CHAPTER -I

INTRODUCTION

1.1 The Primacy of Consumption:

Consumer reigns supreme in a market economy. He is the sole end for production or the producer. Adam Smith observed that, "Consumer is the sole end and purpose of all production and the interest of the producer ought to be attended to only so far as it may be necessary for promoting that of the consumer." Today, consumer has taken the driver's seat in the business decision. The mass production of consumer products and articles has contributed to consumerism and throwaway culture and non-attachment to articles. The importance of the modern marketing concept is that all elements of business should be geared towards the satisfaction of consumers. This requires a thorough understanding of consumption pattern and buying motivations.

In the changing scenario of economic development, welfare-oriented consumer justice has, nevertheless, assumed great significance recently in India. Economic needs and consumer justice will have to be compatible and interwoven; hence, they cannot afford to be at loggerheads. The consumers' cannot afford to be negligent and they must face the realities of socio-economic development and the dynamic role law can play in promoting and shaping 'egalitarian consumerism'. One of the great challenges of the modern times has been the smooth reconciliation of the economic development and consumer justice through law and its instrumentalities. In this regard, as observed by Rajendra Kumar Nayak, the sustained consumer behaviour research in rural and urban areas will immensely help in changing attitude of consuming people. The consumer researchers will have to address on the problems, interests, and aptitude of the consumers. In safeguarding the interests of the consumer, albeit, consumer research will be a major step forward.
1.2 The Significance of Consumer Behaviour Research:

Consumer behaviour has its ancestry in a much older problem, indeed the oldest problem of economics, that of price determination. The economic theory of consumer behaviour is one of the most completely refined bodies of theory in the social sciences. Economic theory provides clear statements and models of the way consumer decisions ought to be inferred. Comparing these models to the conditions in the marketplace will highlight consumer problems. Consumer analysis assumes added significance since it includes not only decisions to acquire goods and services but also decisions concerning the allocation of resources to generate income so as to meet the expenses in buying the durables.

The modern approach to the study of the complex subject of consumption is "interdisciplinary" involving concepts from all the social sciences concerned with human behaviour. The theoretical framework developed in this section serves as a foundation for understanding the consumer behaviour and for providing cogent arguments for public policies on behalf of consumers.

1.3 Statement of the Problem:

Consumption pattern is the decision process and physical activities of an individual engaged in allocating, acquiring, using or disposing of goods and services. Philip Kotler viewed, "Consumer behaviour as all psychological, social and physical behaviour of potential customers as they become aware of to evaluate, purchase, consume and tell others about products and services." In the words of Walter "Consumer behaviour is the process where by individual decides whether, what, when, where, how and from whom to purchase goods and services."

The present study is conducted to know the ownership pattern of consumer durables, factors influencing demand for consumer durables, benefits sought by consumers, important buying criteria, and the sources of information for the consumer. The present study examines consumption pattern among
different economic classes with special reference to consumer durables in rural and urban economy of Nagappatinam (Nagai) District in Tamil Nadu

1.4 Scope of the Study:

The present study about consumption pattern analysis is based only on the data pertaining to Nagai district. The study ascertains consumption pattern of durables by economic class. The study is undertaken to understand the consumption pattern, positioning of each brand, the decision making, preference to buy one particular brand, use of the product, awareness about market offerings and information sources about the product.

1.5 Objectives:

Large numbers of marketing researches are undertaken to understand consumption pattern. The present study is conducted to know some of the important issues.

The main objective of the study is to examine the rural and urban consumption pattern for durables in Nagai district with special reference to select areas. More specifically, the present study is undertaken with the following objectives:

1. To identify the buying motives of consumers for durables.
2. To analyse the factors influencing the buying behaviour of the consumers and the problems faced by them with regard to the purchase of durables.
3. To find out the sources of information and brand awareness with regard to the durables.
4. To examine the ownership pattern of consumer durables.
5. To study the impact of advertising on consumption patterns of consumers.
6. To analyse the importance of credit in influencing consumer's buying pattern of durables.
7. To analyse the importance of grey (unorganised) market for consumer durables.
8. To suggest measures to improve the conditions of marketing the durables.

1.6 Time Frame:

The study pertains to the period from February 2001 to March 2003, in which the sample survey (including the pilot survey) was conducted in the selected areas of study.

1.7 Methodology:

The special concern of the present study is Nagapattinam District of Tamil Nadu. Due to proximity of the area and significance of the district for its uniqueness in terms of socio-economic status this district has been chosen as the locale for this study. The data for the present study are collected mainly through primary sources. The primary data are collected by directly contacting the respondents representing economic class-lower, middle and upper, at different places—both rural and urban in this district. The tools employed for the collection of the data are Questionnaire and Random Sampling Techniques. The Questionnaire is appended at the end of the dissertation.

