Chapter 1

Introduction

1. Introduction.

Consumer Behaviour (CB) is, “the decision making process and physical activity individuals engage in when evaluating, acquiring, using or disposing of goods and services”. Consumer buying behaviour is all psychological, social and physical behavior of potential customers, as they become aware to evaluate, purchase, and tell other people about products and services.

Consumer Buyer Behaviour.

According to Abraham Maslow\(^1\), people are driven by particular needs at particular times. Abraham Maslow’s hierarchy is triangular because as one moves up, fewer and fewer people satisfy higher-level needs. 

Physiological needs such as food, air, water, heat, and the basic necessities of survival need to be satisfied. At the level of safety, a home protects people from the elements and predators.

At the third level, one meets the social and belongingness needs i.e. marriage, or joins groups of friends, etc. the final two levels are esteem and

**self-actualization.** Fewer people satisfy the higher level needs. Esteem means that one achieves something that makes him recognized and gives him/her personal satisfaction.

**Consumer Behaviour (CB) Theories.**

CB theories explain the motivational processes that influence buying behaviour. These theories may be grouped as presented in the Figure 1.

- Economic theories include Marginal Utility Theory (MUT) and Income & Saving Theory (I & ST).
  - While MUT states that a consumer will continue to buy such products that will deliver him the most utility or maximum satisfaction at relative prices, the
  - I &ST reveals that the purchasing power is the real determinant of buying, which dependent on disposable income. This concept is used in planning and analysis of demand.
  - Psychological theories lie in the fact that people learn from experience, and the results of experience will modify their actions on future occasions.
Stimulus Response theories show that “learning occurs as a person responds to some stimulus and is rewarded with need satisfaction for a correct response”.

Cognitive theories show that stimulation of want is conditioned by a customer’s knowledge, his perception, benefits and attitudes. Perception is the sum-total of physical stimuli and personal factors. Beliefs and attitudes are difficult to be changed.

Gestalt and field theories explain that learning and consequent behaviour is not independent, but is a total process. They argue that human behaviour must be viewed as individually patterned totalities. Behaviour should be explained in terms of all the factors that are operating when an event happens.

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Psychoanalytic theories (Sigmund Freud) state that the personality has three basic dimensions, the id, the ego, and the super ego. The id refers to the free mechanism that leads to strong drives. The ego refers to the act of weighing consequences and tries to reconcile with reality. The super ego is a person’s conscience. It is highly rationale and tries to keep the activities morally right.

In essence, id urges an enjoyable act; the super ego presents the moral issues, and the ego acts as an arbitrator in determining whether to proceed or not.

Socio-culture theories (Veblen, T., 1899)\(^3\) known as Veblen ion Model reveals that man is primarily a social animal, and his wants and behaviour are largely influenced by the group in which he is a member. The tendency of all people is to “fit in” a society in spite of their personal likes and dislikes. Culture, sub-culture, social classes, reference groups, family are the different factor groups that influence buying behaviour. Reference groups indicate the position of a particular group of persons in a society. Man is essentially a social being and interacts with other individuals in a variety of social groups. Man who becomes a consumer needs a variety of goods for consumption. A consumer’s buying behavior is influenced by cultural,

\(^3\) Ibid. P.28.
social, and personal factors. Cultural factors exert the broadest and deepest influence.4

1.2. Types of Consumer goods.

Consumer goods are final goods that are brought from retail stores to satisfy the needs and wants of human being. Consumer goods are in different types. They are as follows.

- Household items
- Personal care products
- Consumer electronics
- Utensils
- Nano technology devices
- Foods
- Clothing products
- Stationary
- Gift articles

1.2.1. Convenience goods.

Goods which are easily available to consumer, without any extra effort are convenience goods. Mostly, convenience goods come in the category of nondurable goods such as like fast foods, confectionaries, and cigarettes, with low value. The goods are mostly sold by wholesalers to make them available to the consumers in good volume. Further, convenience goods can be sub-categorized into:

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- Staple convenience consumer goods
- Impulse convenience consumer goods
- Shopping consumer goods
- Non sought consumer goods
- Durable consumer goods
- Non durable consumer goods.

