast development over three or four decades. Beginning with Radio, Two-in-one, now we have even CD Players and Home Theatres. The present study analyses the behavior of consumers towards the entertainment products namely Television and Audio system. These products are chosen for study as they are considered to be the most important among various sources of entertainment. These products also form an important media for advertisement. Television is said to be the most important among the mass communication net work.
1.6 STATEMENT OF THE PROBLEM

The Consumer behaviour and satisfaction depend upon various aspects like comparing the existence of the attributes of preference, after-purchase checking of the quality on the basis of expected satisfaction. When the utility of the product after purchase and experiencing the real performance and the expected performance which influence sales promotional activities of manufacturer or dealer.

To analyze these sorts of competitive study of consumer is considered to be one of the challenging problems in marketing studies. The main problem of the study is not only to examine whether the consumer satisfaction entirely depends upon the quality, utility and the after sale service of the product but also to assess its impact on sales promotional activities by the manufacturers and dealers.

1.7 HYPOTHESES OF THE STUDY

The present study is based on proving or disproving the following null hypothesis.

Null Hypothesis –1

Ho: The consumer preference for specific attributes does not influence the purchase behavior.

Null Hypothesis – 2

Ho: The consumer behavior and satisfaction are not affected by the quality, utility, service and the sales promotional activities.

1.8 OBJECTIVES OF THE STUDY

1. To discuss the theoretical concepts and identify the consumers preference for specific attributes and their influence on purchase of home entertainment appliances;

2. To analyze the influence of price, quality, make, utility and service value of home entertainment appliances on consumers behavior and their satisfaction;
3. To find out the impact of demographic variables and the influence of promotional avenues on consumers behavior with respect of home entertainment appliances; and

4. To study the authorized dealers’ perception on consumer behavior and assess the consumers post-purchase behavior on the failure to satisfy their expectations.

5. To offer appropriate suggestions improvement of consumer satisfaction towards home entertainment appliances.

1.9 SCOPE OF THE STUDY

The study focuses on the consumer behavior relating to consumers purchase preferences, consumers satisfaction, complaining behavior and sales promotion with respect to the home entertainment appliances. It is the middle class that constitutes the largest consuming sector for entertainment goods in the country today. As far as our economy is concerned, it is entirely leaning upon the middle class and upper middle class families. So it is found that exploring the behaviour of the above mentioned consumers would give certain torrent of useful result for the manufacturer to catch or to maximize the consumers. The study has got further scope in analyzing the elements of consumer behavior like preference, satisfaction, reaction to the failure of the product and sales promotional activities.

1.10 LIMITATION OF THE STUDY

This study can not be generalized for the consumers of home entertainment product in the whole of Andhra Pradesh or India as the results obtained in this study or suggestions offered are based on the study conducted on the consumers and dealers in a small geographical base viz the city of Vijayawada. So it has got its own limitation for microscopic analysis.

1.11 METHODOLOGY

The study is conducted using descriptive and analytical type of methodology. The study is conducted with the help of both primary and secondary data. The
Primary data is collected directly from the consumers. It provides information relating to the various aspects of consumer behavior in home entertainment products. The secondary data is collected from various published reports of various associations, research articles in various national and international journals, periodicals, books, reports from daily papers available in institutions such as Indian Institute of Management, Bangalore, Institute of Financial and Management Research, Chennai, and information from various websites. In addition to the above, books authored by eminent economists and research scholars were also taken up for review.

1.11.1 Sampling

The sample for the study of consumer behaviour in respect home entertainment products were drawn from two levels – namely the consumers and authorized dealers situated at Vijayawada City in Andhra Pradesh. The sample size is 550, divided among 500 consumers and 50 authorized dealers in Vijayawada City.

The sample selection procedure adopted is based on stratified random sampling method. 500 samples from consumers possessing television and audio system are collected through a stratified random sampling method executed in all the region of Vijayawada City. To collect other information about consumers, 50 Authorized dealers selected on simple random basis in all parts of Vijayawada city are requested to respond to a separately framed questionnaire. The Primary data is collected from the selected consumers with the help of an undisguised, structured and close ended questionnaire. The questionnaire consisted of multiple choice questions using 5 point scaling techniques. Separate questionnaires are prepared for consumers and authorized dealers respectively. The questions are divided into four areas namely – consumer’s purchase preference, consumer satisfaction, consumer complaining behaviour and sales promotion. The questions are serially numbered and arranged in a proper order in accordance with the relevance.

1.11.2 Reliability test.

The statements included in the questionnaire with 5-point scale are tested for the reliability analysis using Cronbach Alpha model and the statements were treated under Hotelling’s T-square test for the consistency among them.
Cronbach co-efficient and Hotelling’s T-square value.

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From the above table, it is found that the statements in the questionnaire highly possess the internal consistency and are suitable for analysis.

1.11.3 Data Analysis

The following statistical tools are used to obtain results regarding the objectives of the study:

1. Factor Analysis by Principle Component method is used to reduce the number of variables into major factors;
2. Cluster Analysis is used to identify different clusters of consumers based on the preference, satisfaction and complaining behaviour;

3. Discriminate Analysis is employed to identity the group of consumers among different attributes of preference and satisfaction;

4. Generalized linear model is brought to bear to measure the impact of multiple independent variables (Co-variates) on multiple dependent variables;

5. One way analysis of variance is used to exhibit the variance among different variables in the analysis which would also help to assess the significant difference among the variables;

6. The Parametric t-test is employed to find the significant difference between the variables in the analysis;

7. Measures of Central Tendency and measures of dispersion are used to compare the specified variables;

8. Diagrammatic representation like Pie diagram, Simple bar diagram and Multiple bar diagram are used to represent the contribution of the variables in the analysis.

1.12 CHAPTERIZATION

Chapter I - Introduction deals with the concept of consumer behavior, Indian market trends, Indian consumer behavior, entertainment appliances, statement of problem, objectives of the study methodology, scope and limitations of the study.

Chapter II – Review of literature and explains the views of scholars and researchers on consumer preference, consumer satisfaction and complaining behavior.

Chapter III – Presents the views of various authors on consumer behavior models on different kinds of products.

Chapter IV – Consumer purchase preference – deals with different types of purchase decisions and factor analysis for the attributes of television and audio system.
Chapter V – Consumer satisfaction and complaining behavior – elaborates different aspects of quality, utility service, value and failure of television and audio system.

Chapter VI – Sales Promotion – deals with factors influencing sales promotion at different levels namely authorized dealers consumers and salesmen and factor analysis for marketing promotion and advertisement.

Chapter VII – Summary of findings, conclusion and suggestions – summarizes all the results obtained through statistical analysis and the conclusions arrived so as to offer the suggestions.