1.8 Concepts:

The popular/frequently used terms in this study are summarized below:

Addictive or compulsive consumption:
Consumption beyond the control of the consumer, often acting out of tension, anxiety, depression, or boredom, a compulsive person seeks immediate gratification of needs or desires.

After-sale-service:
Service is any act or performance that one party can offer to another. A tangible good like T. V. if accompanied by service after sales will be treated as after-sale service.

Attitude-behaviour consistency:
Refers to the extent to, which attitude leads to purchase.
Attitude toward success:
The extent to which the consumer would feel good, given that he or she tries to consume the product in question and succeeds in goal attainment.

Brand:
A name, term, symbol, or design intended to identifying goods and service of a seller and differentiates them from that of his competitors. Also means a trademark to distinguish a product; to provide product identification for assistance in buying and selling.

Brand image:
An overall vision or position of a brand in the mind of the consumer.

Buyers:
Individuals with authority to select suppliers and handle the transaction; buyers are responsible only for implementing decisions previously made by users and influencers.

Categorization:
The psychological process through which a consumer compares the perception of a product with a mental representation of that product in memory.

Class:
A system of stratification that is economic in character; depend upon the criterion of land, or one depending on the variable of money, or one on marketable yield, or one on disposable income.
Social Class: A status hierarchy by which groups and individuals are classified on the basis of esteem and prestige.

Class-consciousness:
A person’s sense of belonging to a certain social class. Members of the same class tend to share common values, beliefs, and behaviours that unite them. Factors such as occupation, source of income, possessions, associations with others, and level of influence may be added or some deleted depending on the approach to measurement.

Consumer: A person
- who consumes, uses economic goods to diminish or destroy their utilities.
- who purchases goods and services for his own personal needs.
- who buys a product or service for the monetary consideration on prices, at a place convenient to him, in order to satisfy his needs.
- who purchases or uses goods and services for his own personal needs but not for resale.
Consumption:
The process of using goods and services by individuals to satisfy their wants; stands for utilization of utility created by production; follows the activity of production.

Consumer Behaviour:
The acts of consumers in obtaining and using goods and services and the decision process that determines these acts, reflecting the taste and preferences of the consumers (with regard to durable goods like T.Vs).

Consumer motivation:
The drive to satisfy needs and wants, both physiological and psychological, through the purchase and use of products and services.

Decision:
The selection of an action from two or more alternative choices.

Desire:
Stated as a want to fulfill the fancy needs of buyers; manifested into a specific goal.

Durables and Non-Durables:
Durable goods purchase will tend to be postponed, when times are bad and a cloud of uncertainty shrouds the future. By contrast, non-durable goods purchases cannot be put off nearly as long.

Durability:
Stated as lasting or prevalent nature of holding good.

Ego:
The personality of a person is the collection of behaviours pattern developed over time that other people begin to recognise, as that person.

Economic class:
Refers to (i) Low Income People earning ≤ Rs. 60,000/= per annum and (ii) Middle Income People earning between Rs. 60,000/= and Rs. 1, 50,000/= per annum, and (iii) High Income People earning ≥ Rs. 1, 50,000/= per annum in this study.

Family type:
Nuclear family refers to a couple of parents with their children
Joint family refers to patriarchal line consisting of the families of brothers from the same line/parents with rigid kin relationship.

Extended family represents the family of multi-tiered kin-relatives from one more patriarchal line.

Household:
A residential unit composed of one or more people - of individuals living singly or together with others in a residential unit.
A group of persons who commonly live together and would take their meals from a common kitchen unless the exigencies of work prevented any of them from doing so. Again, blood or household of unrelated persons or even of mixed type may relate household of persons.

Level of Influence:
The more responsibility of a person- occurs because of the expectation that persons of higher station have the skills to do well if given a position of influence.
A large part of the class ranks of people in the communications industry and politics, the power to change, directly or indirectly, the attitudes, and behaviour patterns of other groups.

Literates:
A person who could both read and write any language with understanding was treated as a literate. The test for reading was ability to read any simple letter either in print or in manuscript. Children aged 4 years and below were treated as illiterates. The test for education was that a person should have passed a recognised written examination or examinations as proof of educational level attained. The highest examination passed was taken as the level of education.

Motivation:
The driving force within individuals that impels them to action.