1.2.2. Staple Convenience Consumer goods.

Goods which come under the basic demands of human beings are called staple convenience goods. For eg: milk, bread, sugar etc.

1.2.3. Impulse Convenience Consumer goods.

Goods which are brought without any prior planning or which are brought impulsively are called impulse convenience goods. For eg: potato wafers, candies, ice creams, cold drinks etc.

1.2.4. Shopping Consumer goods.

In shopping consumer goods, consumer do lot of selection and comparison based on various parameters such as cost, brand, style, comfort etc, before buying and item. They are costlier than convenience goods and are durable nature. Consumer goods companies usually try to set up their shops and show rooms in active shopping area to attract customer attention and their main focus is to do lots of advertising and marketing to become popular.
Goods like

- Clothing items
- Televisions
- Radio
- Foot wears
- Home furnishing
- Jewelleries

All these come under the category of shopping goods.

1.2.5. Specialty Consumer goods.

Goods which are very unique, unusual, and luxurious in nature are called specialty goods. Specialty goods are mostly purchased by upper-class of society as they are expensive in nature. The goods don’t come under the category of necessity rather they are purchased on the basis personal preference or desire. Brand name and unique and special features of an item are major attributes which attract customer attraction in buying them.

Examples of specialty goods are:

- Antiques
- Jewelry
- Wedding dresses
- Cars

1.2.6. Non - sought Consumer goods.

Goods or services like insurance which are available in the market but customer is not really interested in buying them are called non-sought goods.
1.2.7. Durable Consumer goods.

Goods which have long life span and usage period are called durable goods.

Examples:
- Furniture
- Kitchenware
- Consumer electronics

1.2.8. Semi-Durable Consumer goods.

Goods which have limited life span or usage period are called semi-durable goods.

Example:
- Clothes
- Foot wears
- Artificial jewellery
- Home furnishing

1.2.9. Non-Durable Consumer goods.

Goods have a very short life span and are perishable in nature are called non-durable goods.

Examples:
- Milk
- Bread

Durable Goods or Durable Products or Hard Goods are products which are either consumed and used or disposed and destroyed after serving
usefulness for a long period of time in future. Durables consumption change according to the market.

'Durable Goods' or Consumer Durable Goods may be defined as item of consumption or merchandise which lasts for a very long duration of time even if they are used regularly i.e. the decline in the quality is gradual. They are also known as indestructible goods because they wear out very slowly in spite of regular utilization.

Some Common examples of durable goods are vehicles (it may be self owned or on lease), or any other forms of tool for domestic usage. Other common household durable goods are Television, Microwave Oven, and Wardrobe etc.

1.3. Benefits of Durable goods.

The most common benefit of purchasing a durable good (also known as 'Hard Goods' is its long life. Hard goods work on the theory of 'Buy Once and Use Forever', thus reducing expenditure overtime. Besides such goods provide you with higher reliability than non-durable goods or dynamic consumer
goods like eatables (for example). One should practice purchase and use of durable goods for long term benefit and convenience.

**Distinction between Durable and Non- Durable goods.**

There are certain differences between **durable equipments** and the **non durable equipments** (Often referred to as 'Soft Goods'). **First,** the most common of them being the durability. Durable Goods are more long wearing but non durables as the name suggests tend to wear out quickly. **Secondly,** hard goods can be leased but non durable movables cannot be leased out. While Durable goods can be seen as long term Investment but the Non Durable Goods are more of Consumption. Next, Durable goods are more reliable from the Non Durable counterparts.

**1.4. Consumer Market- India.**

India’s consumer market is riding the crest of the country’s economic boom. Driven by a young population with access to disposable income and easy finance options, the consumer market has been throwing up staggering figures. The market share of MNCs in consumer durables sector is 65 percent. MNCs major target is the growing middle class of India. MNCs offer superior technology to the consumers whereas the Indian companies compete on the basis of firm grasp of the local market, their well acknowledged brands, and hold over wide distribution network.
The population in our country has been classified into five groups, based on annual household income (based on year 1995-96). These groups are: Lower Income; three subgroups of Middle Income; and Higher Income. Household income in the top 20 boom cities in India is projected to grow at 10 percent annually over the next eight years, which is likely to increase consumer spending on durables. With the emergence of concepts such as quick and easy loan, zero equated monthly installment (EMI) charges, loan through credit card, loan over phone, it has become easy for Indian consumers to afford more expensive consumer goods.