Need:
Behaviour initiated through works such as “motives” “urges” ‘wishes’ and “drives,” can be stated as ego- bolstering consumer buying to enhance or promote the personality to achieve, or gain, prestige and recognition to satisfy the ego through domination of others.

Occupation:
A person does for a living - one of the most telling indicators of social class, largely dictates other signs of class membership, such as income, personal association, and status. Considered as synonymous with class membership.
Perception:
The process by which an individual selects, organizes, and interprets stimuli into a meaningful and coherent picture of the world.

Possessions:
Consumption choices, driven by the resulting lifestyle.

Process:
Move consumers from latent need through stages of increasing specificity to the behaviour that satisfies the need.

Quality:
The primary values sought in product and brand choices. Hardly ever measurable or quantifiable attribute. People tend to use various indicators for judging the quality.

Recognition:
Drives a consumer to project himself as the owner of a consumer good.

Recreation:
A relaxation and diversion of regular routine and also a means of entertainment.

Reliability:
The trustworthiness that the consumer keeps on the seller. Every positive feeling of the customer on the seller helps in achieving success in sales deal.

Reference group:
A group that serves as a reference point for the individual in forming his or her beliefs, attitudes, and behaviour.

Rural and Urban areas:
It is customary to classify the population of every country at each census as Rural and Urban. Such a classification has considerable importance and is necessary from the point of assessing the differentials in the social, economic, cultural and demographic characteristics of the population. Urban Areas: The definition of urban areas adopted for this study is the same as that used in the 2001 Indian Population Census. Accordingly, urban areas include all places with a municipal corporation, municipality, cantonment board, or notified town area committee etc., and all other places satisfying the following criteria:
(a) A minimum population of 5,000
(b) At least 75% of male working population should be engaged in non-agricultural pursuits and
(c) A density of population of at least 400 per sq. km. (1000 per sq. mile).
Rural Areas: All other places, which do not form part of any urban unit, have been treated as rural areas.

Values:
An important source of beliefs, and behaviours, taught primarily through their association with family, friends, and neighbours in school and in the workplace. The strength of appeals like “buy now, pay later” among the lower classes is evidence of this; also depend on luck for opportunities.

1.9 Hypotheses:

The present study is directed towards the following hypotheses:

1. Possession of consumer durables depends on the economic status of the family. Individuals’ quality of life is related to his or her material possessions and buying motives.

High social status, which requires the maintenance of a high consumption standard, is related to a drive to obtain high quality goods. Social class influences consumer’s shopping values, attitudes, and behaviour. Household income is a good indicator of residential durables consumption; richer households are expected to use more durables than poorer.

The responses of the subjects regarding buying motives were subjected to factor analysis with varimax rotation to extract the significant set of underlying factors of the consumers’ buying motives.

2. Grey market flourishes in rural Nagai District in meeting the demand for consumer durables.

Rural consumers will do business with one whom they know best and trust. The small vendor in unorganised sector of grey market was generally seen as more accessible and reliable. In spite of MNCs efforts to enhance competition and break local monopolies, the grey market or the informal sector continued to serve and thrive in local market.
3. Customer service receives thrust in urban areas due to globalisation.

The consumers were able to get a choice as well as global quality at reasonable prices because of the phenomenon of globalisation.

4. Aggressive advertising promotes over-consumption.

Sustained advertising promotes unsustainable consumption.

The consumption patterns of Indians are slowly moving towards unsustainable levels in recent years mainly due to innovative marketing strategies and plastic money holders in India and swelling numbers of credit cards or aggressive advertising. The "buy now pay later" culture has taken roots in India. At one end, even poor Indians are snapping up various consumers' goods and at the other end, thrift is no longer a virtue even among middle class Indians. The need arises to analyse the adverse impact of advertising on consumption patterns. Advertising promotes over consumption. Advertisements accentuate gender, race, and income inequalities.

5. Lower levels of income did not automatically mean lack of buying power for various products in rural TamilNadu.

The lowest income groups turned out to be the biggest buyers, while the dominant purchase of selected consumer products is taken as the criterion. It has become necessary to use criteria other than income levels to classify the middle class as the same levels of income denote very different levels of purchasing power in rural and urban areas or in big or small towns.

6. The analysis of durability (possession of durables) is extended to several directions:

The break-up of socio-economic classes in rural TamilNadu shows that the type of houses they live in is related to the durables they own. Buyers are slaves to brands. Brand name and price are the prime considerations in purchase decisions. Rural consumers seem to consider brand name, perceived quality and price as important elements in buying durables. The basic economic determinant
of family consumption demand is the size and composition of the family – i.e.,
the demographic factor.

The consumption expenditure and family size in villages in Tamil Nadu
register some degree of correlation. Demographic factors are significant in
changing patterns of consumption. Rural-urban differentials in levels of living in
Tamil Nadu are reflected in the ownership pattern of consumer goods. The
comparison between the regions would be more meaningful when the size and
composition of households being compared were the same. The regression
analysis of the determinants of consumption of the different groups may reveal
the possible association with income, education, and family size of households.

7. **Female participation in household decision-making in
acquisition of consumer durables is substantial.**

Urban women, women in nuclear families, educated women, and working
women generally have more decision making power than rural women, women
in extended families, illiterate women, and unemployed women.

1.10 **Classification of Consumer Durables:**

Consumer buying patterns with regard to 25 different **Household
Articles** (viz., TV, Radio, Tape Recorder, CD Player, VCR / VCP, Walkman,
Camera-Photo and Video, Washing Machine, Vacuum cleaner, Refrigerator,
Sewing Machine-Mechanical & Electrical, Water filter, Water purifier, Water
cooler, Air-conditioner, Air freshener, Room warmer, Fan- ceiling & table, Iron-
electric & steam and Quartz watch), 14 types of **Kitchen Durables** (viz.,
Cooking gas, Micro oven, Dish washer, Food-processor, Mixer-grinder, Blender,
Toaster, Rice cooker, Milk cooker, Coffee maker and others), and 7 varieties of **Vehicles and Machines**( viz., Motorcycle, Scooter, Moped, Bicycles, Car,
Heavy Vehicles, Machines & Equipments, Personal computer/printer, Internet
connection etc.), were assessed. The study covers only the commodities
classified by the researcher, though the list is not exhaustive.
1.11 Sample Design

The following table-1 illustrates the sample design of the present study in Nagappattinam District consisting of a total of 184 (rural region 92 plus urban region 92) selected at random from Nagappattinam and Mayiladuthurai revenue divisions, since income level of the consumer influences the behaviour to the largest extent. The actual purchase depends on the buying capability of consumers and also his future preferences.

Table-1.1: Sample Profile

<table>
<thead>
<tr>
<th>Revenue Division</th>
<th>Taluks</th>
<th>Rural</th>
<th>Urban</th>
<th>Total sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Nagappattinam</td>
<td>i. Nagappattinam</td>
<td>18</td>
<td>18</td>
<td>36</td>
</tr>
<tr>
<td></td>
<td>ii. Kilvelur</td>
<td>09</td>
<td>09</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>iii. Thirukkuvalai</td>
<td>06</td>
<td>06</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>iv. Vedaranyam</td>
<td>13</td>
<td>13</td>
<td>26</td>
</tr>
<tr>
<td>2. Mayiladuthurai</td>
<td>i. Sirkazhi</td>
<td>16</td>
<td>16</td>
<td>32</td>
</tr>
<tr>
<td></td>
<td>ii. Mayiladuthurai</td>
<td>20</td>
<td>20</td>
<td>40</td>
</tr>
<tr>
<td></td>
<td>iii. Tarangambadi</td>
<td>10</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>Total</td>
<td>7</td>
<td>92</td>
<td>92</td>
<td>184</td>
</tr>
</tbody>
</table>

1.12 District Profile:

A brief account of the study area-Nagai District is delineated below. Area map showing the district is shown in figure. Some basic particulars are given in this profile.

Location and Area

Nagapattinam District is bounded in the east by the Bay of Bengal in the west by Thanjavur and Tiruvarur districts in the north by South Arcot District and in the south by Palk Strait. Located between 10-10-north latitude and between 79-15-east latitude. It is coastal region and the coastline has a number
between 79-15-east latitude. It is coastal region and the coastline has a number of harbours of which mention may be made of Nagore, Point Calimere, and Nagappattinam. The administrative headquarters of this district is located at Nagappattinam town, and it is spread over the area of 4614 sq. Kms.

**History**

The district of Nagappatinam has been carved out as a separate district due to trifurcation of Thanjavur district. According to this division, seven taluks namely Sirkazhi, Tharangambadi, Mayiladuthurai, Thirukkuvalai, Nagapattinam, Kilvelur and Vedaranyam detached from its parent district (i.e. Thanjavur) to form this new district. The earlier history of this district is merely less the same as of its parent district of Thanjavur being its part till recently.

**Population**

Total population of this district according to 2001 Census is 1,487,055 persons consisting of 738,287 males and 748,768 females. Rural population of the district is 1,157,714 persons (575,573 males and 582,141 females) and that of urban population is 329,341 persons (162,714 males and 166,627 females).