Table 1.1-The Indian consumer durable market can be segmented into three groups.

<table>
<thead>
<tr>
<th>White goods</th>
<th>Brown goods</th>
<th>Consumer electronics</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Air conditioners</td>
<td>1. Microwave ovens</td>
<td>1. TVs</td>
</tr>
<tr>
<td>2. Refrigerators</td>
<td>2. Cooking Range</td>
<td>2. Audio and Video systems</td>
</tr>
<tr>
<td>4. Sewing Machines</td>
<td>4. Mixers</td>
<td>4. PCs</td>
</tr>
<tr>
<td>5. Watches and clocks</td>
<td>5. Grinders</td>
<td>5. Mobile phones</td>
</tr>
<tr>
<td>7. Other domestic</td>
<td></td>
<td></td>
</tr>
<tr>
<td>appliances</td>
<td>7. Irons</td>
<td>7. DVDs, Camcorders</td>
</tr>
</tbody>
</table>

Most of the segments in this sector are characterized by intense competition, emergence of new companies (especially MNCs) and introduction of state-of-the-art models, price discounts and exchange schemes. MNCs continue to dominate the Indian consumer durable segment,
which is apparent from the fact that these companies command more than 65 percent market share in the color television (CTV) segment.

In consonance with the global trend, over the years, demand for consumer durables has increased with rising income levels, double-income families, changing lifestyles, availability of credit increasing consumer awareness and introduction of new models. Products like air conditioners are no longer perceived as luxury products.

India, with its huge middle-class population and rapid economic growth, is one of the largest spenders in consumer electronics in Asia. Double-income families, rising income levels, availability of credit, changing lifestyle, introduction of new models, and increasing consumer awareness led to the surging demand of consumer electronics in India. The digital technology revolution has enabled the industry to earn profit from the growing interaction of digital applications, such as LCD TVs, mobile phones, etc. Thus, our research foresees that the Indian consumer electronics market will grow at a CAGR of around 18% during 2011 – 2014. The Indian consumer electronics market today stands at over Rs.400 billion.

Moreover, another important factor that has contributed significantly to the expanding consumer goods market is the phenomenal growth in the Indian media. Even consumers in the remotest areas are equally aware of the latest products launched in the market due to the increasing penetration of television
channels and cinemas. In addition, aggressive marketing efforts of the domestic majors are also helping the industry. Even Internet explosion is contributing significantly towards its successful achievement.

The consumer durables market recorded revenues of USD 6.3 billion in FY 2010. During FY 2003-10, the industry expanded at a CAGR of 11.7 percent. Value growth of durables is expected to be higher than historical levels as price declines for most of the products are not expected to be very significant. Though price declines will continue, it will cease to be the primary demand driver. Instead the continuing strength of income demographics will support volume growth.

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Flat panel TV</td>
<td>2.8</td>
<td>4.5</td>
<td>61</td>
</tr>
<tr>
<td>Refrigerator</td>
<td>9.0</td>
<td>12.0</td>
<td>33</td>
</tr>
<tr>
<td>Washing machines</td>
<td>5.0</td>
<td>6.0</td>
<td>20</td>
</tr>
<tr>
<td>Air conditioners</td>
<td>3.4</td>
<td>4.4</td>
<td>29</td>
</tr>
<tr>
<td>Microwave</td>
<td>1.0</td>
<td>1.5</td>
<td>44</td>
</tr>
</tbody>
</table>

**Income growth and availability of financing:**

- Disposable income levels are rising and consumer financing has become easier increased affordability of products.
Advanced technology and increasing competition are narrowing the price gap and the once expensive appliances are becoming cheaper.

Increasing share of organized retail.

Urban and rural market are growing at the annual rates of seven per cent to 10 per cent and 25 per cent respectively with organized retail expected to garner about 15 per cent share by 2015 from the current 5 per cent.

Competitive evolution of organized retail due to the entry of heavyweight players like Croma, E Zone and Reliance Digital is stimulating the demand through exposure to experiences. Industry sales was estimated to be about US$ 5.1 billion in value in 2007-08, a growth of more than 12 per cent over 2006-07.

**Chart 1.2: Key Consumer Durables - Share by Volume (%)**

![Chart showing key consumer durables by volume percentage]
1.5. Consumer Durables is one of the fastest growing industries in India.

Table 1.3: A strong growth is expected across all key segments

<table>
<thead>
<tr>
<th>Projected Growth Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colour TVs</td>
</tr>
<tr>
<td>Refrigerators</td>
</tr>
<tr>
<td>Washing Machines</td>
</tr>
<tr>
<td>Air Conditioners</td>
</tr>
<tr>
<td>Others (including VCDs and DVDs)</td>
</tr>
</tbody>
</table>

Overall, the sector is a dynamic one, with significant growth opportunities.

Threat of New Entrants.

- Most current players are global players
- New entrants will need to invest in Brand, Technology and Distribution

Supplier Power.

- Indigenous supply base limited - most raw materials are imported

Competitive Rivalry.

- Number of well established players, with new players entering
- Good technological capability
- Many untapped potential markets
Customer Power.

- Multitude of brands across price points - wide variety of choice for customers
- Threat of Substitutes
- Unbranded products and cheaper imports could enter the market.

1.6. Importance of the study.

Every living being is a potential consumer of goods and services. The needs of the consumers throughout the world are similar, while the social, environmental and other forces that vary from place to place lead to differences in buying and consumption patterns.

Business investors recognize the legalized brand name of the product as the company’s most valuable asset. Competency of the firm prevails upon its vision about how to develop, strengthen, defend, and manager its own brand by inculcating the consumers not to have a favor over other brands.

Thus, marketing battle will be a battle for brands. The only way to own markets is to own market dominant brands.

In this regard, though there were some studies, they had contributed only a few effective results. They did not help the marketers in their innovative strategies to make the product reach the potential customers. Consumers were satisfied by various goods and services. They are much concerned with the daily use items of consumer durable products being accustomed to live in the
midst of pollution. Hence, an attempt is imperative to thoroughly study the consumer behaviour and purchase decision of select durable goods. Thus, the present study makes an approach in this direction so as to provide effective information to the business world.

The scope of the study is restricted to the household durable goods. A study on the consumer purchase behaviour and decision of durable goods based on the demographic variables viz., age, education and occupation, is imperative and may help the manufacturers to segment the market and goods to meet the needs of the consumers.

1.7. Objectives of the study.

1. To ‘identify and analyse the factors determining the Consumers’ buying decisions’.

2. To ‘study the Consumer perception towards the selection of a brand’.

3. To ‘analyse the Buying behavior of Consumer Durable goods’.

4. To examine the ‘Consumer satisfaction level of the branded Durable goods’.

5. To suggest a model based on the study.
1.8. Hypotheses-Some of the hypotheses are given below.

1. There is no significant association between use of a particular brand of Durable goods and educational status of consumers.

2. There is no significant association between use of a particular brand of Durable goods and occupational status of consumers.

3. There is no significant difference in the motivation factors in preferring the Durable goods brands.

4. There is no significant relationship between the after sales service and choice of brands.

5. There is no significant relationship between the cost of spares and choice of Durable goods.

6. Consumer behaviour towards making decision to purchase Durable goods is independent of its demographic characteristics.

7. Consumer satisfaction with various features of Durable goods is independent of their demographic characteristics.

1.9. Sample and Research Methodology.

The Chennai Metropolitan City has been chosen for undertaking the present study in view of its distinct and unique historical importance.
Moreover, it is the work place as well as the domicile of the researcher. The features of Chennai city are as under.

Chennai city is governed by the corporation of Chennai. **It consists of 10 zones and is divided into 155 wards for enforcing clean administration and providing welfare measures.** The metropolitan region of Chennai covers many suburbs that are part of Kancheepuram and Thiruvallur Districts.

**The data comprises of two vital parts: Primary and Secondary.** The primary data is devoted to gather the perception and opinion of the respondents. The secondary data is pertaining to extensive theoretical knowledge relating to the concepts of brand preference, awareness and its sources.

**The primary data is collected from the respondents on the basis of their perceptions to different thought provoking insights relating to the concepts of brand preference and awareness contained in the well defined questionnaire.** The sources of secondary data comprises of books, journals, periodicals, reports, theses and websites.

**Samples size is: 500 respondents. Sample Selection:** To make the sample more balanced relating to life styles occupation, gender, cultural and socio-economic status of Chennai residents viz., Government employees, Private employees, Businessman, Self-employed, Housewives, a stratified random sampling technique has been executed.
An undisguised, structured and close ended questionnaire with dichotomous and multiple choice questions is prepared. A pilot study has been conducted on 50 respondents to make the questionnaire complete in all respects.

**Statistical tools used in the study.**

- Percentage analysis
- Descriptive analysis
- Friedman test for K related samples
- Confirmatory Factor Analysis
- Independent samples t-test
- One way ANOVA
- Bi-variate correlation
- Multiple regression
- Structural equation modeling

**Package used.**

The validity, reliability and analysis of the data in this study was analysed using Statistical package for social sciences (SPSS v 16.0). Analysis of Moment Structure (SPSS AMOS v.16) was used to perform structural equation modeling.

**Reliability and Validity test-Reliability.**

Reliability of an instrument refers to the degree of consistency between multiple measurements of variables. It is extent to which an experiment tests
or any measuring procedures yield, the same result on repeated attempts. Reliability was estimated through internal consistency method which is applied to measure the consistency among the variables in a summated scale. In the present study, the Cronbach’s Alpha co-efficient of reliability was found based on primary data of the present study and the details are as follows:

Table 1.4-Reliability measures for the study\(^5\)

<table>
<thead>
<tr>
<th>No</th>
<th>No of items</th>
<th>Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Purchase behavior</td>
<td>14</td>
</tr>
<tr>
<td>2</td>
<td>Perception</td>
<td>8</td>
</tr>
<tr>
<td>3</td>
<td>Promotion and Marketing</td>
<td>7</td>
</tr>
<tr>
<td>4</td>
<td>Awareness about durable goods</td>
<td>11</td>
</tr>
<tr>
<td>5</td>
<td>Performance of branded durable goods</td>
<td>11</td>
</tr>
<tr>
<td>6</td>
<td>Brand Loyalty</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>Overall reliability of the study</td>
<td>99</td>
</tr>
</tbody>
</table>

Validity.

Both Face and Content validities were established in the study. The face validity was done by the investigator and the content validity was established by the experts in the field of investigation. Face validity, it appears to measure whatever the author had in mind, namely, what he thought he was measuring. The rationale behind content validity is that to examine the extent to which a measuring instrument provides adequate coverage of the topic under study.

\(^5\) Primary data
1.10. Limitations of the Study.

- The study is based on the data collected from the select respondents. (Government Employees, Private Employees, Businessmen, Self Employed, Housewife within the Chennai city limits). The other groups are not considered due to time and cost constraint.

- The survey involves only the select consumer durables in use by the respondents of the present study.

1.11. Chapter Arrangements.

Chapter I: Introduction.

It provides the statement of problems, importance of the study, objectives of the study, samples and research methodology and scope and limitations of the study.

Chapter II: Review of literature.

It provides an overview of branding.

Chapter III: Socio-economic background of the consumers.

This chapter analyses the profile of the sample respondents.
Chapter IV: Consumer buying behaviour of Durable goods.

This chapter discusses the consumer preference, awareness, purchase behavior, satisfaction and marketing strategies.

Chapter V: Consumer Decision making styles and satisfaction of Durable goods.

Chapter VI: Summary and Conclusions are given in this chapter.