**Languages and Religion**

Tamil and Telugu are the main Languages spoken in the district. Religion-wise break up of population of the district as per 2001 census is indicated below:

- Hindus: 14.88 lakhs; Christians: 45,000; Muslims: 1.12 lakhs; Jains: 819; Sikhs: 77; Buddhists: 40 Religion not stated: 1150.

**Administration**

Revenue Divisions: Nagappatinam, and Mayiladuthurai

Taluks: Sirkazhi, Tharangampadi, Mayiladuthurai; Kilvelur, Thirukkuvalai, Nagappatinam and Vedaranyam.
Community Development Blocks Sirkazhi, Kolliam, Sembanarkoil, Kuttalam, Mayiladuthurai, Thirumarugal, Nagappatinam, Kilvelur, Talanayar, Vedaranyam.

1.13 Statistical Analyses

Basic statistics viz., Arithmetic Mean, and Standard Deviation were calculated for all the replicate variables and were given as $X \pm 1 \text{ SD.}$ $\chi^2$ analyses were performed to find out the association between variables. Statistical analyses were performed using Window based statistical packages viz., Microsoft Excel, MINITAB, (F. B. Ryan et al., 1992) and SPSS (Statistical Package for Social Sciences; N. H. Nie et al., 1975). Appropriate data transformations were made wherever needed. For hypothesis testing $P < 0.05,$ $P < 0.001$ were considered and these levels of significance were indicated at appropriate places. Suitable diagrammatic representation including Bar diagram, Histogram, Pie Charts and Box Plots were used wherever necessary. Gini graphical analysis (S. Subramanian, 1997) was used for finding the association between ownership of consumer durables and consumer socio-economic categories. Statistical exercises were made with the help of the works of Kendall et al., (1963), A. Koutsoyiannis (1977), and S. P. Gupta (1999).

Besides the above statistical analyses, the following Multivariate statistical tools were also used.

1. Principal Component Analysis
2. Binary Logistic Regression Equation

Principal Component Analysis

Principal Component Analysis (PCA) was used to investigate the relative importance of consumer behaviour variables. PCA was used because it is a multivariate technique that elucidates the underlying factors without any a priori assumptions. Varimax Rotation was used for factor extraction. The first two factors were extracted and the variables were ordered and grouped by the
size of loadings to facilitate interpretation. Correlations between the variables and factor scores were obtained and the variables with highest correlations with the respective components (one to three variables) were taken for consideration. For each component derived, variables selected as per this criterion were clubbed together and a concept that unified them was searched to find out the basis of interaction of consumer behaviour variables.

**Binary Logistic Regression Equation**

The differences within the socio-economic variables viz., Sex (Male vs. Female), Marital Status (Married vs. Unmarried), Educational Status (Graduates vs. Non-graduates), Family Size (Small vs. Medium and Large), Regional Distribution (Rural vs. Urban), Economic Status (Medium income vs. Low and High income), and Spouse Status (Earning vs. Non-earning) with reference to consumer buying motives — including emotional factors involved in it, emotional aspects (influence of new rival brand advertisement), reasons for preferring to take associates while buying durables, major sources of finance used to acquire them, consumer buying decisions — including buyer’s perception about durables, their need identification, sources of information available to them, media from where they have seen advertisement as a source of information, reasons for buying particular type of durables, and factors considered by them before selecting, buying and patronizing a particular durable brand, were assessed by using Binary Logistic Regression Equations. The variables, which showed significant effects in the PCA, were only entered in the Binary Logistic Regression Models to identify the significant prime variables that distinguishes the behaviour of binary variables. Initially all the significant variables (derived from PCA analyses) were entered and then the variables that were significant on their own (P < 0.05; the Co-efficient significantly different from zero) in the Linear Logistic regressions fitted were retained in the final model and the overall significance of the model was tested by using the Log likelihood G-test. The Odds Ratios were used to evaluate the relative importance of the variables in distinguishing the behavioural patterns of the consumers.
1.14 Limitations

This study covers only the individual buyers, not the institutions.
The area of the study covers only the revenue boundaries of the district.

1.15 Plan of the Study

To make the study scientific, the whole work is divided into seven chapters:

Chapter 1: Introduction
Chapter 2: Studies on Consumption Pattern
Chapter 3: Marketing Revolution in Consumer Durables
Chapter 4: Socio-Economic Profile of the Consumers
Chapter 5: Ownership Pattern of Consumer Durables
Chapter 6: Consumer Buying Motives, Decisions, and Awareness
Chapter 7: Findings and Policy Implications.

References: