Chapter - 1
Introduction
INTRODUCTION

Virtually all business establishments, including large and small retailers, use advertising in some form or the other depending on their objectives and resources. The roll of advertising depends on how much importance is attributed to advertising relative to other promotion mix elements in the company's marketing programme. This would determined by considering various factors such as consumer behaviour, competitive situation and product category etc.

In most advertising situations, it is unrealistic to expect that an Ad would directly produce sales. Advertising is known to facilitate sales rather than accomplish the complete selling function. This helps in making certain importance assumptions.

(i) Most advertisements help in producing psychological effects and can help in changing only mental states of audiences and predispose them toward purchase of advertised product or service.

(ii) Advertising in essentially a form of communication and its basic responsibility is to deliver desired information to the targeted audience.

The field of advertising management is made up of a system of interacting organizations and institutions all of which play a role in the advertising process. At the case of the system are advertisers and the organizations that provide the financial resources for supporting this advertising. Advertisers are private or public sectors organization that use mass media to accomplish on organizational objective. It is the decision to invest resources in purchasing time or space in such mass media as Television, Radio, Newspaper or
magazines that basically distinguishes advertisers from non advertisers. Advertisers make use of mass media, non advertisers do not.

There are few elements of communication that are as pervasive as advertising. Every person, irrespective of age, income or class considerations, exposes to advertising in one from or the other. While a child may sing on Ad Jingle for entertaining family guests, a housewife may talk knowledgeable about latest "Micro System" for washing clothes. Almost everyone also has an opinion about advertising, moving from one extreme of immense like ability to another of utter contempt. People may love it or hate it but few can remain indifferent to advertising and its persuasive messages.¹

Advertising performs its role within the framework of marketing. Marketing is the function concerned with assuring that products are ready when and where needed by consumers. Understanding of advertising and its role in modern society is one characteristic of being an information person today world. Advertisements are aimed at members of society. Society is affecting by advertising in economic and social way. Marketing people obviously require the most through comprehension of advertising. A business executive need for knowledge about advertising will vary with his area of responsibility often business people tend to accept advertising as a necessary component.

Advertising is an important component of marketing mix. Almost all consumer goods manufacturing and many industrial product marketers include advertising in their marketing mix. Advertising specific role is pre-selling to present and potential customers. Together with the other element of promotion mix such as personal selling and sales promotion activities, the point of purchase display, coupons, premier offers, demonstration and trade shows advertising ensure that these important functions lead to a successful marketing programme of selling mass produced, mass market of consumer goods.

Advertising is an important marketing force helping mass selling and mass distribution. Advertising is one form of promotion. It may be used to sell goods and services and it also may be used to sell idea (Institutions advertising). Demand stimulation through advertising may be designed to increase demand for the generic product (primary demand) or it may be designed to increase demand for the brand.²

The selective demand advertisements are those which aim at stimulating demand for a specific brand in which the company deals. Here, basically the advertiser's efforts are aimed at differentiating the advertised brand from that of the competitors. By doing this they expect to increase the consumption of the advertised brand. Example of such advertisement includes the competitive or comparative advertisements. For instance the ......the advertisements of.....Godrej Vs. Liril, Nirma Vs. Surf, Goldcafe Vs. Nescafe, Colgate Vs. Promise, Videocon Vs. BPL etc. which are all selective demand advertisement that claim superiority of respective brands over competing brands.

THE PROBLEM

Consumer durable marketing is a subject that has no received the attention it deserves. While there are several good books and articles on the subject of marketing by and large they concentrate either on the marketing of industrial goods or on the marketing of non-durable like soaps, detergents etc. A review of the literature on advertising was also made. It was found that there is dearth of literature on the subject. Some of the prominent books are: Advertising and Research by S. Ayaz Peerbhoy (Progressive, Bombay, 1964), Advertising and Publicity in India, by S.S. Saxena (Agra University, Agra, 1952). Advertising Management by B.S. Rathore (Himalaya Publishing House, Bombay, 1984) and Foundations of Advertising Theory and Practice by A.

Chunawalla and K.C. Sethia (Himalaya Publishing House, Bombay, 1985). Various aspects of advertising have also been covered in *Marketing Management* edited by T.A. A. Latif, (Deep and Deep Publications, New Delhi, 1983), *Salesmanship and Publicity* by R.S. Davar (Progressive, Bombay) and *Modern Marketing* by S.A. Sherlekar (Himalaya Publishing House, Bombay, 1981). A study of a number of articles and case studies on advertising was also made. They have been published in journals, viz., *Indian Journal of Marketing* (New Delhi) and *Indian Management* (New Delhi), *Industrial Times* (New Delhi) and in daily newspapers like *The Economic Times* (New Delhi). *Financial Express* (New Delhi), etc. The Indian Institute of Mass Communication (IIMC) at New Delhi conducted various studies on advertising. It conducted a study in 1982 on Content Analysis of Advertisements and Consumer Behaviour. The report has been published in two volumes.

In India, there are about 390 big and small advertising agencies. Most of the agencies are small and do not conduct research systematically. It is believed that only 10 percent of the agencies are genuine advertising consultants; the rest can be called suppliers. Not even 2 per cent of the advertising expenditure, in India, is earmarked for research. The Indian advertisers acknowledge the need of advertising research. Tapan Lal Dhar, Art Director, at Mutual Advertising and Marketing Agency, says, “Advertising today is very objective-oriented. I feel, I must know the entire background of my product before I can successfully plan out the campaign. Research tells me in details all about my product, the consumer, and the existing markets. Tara Sinha of Tara Sinha Associates says, market research and advertising research are both very important.... Our expertise is in knowing the consumer, the market and our clients’ products.
Much has been researched and written about how advertising works and the effects it produces. However, at the very outset, it is important to appreciate that the nature of subject is such that there are few definitive answers. Perhaps everyone associated with advertising has something to say on this subject. The persuasion process can occur as a consequence of exposure to an advertisement. The exposure can result creating awareness and a feeling of familiarity about the brand. Exposure to an ad can also lead to relevant information about the products attributes and, more importantly, the resulting benefits to the consumer. Ad exposure can often generate feeling-positive or negative, which consumers begin to associate with the brand. Use of testimonials or brand endorsers can help create an image or brand personality. Ad exposure can also create an impression that the brand is in fashion and favoured by friends and acquaintance etc. These effects can lead to liking, preference, conviction and, finally, purchase of the product or brand.

Understanding the response process that the consumers may go through the moving or eliciting a behaviour, as a result of exposure to advertising, is perhaps the most important aspect in developing an effective advertising programme. The objective of the advertiser may relate to cognitive, affective, or behavioural aspects.

Many ads are just repetitive and have very little information content but manage to be effective in changing the consumers' attitude, more so with increased repetition. R.B Zajone proposed that simply repeated exposure; with no associated cognitive activity, can develop preference in the audience. Some aspect of ads such as domination by picture, text, or colour can create feeling of like or dislike among us at a pre-attentive level without any awareness of these effects. The studies suggest that even when consumers do not pay attention to product related
information, advertising repetition itself may create liking or preference for a product in some situations. The implication is that the advertiser may consider maintaining high level of brand awareness as a possible objective. According to Ehrenberg, Tellis and other, advertising serves mostly to reinforce brand preference rather then create brand preference in case of most mature brands. When competitive advertising is intense, high levels of reminder advertising, with frequent repetition, perform the reinforcing function. This is often referred to as creating top of mind awareness of recall.

Another view suggests that repeated exposure can lead to familiarity with the advertised brand and, subsequently, liking for it. Obviously, consumers are often inclined to evaluate known and familiar products favourably as compared to the unknown ones. A feeling of uncertainty is often associated with unknown products and can create tension in consumers. Tension is undesirable and unpleasant in most cases. On the other hand, a feeling of familiarity is soothing and associated with comfort and security, etc.

Amna Kirmani and Peter Wright suggest that consumer's perceived amount of advertising, judged by advertising frequency and the size of print ad etc. is sometimes used by them as an indicator of the brand's quality. Consumers reason that because of high quality the marketer is backing the produced with high degree of marketing effort.³

Consumer durable goods, such as television set, refrigerators and room air-conditioners, have become standard items for many household. A consumer decision-making process as he makes his choice from among different products is quite complex. A number of factors, such as the image of the manufacturer,

the price of the product, its quality, its brand name, and packaging, influence his decision.

The perceived quality of the product itself may be affected by the brand name, price etc. Hence, an analysis of the extent of impact of these factors on a consumer’s decision-making process, will provide some useful aids to marketing man in determining the price pattern and other aspect of the marketing mix.

Advertising is a major component of marketing mix. In this context marketeers are frequently concerned with the effect of their advertisements. The effect of advertising depend on several factors, the quality of the advertisement, the advertisement and the media, the characteristics of the potential buyers, situational factors such as the sequential order of the advertisements, the amount of time between advertisements and momentary consumer moods and other circumstances that are not under the direct control of the advertiser.

Indian market is a highly growing market with rich performance potential. With liberalization of economic policies and opening up of the Indian market to multinational and transactional companies, there is an increased attention on the consumer behaviour of this market. Advertising being a way of influencing the consumer behaviour, giant organizations are now eager to know the effect of advertising on Indian consumers. A large portion of the Indian market is the rural market where traditional Indian customs are still being followed. It is also known that the purchasing power of rural consumers is markedly lower than the purchasing power of the urban consumers. The price sensitivity of the overall Indian market is, therefore, expected to be much higher than that of the western market. Naturally, the speed and shape of advertising – sales response are also expected to be different from the ones observed by the western market analysts. While we admit that non-sales
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(social, economical, medium, psychological etc.) effect of advertising is an important measure of the effects of advertising on consumer behaviour.

After liberalisation and Globalisation (1990) of Indian economy the advertising industry is growing with 14% growth rate, and liberalisation is proving an energy oil for other sector of economy also. Indian market nowadays has been flooded with many products, Indian as well as foreign. Lot of marketing activities are required to sell the product because the immense competition among companies. Almost all the company are doing marketing activities. Advertising is the main tool as far as dissemination of information is concerned. Lot of studies had been conducted in the past regarding the marketing tools, but not many research activities has been conducted as far as advertising is concerned. Because of a very simple thinking which has been prevailing in the mind of producer that advertising do work for their product. But empirically some studies has proved otherwise also i.e. advertising do not work much. It is technically superiority which of product is important and work. So researcher need for this kind of study was realized and very relevant durable products were selected to see the influence of advertising on average consumer.

I want to measure through this research how often consumer use the advertisement when he/she purchase the durable product, which season and medium is more effective in case of durable products, how different type of appeal attract customer attention. How Jingle and fun, information, discussion, colour, medium, order of message and psychological value (attention value, suggestive value, memorizing value and education value) in ads effects decisions process of buyers. In this research, researcher also try to measure how Ads effects consumer test, preference, cognitive effective and conative process of decision.
MAJOR CHALLENGES FOR THE CONSUMER DURABLE INDUSTRY

- **Creation, Maintenance and Up-gradation of Brand Value**: Creation and maintenance of brand value is one of the biggest challenges faced by the industry in the highly competitive market for consumer durable. It is an industry where even a slight indifference towards brand-image could throw one out of the market "leverage on Brand and investment is powered advertising" are one of the key successor factors.

- **Developing Core Competencies**: To become successful in the market, it would be useful to conduct a benchmark study and identify its core competencies and then introducing these into their product offerings as well into the basic business models of the company. To cite one case, sony has identified quality leadership with latest technology as its core competence area and is specifically focusing on this aspect.

- **Adopting Unique Selling Propositions (USP)**: MNC's have been adopting the strategy of Unique Selling Propositions (USP) and they highlighted unique product features as their USP. The domestic consumer durable players have to undertake extensive Research and Development Activities in this regard and should always try to come out with exclusive features to market their product domestically as well as internationally.

- **Latest Technology**: One peculiar feature of the consumer durable industry is that the product life cycles are becoming shorter due to continuous innovation and access to newer technologies. The MNC's have been successful in capturing the Indian market as they have a strong technology based powered with the latest available technology in the world on account of their global presence "Quality products with superior technology and up-grading of technology” is the key to success in this industry. So one of the biggest challenge facing the domestic players is to keep themselves abreast with latest

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technologies available in the world and continuously coming out with product based on such technology. A latest case is digitalization technology in TV segment.

- **Knowledge of Peculiarities of the Domestic Market:** Each market has certain peculiar features of its own based on the lifestyle and psychographic profile of its inhabitants. It is extremely important for a player to identify such peculiarities (an area where a domestic player has an edge over MNC) and thereby focus on product innovation and customization according to needs of the customers.

- **Innovative Distribution and Financing Techniques:** Due to intense competition in the industry, the players have to keep an introducing innovative distribution technique to capture the market. For example, internet is being increasingly used by companies that would lead to intelligent sale of products. It will help sustain the demand boom witnessed recently in this sector. Similarly introduction of innovative financing schemes by manufacturers could be of major help in capturing certain specific sections of consumer like semi-urban and rural consumers.

- **Aggressive efforts to capture the Rural Market:** Today, when urban markets have come near saturation, rural areas can offer opportunity for exponential growth. According to the latest FICCI report, growth of consumer durables in the rural markets in the last fiscal year is pegged at 25% compared to their urban counterpart growth rate of between 7-10%. It further stated that rural India is becoming the next big destination for consumer durable industry. Companies like Philips, Electrolux and LG are laying stress on faster and increased access to rural markets. They are busy in developing products that customize to the rural consumers.

- **Harnessing Huge Export Potential, Especially in the Asian Markets:** To overcome the pressure of intense competition and lower margins, domestic
players would have to expand their operations in the international market. India could serve as production base for the Asian markets.

ADVERTISING CONCEPT

The word advertising is derived from Latin word, viz. ‘adverto’, ‘ad’ meaning towards and ‘verto’ meaning ‘I turn’. Literally it means to “turn people's attention to a specific thing”. Advertising has been defined by different experts. Some of the oftquoted definitions are.

“Advertising consists of all the activities involved in presenting to a group a non-personal, oral or visual, openly sponsored message regarding a product, service or idea. This message called an advertisement is disseminated through one or more media and is paid for by the identified sponsor.”

“Advertising is any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor.”

The late distinguished historian Arnold J. Toynbee Hass stated that

“A considerable part of our ability, time and material resources is being spend today on inducing us to hard labour is order to find the money for buying material goods that we should never have dreamed of wanting it we had been left to ourselves.”

The Manager of non-profit institution or entity tends to define advertising in much the same way as the businessman.

“Advertising is a social tool that encourages public support of various governmental and other non-profit institutions by conveying accurate and compelling information to consumers about the needs and goals these institutions and entities.”

After discussion of above concept advertising is defined as, “advertising is a communication that provides generally useful, relevant, and pertinent

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information upon which the consumer either acts immediately or stores for later reference, application, and use.” This concept is opted for present study.

In developing an advertising programme, one must always start by identifying the market needs buyer motives and must make five major decisions commonly referred as 5 M's (Mission, Money, Message, Media and Measurement) of advertising.

Figure 1.1
The 5 M’s of Advertising

FUNCTION OF ADVERTISING

In its role as a form of mass communication, advertising delivers relevant messages to target audiences and by changing mental state, it can perform a number of functions. Research findings in the area of consumer behaviour and communication have led many scholars to view the functions of advertising in terms of hierarchy of effects model. Communication models implying that audience members pass through a series of sequential steps, leading to purchase of a product or service are termed as Hierarchy of effects model. According to this model, ads can move consumer step forward toward the final step that is from being unaware of a product or service to finally purchasing it. An advertisement is considered effective if it propels the consumer a step further along in this process. This is how the function of advertising is viewed.

A number of hierarchy models have been proposed. One version of hierarchy model developed by Robert Lavidge and Gary Steiner (A Model for Predictive measurement of Advertisement Effectiveness) has stood the test of time well.\textsuperscript{7} It has close links with social psychological theory and the model includes six stages. From being unaware the steps lead to awareness, knowledge, liking, preference, conviction and purchase. Further division of this model represents three components of social psychologists concept of an attitude system. The first two stages in the model are awareness and knowledge, this part represent the cognitive component of attitude. The next three stages liking, preference, and conviction represent the affective component of attitude and the last stage in the model, represent the conative behavioural component of attitude.

The distance between any two adjoining steps is not necessarily equal. Consumers can move up several steps in one go. The consumer's level of involvement in a particular product category influences her/his path through the steps. In case of high involvement (durable product) situations, consumers take longer to go through the process. The research reveals that hierarchy models do not apply to low involvement (non-durable) purchases because the consumer's lack of interest in the product category may lead the consumer to becoming aware after paying attention and make purchase. Similarly Jagdish N. Sheth has suggested a broader framework for adjusting functions. He has described four primary sequential functions.

- Precipitation
- Reinforcement
- Persuasion
- Reminder

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The Advertisements performs precipitation function by stimulating needs and wants and creates general awareness. The aim of some ads, such as comparative advertising is persuasion. Persuasive advertising may often lead consumers to purchase. The purchase may result in a short or long period because of many reasons. The route to persuasion may be outcome of emotional and rational appeals such as humour, love, fear, shame economy and quality etc. Ads are also designed to reassure consumers that they have made the wise decision by buying a product or service. This makes consumers feel good and serves the function of reinforcement. Many ads show consumer reports or their testimonials confirming full economy and performance of two wheeler autos or a well known personality is shown using a certain brand. The aim of reminder ads is to keep the company or brand name always fresh in the target audience's memory. A good number of Ads are repeated frequently to accomplish this function. Ads of Pepsi, Coke, Maggi, etc., are some example.

A very important function of advertising is to increase the perceived value of a brand by giving it a symbolic meaning that makes it more valuable to consumers. According to this thinking, a consumer will choose a brand of sports shoes for its ability to communicate fitness, or purchase expensive TV set and an Air-conditioner because it symbolizes status and wealth. For example, Lux is the beauty soap of film stars Aramask is the soap of virile male, Marlboro is the Cigarette of rugged male. Advertising is the most effective method of nurturing a brand image in the long run. Its different functions are summed below.

- Stimulate demand
- Strengthen other promotion mix elements.
- Develops brand preference.
- Cuts cost.
- Lower prices.
- Competitive weapon
UTILITY OR ROLE OF ADVERTISING IN MODERN WORLD

Advertising is a form of direct persuasive communication to the target market which attempts to stimulate demand for the generic product category, promotes the key benefits or uses of individual brands, or influence as the consumer psychologically in such manner that it may encourage sales and some future point of time. Advertising not only projects the brand into the perspective vision of the consumer but is, more importantly the instrument that imparts a distinct personality and image to a brand.

ADVERTISING UTILITIES

Advertising serves many purposes. A few of its utilities can be summed up as follows:9

- **Create Awareness:** Advertising creates awareness among people about the goods and services that are being advertised. There are innumerable products and services in the market today that a big job for advertiser is to make people aware that he offers a particular solution to their problems.

- **Building Image:** Advertising helps to build image of the company and that of the brand, creative advertising, the personalities used in the advertisement, the programmes sponsored by the advertiser etc. Helps to build goodwill of the organization and that of its product and/or services.

- **Information:** Advertisements provide information about the advertised goods, services or ideas. The advertisements may carry a message in respect of product features, operating instruments, product’s price, the name and address of the advertiser and so on.

- **Facilitate Customer's Choice:** advertising facilitates consumers choice. It informs about the features, price and other aspects of the goods and services.

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This enables the customers to make a proper choice in the buying depending upon their budget, taste, likes and dislikes.

- **Influences Diverse Groups:** Advertising is primarily directed at the present and potential customer. However, when designing advertising firms must consider the various diverse groups that advertising may have an influence. The various groups include, the professionals, the distribution, channel, employees, shareholders, and the society at large.

- **Associate the Brand with Feelings and Emotions:** Advertisements can generate feeling and emotions in the audience that they associate with the brand or its consumption, for e.g. macho feeling in the case of Marlboro Cigarettes.

- **Create Group Standards:** The advertisement can create an impression that the consumer's peer group of friend-circle or experts favour the brand. For this reason the advertisers use models or famous personalities in the advertisements.

- **Spur Buying Behaviour:** The above effects can result into a purchase action on the part of the audience. At times, the advertisement can directly attempt to spur the purchase action, by reminding or by inducing an immediate purchase of other brand so advertised.

- **To Build or Reinforce Attitude:** Advertisement needs to create, maintain and reinforce attitudes in the minds of the target audience. The target audience should develop favourable attitude towards the brand. Positive attitude towards the brand results in increased sales.

- **To Correct Negative Attitude:** At times, people develop negative attitude towards certain products or brands. For instance, some people have a negative attitude towards ice creams i.e. consumption of ice creams causes cough and cold. The advertiser through effective presentation of facts need to correct negative attitude.

- **To Educate the Audience:** Some of the advertisements intend to educate the audience regarding the use of the product, the handling operations,
etc. Public awareness campaigns educate the citizens regarding the negative effects of noise and dust pollution, child labour, etc. Advertisers should not try to achieve only business objectives, but also social objectives through advertising.

• **Advertising as Means of Communication:** Advertising as a potent pool of communication is highly useful to manufacturers, retailers, consumers and the society at large. Advertising is basically designed to inform, create interest and induce people to act in a particular way. It can be used for communicating both commercial and non-commercial messages.

These were the general utilities of advertising. From this we can conclude that whoever comes within the circle of advertising is benefited in one way or the other. For instance a producer sells his products, a retailer gets business and consumer enjoys the satisfaction of using the product.

**CONSUMER BEHAVIOUR**

The aim of marketing is to meet and satisfy customers’ need and wants. The field of consumer behaviour studies how individuals, groups, and organizations select, buy, use, and dispose of goods, services, ideas or experiences to satisfy their needs and desires. Understanding consumer behaviour and “knowing customers” are never simple. Customers may say one thing but do another. They may not to be in touch with their deeper motivations. They may respond to influences that change their mind at the last minute.\(^{10}\)

Studying customers provides clues for developing new products, product features, prices, channels, messages, and other marketing mix elements. Today, the digital revolution of the market place allows much greater customization of products, services, and promotional messages than older marketing tools. By doing so, it enables marketers to build and maintain

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relationship with customers-Digital technologies also enable marketers to collect and analyse increasingly complex data on consumers; buying patterns and personal characteristics. On the other hand, the same technologies enable consumers to find more information about products and services. Over a period of a decade or so, the digital revolution has introduced several drastic changes into the business environment.

- Consumers have more power than ever before.
- Consumers have access to more information than ever before.
- Marketers can offer more services and products than ever before.
- The exchange between marketers and customers is increasingly interactive and instantaneous.
- Marketer can gather more information about consumers more quickly and easily.

The digital revolution of the market place and its impact on consumer behaviour present many challenges for today's marketers. Challengers are:

- Should marketers be reducing their advertising expenditure on the major network.
- Should they insist that broadcasters develop new measurement systems?
- Should companies that produce non-durable consumer goods, such as Nike, begin shifting resources away from building consumer demand via advertising for products carried by independently owned retailers and into direct distribution systems based on customized offerings?

The answers to the preceding questions are presently unknown but the source from which they will evolve is clear. That sources is consumer behaviour. The term consumer behaviour is defined as the behaviour that consumers display in searching for, purchasing, using, evaluating and disposing of products and services that they expect will satisfy their needs. Consumer behaviour focuses on how individuals make decisions to spend their available resources (time, money, effort) on consumption related items. That
includes what they buy, why they buy it, when they buy it, where they buy it, 
how often they buy it, how often they use it, how they evaluate it after the 
purchase and the impact of such evaluation on future purchases, and how they 
dispose of it.

One of the most important constants among all of us, despite our 
differences, is that above all we are consumers. We use or consume on a 
regular basis food, clothing, shelter, transportation, education, equipment, 
vacations, necessities, luxuries, services, and even ideas. As consumers, we 
play a vital role in the health of the economy, local, national, international. 
Marketers need to understand the personal and group influences that affect 
consumer decisions and how these decisions are made.

The term consumer behaviour describes two different kinds of 
consuming entities: the personal consumer and the organizational consumer. 
The personal consumer buys goods and services for his or her own use, for the 
use of the household, or as a gift for a friend. In each of these contexts, the 
products are bought for final use by individuals, who are referred to as end 
users or ultimate consumers. The second category of consumer-The 
organizational consumer – include profit and non-profit businesses, 
government agencies (local, state, and national), and institutions (e.g. schools, 
hospitals, and prisons), all of which must buy products, equipment and services 
in order to run their organizations. Despite the importance of both categories of 
consumers individuals and organizations this research work will focus on the 
individual consumer. Marketing concepts play very important role to 
understand consumer behaviour. These are follows:

MARKETING CONCEPT AND CONSUMER BEHAVIOUR

The field of consumer behaviour is rooted in the marketing concept, a 
business orientation that evolved in the 1950s through several alternative

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approaches toward doing business referred to, respectively, as the production concept, the product concept, selling concept and the societal marketing concept.\(^\text{12}\)

- **The Production Concept:** The production concept assumes that consumers are mostly interested in product availability at low prices; its implicit marketing objectives are cheap, efficient production and intensive distribution. This orientation makes sense when consumers are more interested in obtaining the product than they are in specific feature and will buy what's available rather than wait for what they really want. Today using this orientation makes sense in developing countries or in other situations in which the main objective is to expand the market.

- **The Product Concept:** The product concept assumes that consumers will buy the product that offers them the highest quality, the best performance, and the most features. A product orientation leads the company to strive constantly to improve the quality of its product and to add new features that are technically feasible without finding out first whether or not consumers really want these features. A product orientation often leads to “Marketing myopia,” that is focus on the product rather than on the consumer needs it presumes to satisfy. Marketing myopia may cause a company to ignore crucial changes in the marketplace because it causes marketers to look in the mirror rather than through the window.

- **The Selling Concept:** A natural evolution from both the production concept and the product concept is the selling concept, in which a marketer's primary focus is selling the product(s) that it has unilaterally decided to produce. The assumption of the selling concept is that consumers are unlikely to buy the product unless they are aggressively persuaded to do so—mostly through the “hard sell” approach. The problem with this approach is that it fails

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to consider customer satisfaction. When consumers are induced to buy products they do not want or need, they will not buy them again. Also they are likely to communicate any dissatisfaction with the product through negative word of mouth that serves to dissuade potential consumers from making similar purchases. Today the selling concept is typically utilized by marketers of unsought goods (such as life insurance), by political parties “selling” their candidates aggressively to apathetic voters, and by firms that have excess inventory.

- **The Marketing Concept**: The marketing concept is a business philosophy that challenges the three business orientations we just discussed. Its central tenets crystallized in the mid-1950s.

The marketing concept hold that the key to achieving its organizational goals consists of the company being more effective than competitors in creating, delivering, and communicating customer value to its chosen target market.

The marketing concept has been expressed in many colourful ways:

- “Meeting needs profitably”.
- “Find wants and fill them”.
- “Love the customer, not the product”.
- “You’re the boss”. (United Airlines)
- “Putting People First”. (British Airways)
- “Partners for Profit”. (Milliken & Company)

Theodore Levitt of Harvard drew a perceptive contrast between the selling and marketing concepts.

“Selling focuses on the needs of the seller, marketing on the needs of the buyer. Selling is pre-occupied with the seller’s needs to convert his product into cash; marketing with the idea of satisfying the needs of the customer by means of the product and the whole cluster of things associated with creating delivering and finally consuming it.”

The marketing concept rests on four pillars, target market, customer needs, integrated marketing and profitability. They are illustrated in figure 1.4,
where they are contrasted with a selling orientation. The selling concept takes an inside out perspective. It starts with the factory, focuses on existing products and calls for heavy selling and promoting to produce profitable sales. The marketing concept takes an outside in perspective. It starts with a well-defined market, focuses on customer needs, co-ordinates all the activities that will affect customers, and produces profits by satisfying customers.

**Figure 1.3**

**Determination of Customer Delivered Value**

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<th>Starting point</th>
<th>Focus</th>
<th>Means</th>
<th>Ends</th>
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<tr>
<td>Factory</td>
<td>Product</td>
<td>Selling and</td>
<td>Profit through</td>
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<td></td>
<td></td>
<td>Promoting</td>
<td>Sales volume</td>
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(a) The Selling Concept

| Target Market | Customer Needs | Integrated Marketing | Profit through Customer Satisfaction |

(b) The Marketing Concept


- **The Societal Marketing Concept**: Some have questioned whether the marketing concept is an appropriate philosophy in an age of environmental deterioration, resources, shortages, explosive population growth, world hunger and poverty, and neglected social services. Are companies that do an excellent job of satisfying consumer wants necessarily acting in the best long run interests of consumers and society? The marketing concept sidesteps the potential conflicts among consumer wants, consumer interests, and long run societal welfare.

  Situation like this one call for a new term that enlarges the marketing concept. Among those suggested are "humanistic marketing" and "ecological marketing". We propose calling it in societal marketing concept.
Societal marketing concept holds that the organization's task is to determine the needs, wants, and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors in a way that preserves or enhances the consumers and the society's well being.

NEW DEVELOPMENT IN MARKETING CONCEPT

The concept of marketing is at stake; that too, after the liberalization; more so, in period of recession. Today, marketing should be looked beyond the 4 P's i.e. Product, Price, Place and Promotion. You call this as the marketing mix. This mix is not just sufficient to survive in today's critical business scenario. Because, each company tries to offer the best quality, best price, best packaging, best delivery, best service and so on.13

Quality of demand being the same, today the number of quality suppliers is on the rise. Infact, the customers are thrilled but at the same time totally confused as to which Brand they should choose.

All "Unique Selling Propositions" (USPs) of each company are only temporary, because the other company will try to offer the competitors 'USP' in some other form, in the shortest possible time. So, where is the end?

Advertising, innovation and creativity, product positioning, market analysis and forecasting, planning, budgeting, all these have become normal functions of Marketing. But what is the end of marketing, in today's scenario?

In the recent past, four important concepts have emerged.

- **After Sales Service Marketing:** After the product is sold, take care of the product in terms of servicing, that is, making available spares, critical spares, critical components, and trained servicemen, etc. Thus service has become a profit centre altogether.

- **Conversion Marketing & Retainer Marketing:** Retaining the present customers as our long term customers by providing conversion options

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with financial assistance and credit plans; e.g. take the consumer durable
industry; you can see many advertisement on Exchange Melas to convert the
old models of TVs or Two Wheelers with the new models. This is yet another
concept, which has emerged in the recent past.

- **The Relationship Marketing**: And, now a new concept is picking
up in the Western countries and slowly getting into the East is the Relationship
Marketing. When you sell a car, you not only sell the product; you not only
give after sales service; you not only offer conversion and exchange options
with finance plans; but you create a great relationship in terms of support
activities/services; like, getting the driving license to the customer; assisting
him to ensure the car; assisting him in selecting a driver; reminding him and
assisting him in paying the annual tax to RTO office etc. This is the
relationship marketing; this is applicable in every industry whether it is a
product or service like banking.

This relationship marketing will rule the business for the next few years.
Again, all competitors will start offering similar services to their customers.
Then what? What is next after the Relationship Marketing?

- **Ownership Marketing**: As a marketing professional with two
decades of industrial experience in both domestic and international business, I
foresee, yet another great revolution would come as a next step towards this.
This I call it as “Ownership-Marketing”. The meaning being “Make the
customer, the owner of the Company.” That is, in future, companies will also
start offering ‘Stock Options’ to the customers when they buy their products
and services e.g. when you buy a car or a TV, you may get a share or a
convertible debenture through which the customer would become a shareholder
or owner of the Company.

The companies may push the customers from the present psychological
state of buyer mind to the state of owner mind, this may create an attachment in
the minds of the customers towards Brand, Product and the Company.
The concept of ‘Ownership-Marketing’ may pick up in the near future; like the ‘Employees-stock options’, companies would offer ‘customer stock options’ (CSO).

However, this strategy should be supplemented in the long run with something else; ultimately, when the demand being the same, if many suppliers are available with the same kind of price, quality, delivery and other similar unique options, the responsibility of marketing will turn into something else. What will happen, then?

APPLICATION OF MARKETING CONCEPTS

There are five alternative concepts under which organizations can conduct their marketing activities, as explain earlier while all these concepts recognize the need for the organizations to satisfy their specific goals, the route through which these goals can be achieved and the assumptions about the consumer behaviour and the key tasks of the organizations are different under each of these concepts. It may also recognized that each of these concepts can be a valid orientation under different market conditions and successful organizations have moved from product concept to the other three higher order orientations with a change in the marketing environment. While social marketing concepts is still a distant dream for most organizations even in the developed world, adoption of the marketing concept seems to be on the increase in those countries. A number of studies have measured the extent of adoption and implementation of the marketing concept by business firm in the U.S. (Hise 1965; vizza, Chambers & Cook, 1967; Barksdale and Darden, 1971; McNamara 1972; Lusch, Udell and Laczniak, 1976) also, many conceptual papers have appeared, some pointing out the benefits to be derived from adopting the marketing concept and suggesting guidelines to implement it (WakeField, 1958: Felton, 1959; Allen, 1959, Veibranz, 1957) and others questioning the desirability and feasibility of adopting the concept (Bell & Emory, 1971, Lundstorm, 1976; Sachs and Benson, 1978; Stempfi, 1978).
Most of the above studies indicate the consumer sophistication, strength of organized consumerism and increased competition, with high stake in retaining or gaining market shares have been the compelling forces in the adoption of the marketing concept.\textsuperscript{14}

**A Model of Consumer Behaviour**

The starting point for understanding buyer behaviour is the stimulus-response model shown in Figure 1.5. Marketing and environment stimuli enter the buyer's consciousness. The buyer's characteristics and decisions process lead to certain purchase decisions. The marketer's task is to understand what happens in the buyer's consciousness between the arrival of outside stimuli and the buyer's purchase decision.

**Figure 1.4**

**Modal of Buyer Behaviour**

![Modal of Buyer Behaviour](image)


**THE MAJOR FACTORS INFLUENCING BUYING BEHAVIOUR**

A consumer's buying behaviour is influenced by cultural, social, personal and psychological factors.\textsuperscript{15} Cultural factor exert the broadest and deepest influence.

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CULTURAL FACTORS

Culture, subculture, and social class are particularly important in buying behaviour.

- **Culture**: Culture is the most fundamental determinant of a person's wants and behaviour. Culture influences consumers through the norms and values established by the society in which they live. It is the broadest environmental factor that influences consumer behaviour. Cultural values are enduring and any attempts to change them generally fail. The growing child acquires a set of values, perceptions, preferences, and behaviours through his or her family and other key institutions.

- **Sub Culture**: Each culture consists of smaller subcultures that provide more specific identification and socialization for their members. Subcultures include nationalities, religions, racial groups, and geographic regions. Many subcultures make up important market segments, and marketers often design products and marketing programmes tailored to their needs.

  Major sub-cultural categories include; religion (Hindu, Muslim, Christian, Sikh etc.), region (Eastern, Western, Northern, Southern), age (teenage, middle age, elderly), gender (male, female), occupation (accountant, doctor, electrician) and social class (upper, middle lower).

- **Social Class**: Virtually all human societies exhibit social stratification. Stratification sometimes takes the form of a caste system where the members of different castes are reared for certain roles and cannot change their caste membership. More frequently, stratification takes the form of social class.

  **Social classes are relatively homogeneous and enduring decisions in a society, which are hierarchically ordered and whose members share similar values, interests, and behaviour.**

  Social classes do not reflect income alone, but also other indicators such as occupation, education, and area of residence. Social classes differ in dress, speech patterns, recreational preferences, and many other characteristics.
In India, *National Council of Applied and Economic Research* has reported five social class categories based primarily on access to economic resources. The five classes are: very rich (Rs.2,15,000 and above) consuming class (Rs.45000-2,15,000); Climbers, (Rs.25000-45000), Aspirants (Rs.16000-25000), and Destitutes (Rs.16000-and less).\(^{16}\)

**SOCIAL FACTORS**

In addition to cultural factors, a consumer's behaviour is influenced by such social factors as reference groups, family, and social roles and statuses.

- **Reference Groups:** A person's reference groups consist of all the groups that have a direct (face-to-face) or indirect influence on the person's attitudes or behaviour. Groups having a direct influence on a person are called *membership groups*. Some membership groups are *primary groups*, such as family, friends, neighbours, and co-workers, with whom the person interacts fairly continuously and informally.

  People are also influenced by groups to which they do not belong. *Aspirational groups* are those, the person hopes to join; *Dissociative groups* are those whose values or behaviour an individual rejects.

  Manufacturers of products and brands where group influence is strong must determine how to reach and influence the opinion leaders in these reference groups. An *opinion leader* is a person in informal product-related communications who offers advice or information about a specific product or product category, such as which of several brands is best or how a particular product may be used. Opinion leaders are found in all strata of society, and a person can be an opinion leader in certain product areas and an opinion followed in other area.

  Appeals by celebrities and other similar reference groups are used very effectively by advertisers to communicate with their markets. Celebrities can be a powerful force in creating interest or actions with regard to purchasing or

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using selected goods and services. Celebrities, particularly movie starts, TV personalities, popular entertainers, and sport icons, provide a very common type of reference group appeal.

- **Family:** The family is the most important consumer-buying organization in society, and it has been researched extensively. Family members constitute the most influential primary reference group. We can distinguish between two families in the buyer's life. The *family of orientation* consists of one's parents and siblings. From parents a person acquires an orientation toward religion, politics and economics and a sense of personal ambition, self-worth, and love. Even if the buyer no longer interacts very much with his or her parents live with their grown children, their influence can be substantial. A more direct influence on everyday buying behaviour is one's *family of procreation* namely, one's spouse and children.

  Marketers one interested in the roles and relative influence of the husband, wife, and children in the purchase of a large variety of products and services. These roles vary widely in different countries and social classes.

- **Roles and Statutes:** A person participates in many groups family, clubs, organizations. The person's position in each group can be defined in terms of role and status. *A role consists of the activities that a person is expected to perform.* Each role carries a status. A Supreme Court justice has more status than a sales manager, and a sales manager has more status than an office clerk. People choose products that communicate their role and status in society. Thus company presidents often drive Mercedes, wear expensive suits, and drink chiuas regal scotch. Marketers are aware of the status symbol potential of products and brands.

**PERSONAL FACTORS**

A buyer's decisions are also influenced by personal characteristics. These include the buyer's age and stage in the life cycle, occupation, economic circumstances, lifestyle, and personality and self-concept.
• **Age and Stage in the Life Cycle:** People buy different goods and services over a lifetime. They eat baby food in the early years, most foods in the growing and mature years, and special diets in the later years. Taste in clothes, furniture, and recreation is also age related.

Consumption is shaped by the *family life* cycle. Marketers often choose life cycle groups as their target market. Yet target households are not always family based. There are also single household, gay households, and cohabitor households. Marketers pay close attention to changing life circumstances—divorce, widowhood, remarriage—and their effect on consumption behaviour.

• **Occupation and Economic Circumstances:** Occupation also influences a person's consumption pattern. A blue collar worker will buy work clothes, work shoes, and lunch-boxes. A company president will buy expensive suits, country club membership, expensive car etc. Marketers try to identify the occupational groups that have above average interest in their products and services.

Product choice is greatly affected by economic circumstances, spendable income, saving and assets, debts borrowing power, and attitude toward spending vs saving.

• **Lifestyle:** People from the same subculture, social class, and occupation may lead quite different lifestyles.

A *lifestyle is the person's pattern of living in the world as expressed in activities, interests, and opinions. Lifestyle portrays the “whole person” interacting with his or her environment.*

Marketers search for relationships between their products and lifestyle groups. For example a computer manufacturer might find that most computer buyers are achievement-oriented. The marketer may then aim the brand more clearly as the achiever lifestyle.
• **Personality and Self Concept:** Each person has a distinct personality that influences buying behaviour.

> "By personality, we mean distinguishing psychological characteristics that lead to relatively consistent and enduring responses to environment."

Personality is usually described in terms of such traits as self-confidence, dominance, autonomy, deference, sociability defensiveness, and adaptability. Personality can be a useful variable in analyzing consumer behaviour, provided that personality type can be classified accurately and that strong correlations exist between certain personality type and product or brand choices. For example, a computer company might discover that many prospects show high self-confidence, dominance, and autonomy. This suggests designing computer advertisements to appeal to these traits.

**PSYCHOLOGICAL FACTORS**

A person's buying choices are influenced by four major psychological factors – motivation, perception, learning, and beliefs and attitudes.

• **Motivation:** "Motivation is a deriving force within the individual which impel them for action."

  A person has many needs at any given time. Some needs are *biogenic*; they arise from physiological states of tension such as hunger, thirst, discomfort. Other needs are *psychogenic*; they arise from psychological states of tension such as the need for recognition, esteem, or belonging. A need becomes a motive when it is aroused to a sufficient level of intensity.

• **Perception:** A motivated person is ready to act. How the motivated person actually acts is influenced by his or her perception of the situation.

> "Perception is the process by which an individual selects, organises, and interprets information inputs to create a meaningful picture of the world."
Perception depends not only on the physical stimuli but also on the stimuli's relation to the surrounding field and on conditions within the individual.

One person might perceive a fast talking sales person as aggressive and insincere, another, as intelligent and helpful. People can emerge with different perceptions of the same object because of three perceptual processes: Selective attention, selective distortion, and selective retention.

**Selective Attention:** People are exposed to a tremendous amount of daily stimuli. The average person may be exposed to over 1500 ads a day. Because a person cannot possibly attend to all of these, most stimuli will be screened out—a process called *selective attention*. Selective attention means that marketers have to work hard to attract consumers' notice. The real challenge is to explain which stimuli people will notice. Here are some findings:

- People are more likely to notice stimuli that relate to a current need.
- People are more likely to notice stimuli that they anticipate.
- People are more likely to notice stimuli whose deviations are large in relation to the normal size of the stimuli.

**Selective Distortion:** Even noticed stimuli do not always come across in the way the senders intended. *Selective distortion* is the tendency to twist information into personal meanings and interpret information in a way that will fit out preconceptions. Unfortunately, there is not much that marketers can do about selective distortion.

**Selective Retention:** People will forget much that they learn but will tend to retain information that supports their attitudes and beliefs. Because of selective retention, we are likely to remember good points mentioned about a product we like and forget good points mentioned about competing products. Selective retention explains why marketers use drama and repetition in sending messages to their target market.
• **Learning**: Learning involves changes in an individual's behaviour arising from experience. Most human behaviour is learned. Learning theorists believe that learning is produced through the interplay of drives, stimuli, cues, responses, and reinforcement.

A drive is a strong internal stimulus impelling action. Cues are minor stimuli that determine when, where and how a person responds. Suppose you buy an IBM Computer. If your experience is rewarding, your response to computer and IBM will be positively reinforced. Later on, when you want to buy a printer, you may assume that because IBM makes good computers, IBM also makes good printers. In other words, you generalize your response to similar stimuli. A counter tendency to generalization is discrimination. Discrimination means that the person has learned to recognize differences in sets of similar stimuli and can adjust responses accordingly.

Learning theory teaches marketers that they can build up demand for a product by associating it with strong drives, using motivating cues and providing to the same drives that competitors use and providing similar cue configurations because buyers are more likely to transfer loyalty to similar brands. Or the Company might design its brand to appeal to a different set of drives and offer strong cue inducements to switch (discrimination).

- **Beliefs and Attitudes**: Through doing and learning, people acquire beliefs and attitudes. These in turn influence buying behaviour.

  "A belief is a descriptive thought that a person holds about something."

Beliefs may be based on knowledge, opinion, or faith. They may or may not carry an emotional charge of course, manufacturers are very interested in the beliefs people carry in their heads about their products and service. These beliefs make up product and brand images, and people act on their images. If
some beliefs are wrong and inhibit purchase, the manufacturer will want to launch a campaign to correct these beliefs.

A company has several options when its products are competitively priced but their place of origin turns off consumers. The company can consider co-production with a foreign company that has a better name: South Korea could make a fine leather jacket that it sends to Italy for finishing. Finally, the company can hire a well-known celebrity to endorse the product. Nike has had a great deal of success using basketball start Michail Jordan to promote its footwear in Europe.

Just as important as beliefs are attitudes. "An attitude is a person's enduring favourable or unfavourable evaluations, emotional feelings, and action tendencies toward some object or idea."

People have attitudes toward almost everything, religion, politics, clothes, music, food, etc. Attitudes but them into a frame of mind of liking or disliking an object, moving toward or away from it. Attitudes lead people to behave in a fairly consistent way toward similar objects. People do not have to interpret and thought, they are very difficult to change. A person's attitudes settle into a consistent pattern: To change a single attitude may require major adjustments in other attitudes. Thus a company would be well advised to fit its product into existing attitudes rather than try to change people's attitudes.

Consumer decision making varies with the type of buying decision. The decisions to buy toothpaste, a tennis racket, a personal computer, and a new car are all very different. Complex and expensive purchases are likely to involve more buyer deliberation and more participants. Assale distinguished four types of consumer buying behaviour based on the degree of buyer involvement and the degree of differences among brands.\(^{17}\)

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Introduction

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• **Complex Buying Behaviour**: Complex Buying Behaviour involves a three step process. First, the buyer develops beliefs about the product. Second, he or she develops attitudes about the product. Third, he or she makes a thoughtful choice. Consumers engage in complex buying behaviour when they are highly involved in a purchase and aware of significant differences among brands.

• **Dissonance-Reducing Buyer Behaviour**: Sometimes the consumer is highly involved in a purchase but see little difference in brands. The high involvement is based on the fact that the purchase is expensive, infrequent, and risky. In this case, the buyer will shop around to learn what is available but will buy fairly, quickly, perhaps responding primarily to a good price or to purchase convenience.

• **Habitual Buying Behaviour**: Many products are bought under conditions of low involvement and the absence of significant brand differences consider salt. Consumers have little involvement in this product category. They go to the store and reach for the brand. If they keep reaching for the same brand, it is out of habit, not strong brand loyalty. There is a good evidence that consumers have low involvement with most low cost, frequently purchased products.

Marketers of such products find it effective to use price and sales promotions to stimulate product trial. Television advertising is more effective
than print because it is low-involvement medium that is suitable for passive learning.

- **Variety Seeking Buying Behaviour:** Some buying situations are characterized by low involvement but significant brand differences. Here consumers often do a lot of brand switching. Think about cookies. The consumer has some beliefs about cookies, chooses a brand of cookies without much evaluation, and evaluates the product during consumption. Next time, the consumer may reach for another brand out of a wish for a different taste. Brand switching occurs for the sake of variety rather than dissatisfaction.

**THE PRODUCT**

An automobile, a TV, a Refrigerator, an Air-conditioner, a Facial at beauty parlor, a Pop-music are all products. We define product as follow:

"*A product is anything that can be offered to a market to satisfy a want or need.*"\(^{18}\)

Products that are marketed include physical goods, services, experiences, events, persons, places, properties, organizations, information and ideas.

A product is defined in terms of the benefits it offer or the need it satisfies. Lipstick is thus selling of beauty and fertilizers use in the business of reducing hunger. Tonics are bought for the health promise they give. What the buyer really is buying? The answer gives us the core product. *The core product is an abstraction which is turned into a reality by making it tangible,* Computer, Television set, Air-conditioner, Shampoos, Management Education are all tangible products. Tangible products have several characteristics like a level of quality, feature, styling, brand name and packaging. When certain additional services and benefits are offered to improve the functional utility of tangible products, they become augmented products, e.g. computers are sold

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along with installation, maintenance, guarantees, software services and internet connections. Product augmentation cover's whole consumption system.

TYPES OF PRODUCTS

There are two types of products: **Consumer products** and **Industrial products**. Consumer products again are of two types: Consumer durables and consumer non-durables.

![Classification of Products](image)

Traditionally products are classified on the basis of characteristics like, durability, tangibility, and use (consumer or industrial).¹⁹

CONSUMER GOODS

On the Basis of Durability and Tangibility

Product can be classified into three groups.

1. **Non-durable Goods:** Non-durable goods are tangible goods normally consumed in one or a few uses, beer and soap. Because these goods are consumed quickly and purchased frequently, the appropriate strategy is to make them available in many locations, charge only a small mark up, and advertise heavily to induce trial and build preference.

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2. **Durable goods**: Durable goods are tangible goods that normally survive many uses, refrigerator, machine tools, T.V. and clothing. Durable products normally require more personal selling and service, demand a higher margin, and require more seller guarantees.

3. **Services**: Services are intangible, inseparable, and perishable products. As a result, they normally require more quality control, supplier credibility, and adaptability. Examples include haircuts and repairs etc.

On the Basis of Shopping Habits

The vast array of goods consumers can be classified on the basis of shopping habits. We can distinguish among convenience, shopping, specialty and unsought goods.

1. **Convenience Goods** are goods that the customer usually purchases frequently, immediately, and with a minimum of effort. Examples include tobacco products, soaps, newspapers, etc. Convenience goods can be further divided.

   ◦ Staples goods ◦ Impulse goods ◦ Emergency good.

2. **Shopping Goods** are that the customer, in the process of selection and purchase, characteristically compares on such bases as suitability, quality, price and style. Examples include furniture, clothing, cars, and major appliances. Shopping goods can be further divided. *Homogeneous* shopping goods are similar in quality but different enough in price to justify shopping comparison. *Heterogeneous* shopping goods differ in product feature and services that may be more important than price.

3. **Specialty Goods** are goods with unique characteristics or brand identification for which a sufficient number of buyers is willing to make a special purchasing effort. Examples include cars, stereo components, photographic equipment, men's suits, etc.
4. **Unsought Goods** are goods the consumer does not know about or does not normally think of buying. Smoke detectors are unsought goods until the consumer is made aware of them through advertising. The classic examples of known but unsought goods are life insurance cemetery plots, gravestones, and encyclopedias. Unsought goods require advertising and personal selling support.

**INDUSTRIAL GOODS**

Industrial goods can be classified in terms of how they enter the production process and their relative costliness. We can distinguish three groups of industrial goods: material and parts, capital items, and suppliers and business services.

1. **Material and Parts** are goods that enter the manufacturer's product completely. They fall into two classes, raw materials and manufactured materials & parts.

2. **Capital items** are long-lasting goods that facilitate developing or managing the finished products. They include two groups: installations and equipment.

3. **Supplies and business services** are short lasting goods and services that facilitate developing or managing the finished product.

This study concentrates on three durable products i.e. T.V. Refrigerator and Room Air-conditioner. Three durable products were selected from each group (White good, Brown goods, and Air-conditioner group) of consumer electronics. The category of brown goods includes television, video and audio products. The video products sub-group includes videocassette recorder (VCRs), Video Compact Disc (VCD) players, and Digital Video Disc (DVD) players. The audio products sub-group includes radio sets, mono cassette recorders, stereo cassette recorders, head phone stereos and music systems.

In the white goods category, the home appliances considered are refrigerators, washing machines and microwave ovens. In the air conditioner
category, the segment that falls under the ambit of consumer durables is the Room Air-conditioner (RAC) segment.

HISTORICAL EVOLUTION

Although household durable items have been there ever since households have been there, the evolution of consumer durable into a sector has been a recent phenomenon, compared with other sectors of the economy. This phenomenon can be attributed both the paucity of 'durables' which would stimulate the interest of the people, as well as to the absence of the 'consumer', who would be both able and willing to pay for them. Home appliances have been technological marvels, invented and developed upon in the more affluent developed societies, and it has taken a lot of time for their adoption in the less developed countries like India. The monochrome (black and white) television set, which was available in the US way back in 1939, was adopted in India as late as 1970. Colour television came up in the US in 1955, while India had to wait till the 1982 Asian Games.

However, the more prominent reason for the delay in the evolution of the consumer durables sector would be the delay in the evolution of the 'consumer' as a class. Till the 1970's most household assets were regarded as 'Luxury' items, while the major reason for this was the low affordability level of household.

It was only in the 1980s that this trend showed signs of reversing. With economic growth, there was an improvement in household income levels. More importantly, however, there was a rising desire for ownership and possession of assets, which become an indicator of social status. Lifestyle became an integral part of the social existence, with people trying to “keep up with the Jones”. It was also the decade when the Indian audience was introduced to a number of new durables, resulting from initiatives from either the Government (e.g. colour television, launched during the 1982 Asian Games) or the domestic private sector (e.g. washing machines, launched in 1987 by the Videocon Group).
The late 1980 also saw the emergence of some Indian companies like BPL, Videocon, and Mirc electronics on the Indian Corporate scene, which redefined the norms of doing business. On the one hand, these companies invested heavily in brand building through innovative advertisement and promotion campaigns. On the other, sensing the importance of innovating on products, they entered into technological collaborations with global players (BPL with Sanyo, Japan, Videocon with National, Japan). The durable industry as a whole took off in India during the 1990s after the commencement of economic liberalization. While on the demand side, economic growth led to higher disposable incomes and aspirational levels, on the supply side, the Government gradually opened up the sector to foreign participation and lowered tariff and non-tariff barriers.

- **Consumer Electronics (Brown Goods)**

  The consumer electronics sector includes both video and audio products. Video products, in turn, include television (black and white, and colour televisions) and other video equipment like videocassette recorders (VCR), VCD players and DVD players.

  The size of the consumer electronics market in India is estimated at Rs.88 billion (as of fiscal year 2002) of this, the contribution of the television market Rs.7.5 billion, with colour television sets (CTVs) accounting for Rs.65 billion and black and white television sets (B & W Televisions) for Rs.10 billion, and the video equipment market for the rest Rs. 3 billion. The transfer of technological innovation like TVs from the Western countries took an inordinately long time. B & W TVs were launched in India as late as 1970, when the household penetration of CTVs in the US had almost touched 40%. It was only in the 1980s that launch of CTVs prompted rigorous activity in the sector.

  In the early 1990s, however, TV sales dwindled, albeit briefly, as a fallout of restrictive Government policies, especially with the increase in the
excise duty rates; again a result of the Government trying to compensate for the foreign exchange out flow involved in the import of colour picture tubes. But following economic liberalization, the government resorted to a phased reduction of both customs and excise duties. Simultaneously, the advent of cable and satellite TV spurred television demand afresh. Major player in this sector are BPL, Onida, Philips, Sony, LG Samsung, Panasonic, Daewoo, Sansui, Sharp etc.

• White Goods

The whit goods sector includes household appliances like refrigerators, washing machines and microwave ovens. The size of the market for refrigerators is estimated at Rs.33-35 billion, for washing machines at Rs.11 billion, and for microwave ovens at Rs.2 billion. The growth in this sector had been delayed as white goods were perceived as luxury items for decades by both the government and public at large. While on the other hand, low disposable incomes stymied household penetration of these goods, on the other, the Government imposed heavy duties (both excise and import), which resulted in making these items unaffordable for households. It was only in 1990s that excise and custom duties were gradually reduced. This alongwith the rising household incomes, led to the growth in demand. Moreover, the household appliances were found to be of great convenience in performing household chores, and, with an increase in the number of working women in middle class Indian household, their possession became a necessity rather than a luxury. The industry composition has also undergone a change with the entry of multinationals like Whirlpool, Electrolux, LG, Samsung and Daewoo.

Till the 1990s, the refrigerator market was dominated by Godrej, Kelvinator, Allwyn and Voltas. The early 1990s saw the advent of other domestic players like Videocon and BPL. While the other players began by focusing on the Direct-Cool segment, BPL, from the outset, differentiated itself by concentrating on the premium Frost-Free segment. With the Government
permitting entry of foreign companies in 1993-94, the entry of multinationals like Whirlpool and Electrolux was through acquisition of Kelvinator, which was a trusted name in Indian households. While Electrolux lost the race to Whirlpool for acquiring the manufacturing facilities of Kelvinator, it subsequently managed to acquire the brand back from Whirlpool. Electrolux, on the other hand, acquired a lesser-known Indian Company, Maharaja International Limited. The next generation of multinational entrants included the Korean Chaebols-LG, Samsung and Daewoo – who started off by importing models from their parent or group companies abroad. Since the import of refrigerators of size larger than 300 litres was still not permitted, these companies initially offered larger size models.

• Room Air Conditioner

The size of the room air conditioners (AC) market in India is estimated at Rs.18 billion (as of calendar year 2001). Before the 1990s, the AC was treated as a luxury item and was heavily taxed, making it unaffordable for most households. Hence, demands for Air-conditioners were restricted mainly to the government sector and institutional buyers. Also, the high rates of excise duties on AC's manufactured by the organized sector led to the proliferation of the unorganized small scale sector, consisting of small local assemblers who ruled the roost. However, the reversal of Govt. policies since the 1990s, allowing a steady decline in excise rates, has led to the shrinkage of the unorganized sector as well as the entry of international brands in the organized sector, who have brought in technologically and aesthetically superior models. The new features being offered include rotary compressors (consuming less power), liquid injection cooled compressor, inverter split technology, and antibacteria filters. In terms of aesthetics, the trend is towards better-looking and less noisy models. The box type window Ac's are giving way to sleep mini split ACs, mountable on windows, walls, ceilings and floors. With increase in household incomes and affordability levels, price has stopped being the only criterion for
differentiation. In addition to product features, the branded players have started offering a five years warranty on the compressor. This has resulted in a fast shrinkage of the unbranded sector – while this sector constituted more than 70% of the room AC market in the mid-1990s, its share dropped to 18% in 2001. The prominent players in the organized sector are LG Electronics, Blue star, Carrier, Aircon, Voltas, Samsung India Electronics, Videocon, and Amtrex Hitachi-Appliances over the past few years, there has been a slew of international brands that have entered the Indian market, including National, LG, Samsung, Daikin (through collaboration with Shriram) and Siemens.\(^{20}\)

PRESENT SCENARIO 
TELEVISION 
GLOBAL PERSPECTIVE

The history of televisions can be traced back to 1888 with the discovery by German physicist Wilhelm, Hallwachs that certain substances emit electrons when exposed to light. Hallwachs demonstrated the possibility of using photoelectric cells in cameras. This property called photo emission was applied in the creation of image orthicon tubes which, in turn, allowed the creation of the electronic television camera. In 1897, the Cathode Ray Tube (CRT) was invented by the German, Karl Braun, and in 1904, the first colour television system was proposed. On October 30, 1925, John Logie Baird of London was successful in transmitting the first picture the head of dummy. In 1928, Baird extended his system by transmitting a signal between London and New York. In 1929, the British Broadcasting Service (BBC) adopted the Baird mechanical systems. By 1932, Baird had developed the first commercially viable television system and had sold 10,000 sets. By 1934, two British electronic firms, EMI and Marconi, created all electronic television system. They used the orthicon camera tube invented by an American company. In 1935, Germany began the world's first public broadcasting service and in, 1936 England followed suit.

Three years later, in 1939, broadcasting started in the US. In 1941 the American Federal Communications Authority (FCC) set the standards for broadcast television, call EIA. With the start of World War II, television production stopped in the US. At the end of the war, there was two year delay in the development of television as the Federal Communications Authority considered colour television systems. In 1947 all proposals of colour televisions were rejected. However, black and white sets were manufactured in great quantity.

By 1970, television had become the primary information and entertainment medium in the US. By 1967, almost all broadcasts in the US were in colour. In 1968, NHU (Nippon Moso Kyokai) Science & Technical Research Laboratories in Japan pioneered research on HDTV (High Definition Television) system. This would provide high levels of picture and sound quality.

In 1985, colour televisions with 35" picture tubes were first marketed and the first portable LCD TV sold. The 1990s saw worldwide activity towards the adoption of digital television (DTV). In 1993, the all digital systems were proposed in the USA. In the same year, wide screen television sets (16:9 aspect ratio) were launched in the US and Japan. In 1996, Zenith introduced the first high definition television (HDTV)-compatible front projection TV. In 2001, Philips Consumer Electronics won an EISA Award for its new 32" plasma display set. Measuring just 9 cm deep, the superslim set was described by EISA as the future of television. The trend has been shifting toward slim consoles and flat, widescreens, with increased emphasis on picture quality and design.

- **Market size**: Comparison of Global B & W TV Markets Million (Units per annum).

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Market Growth: The total size of the global market for CTVs as at the end of Calendar Year (CY) 2000 was 152 million sets. From 1996 to 2000, the market expanded at a CAGR of 3.4%. The figure is risen to around 153 million by the end of 2002 of the total global market for CTVs, the North American Free Trade Agreement (NAFTA Countries (US, Canada, Mexico), Europe and China together account for a 63% share. But India, with nearly 17% of the World's population, accounts for a merge 3.8% share of the total market.

Comparisons of (CTV) Market Size – 1999
Introduction

• Segmentation of Global CTV Demand: Worldwide, CTVs are segmented on the basis of screen size into the following categories:
  * Small (14"/16")
  * Medium (20"/21")
  * Large (25"/29")
  * Very large (>29")

The bulk of the global demand is for the medium and large screen size segment, although the very large premium segments is growing rapidly.

Table 1.1
Comparison of CTV Penetration Levels in Select Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Year</th>
<th>CTV Penetration Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>1996</td>
<td>82.7%</td>
</tr>
<tr>
<td>Canada</td>
<td>1998</td>
<td>98.8%</td>
</tr>
<tr>
<td>UK</td>
<td>1996</td>
<td>97.0%</td>
</tr>
<tr>
<td>US</td>
<td>1998</td>
<td>98.0%</td>
</tr>
<tr>
<td>New Zealand</td>
<td>1997</td>
<td>96.6%</td>
</tr>
<tr>
<td>Mexico</td>
<td>1996</td>
<td>85.4%</td>
</tr>
<tr>
<td>Argentina</td>
<td>1996</td>
<td>98.0%</td>
</tr>
<tr>
<td>India</td>
<td>2000</td>
<td>14.7%</td>
</tr>
<tr>
<td>China</td>
<td>2001</td>
<td>120.5% (Urban)</td>
</tr>
</tbody>
</table>

Indian Perspective

• Market Size and Growth: The CTV market in India took off on the heels of certain sporting events of the 1980s, starting with the Asian Games of 1982. As a result of such demand drivers and also because of the low base to start with, in the late 1980s, the CTV market witnessed a rapid growth rate. From FY1986 to FY 1990, the offtake of CTVs increased at a CAGR of 19%. From FY 1991, however, the marked stagnated for about two years. Because of
the high rates of excise duties passed on the end-users, the initial euphoria got toned down to some extent. In 1993, to push up the sagging growth rate, the Government reduced the excise and customs rates. But the predominant factor that led to the rejuvenation of the demand after two years of lull was the advent of cable TV and the arrival of foreign satellite channels.

Figure 1.8

Growth Trends in Domestic CTV Market

Post-liberalisation, the CTV market grew very rapidly, riding on the consumerist boom that was an aggregation of both new and pent-up demand. The CTV market grew at a CAGR of 32.1% from FY 1995 to FY2000. The growth rate has dropped in FY 1997 because of a brief recessionary phase. But during the period FY 1997 to FY 2000, aided by factors such as the implementation of to the Fifth Pay Commission's recommendations and the World Cup Cricket, the demand for CTVs took off again.

The CTV market in India has a size of 5.8 million sets during CY2001. By comparison, sales in CY2000 amounted to around 5.74 million sets. The market increased at only 1.1% during 2001, compared with 14.7% during 2000. The slowdown was because of increased sales during the previous year.
economic slowdown, and natural calamities. The market is expected to have grown to around 7 million during 2002, mainly because of increased sales during the football World Cup, and the ICC Cricket trophy in Sri Lanka.

- **Segmentation:** In India, since the very large CTV segment (size>29 inches) is a small one, the market can be segmented into three broad categories:

  Small (14"/16")
  Medium (20"/21")
  Large (25" and bigger)

With a market share of 76% in CY2001, the medium size segment (20"/21") constitutes the bulk of the market. However, of late, the small size and the large size segments have grown at faster rates. The average growth rates over the last five of the different size segments in the CTV market are compared below:

*Table 1.2*

<table>
<thead>
<tr>
<th>Segment-wise Growth Rates in CTVs-FY1996 to CY2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAGR</td>
</tr>
<tr>
<td>(FY1996 to Cy2001)</td>
</tr>
<tr>
<td>Small size</td>
</tr>
<tr>
<td>Medium size</td>
</tr>
<tr>
<td>Large size</td>
</tr>
<tr>
<td>Overall</td>
</tr>
</tbody>
</table>

- **Penetration levels:** According to NCAER estimates, the penetration levels of CTVs in Indian households grew from a level of 12.2 per 1000 households in FY1986 to 78.9 per 1000 households in FY 1996 (more than six times in 10 years). The penetration level is expected to have gone up to 150 per 1000 households in 2000.
The urban penetration levels have grown more than eight times from 40 per 1000 households in 1985-86 to 350 per 1000 households in 1999-00, while the rural penetration levels have multiplied more than 38 times in the same period, because of a low base to start with.
However, in spite of the growth in CTV penetration level in India, the figures compared poorly with the penetration numbers in other countries.

- **Geographical Demand Distribution**: The penetration of CTVs across regions is depicted in the following figure.

![Figure 1.11](image)

**Figure 1.11**

**Penetration of CTVs Across Regions**

- The Western and Southern regions of the country have higher CTV penetration level compared with the national average; the Northern and Eastern zones have lower figures than the average. In terms of annual CTV demand, historically, the bulk of the purchases have been in the West and the South, while the North and the East have lagged.

The CTV penetration levels across different States are presented in Figure 1.10. The Northern region is characterised by a disparity in penetration amongst the States included. Although Delhi leads the States in CTV penetration, its lower total population lends a small weight to the Northern zone, while Uttar Pradesh, the State with the largest population, has a much
greater weight. Among the Southern and Western States, the penetration is more equitably distributed. As in the case of most consumer assets, the penetration is also skewed towards urban areas.

Figure 1.12
Penetration of CTVs-Across States and Population Centres

Supply Characteristics

The major brands in the Indian CTV industry are BPL, Videocon, Onida, LG, Sony, Akai, Aiwa, Samsung, Philips, Panasonic, Sharp, Sansui, Thomson and Daewoo. Of late, new brands like Konka and TCL have also entered the market.

The companies marketing their CTV products under these brands are as follows:
### Table 1.3
**CTV Companies and their Brands**

<table>
<thead>
<tr>
<th>Company</th>
<th>Brand(s)/Sub-Brand</th>
</tr>
</thead>
<tbody>
<tr>
<td>BPL Limited</td>
<td>BPL</td>
</tr>
<tr>
<td>Videcon International Limited</td>
<td>Videocon, Akai, Sansui, Toshiba</td>
</tr>
<tr>
<td>Mirc Electronics Limited</td>
<td>Onida/Candy, KY Series, Multiview</td>
</tr>
<tr>
<td>Sony India Private Limited</td>
<td>Sony/Wega, Trinitron</td>
</tr>
<tr>
<td>Baron International</td>
<td>Aiwa</td>
</tr>
<tr>
<td>LG Electronics India Limited</td>
<td>LG/Sampoorna, Golden Eye, Roving Eye, Maestro, Flatron, Joymax</td>
</tr>
<tr>
<td>Samsung India Electronics</td>
<td>Samsung/Tantus, Plano, Vision, Plus Metallica, Super Horn, Hi-tron</td>
</tr>
<tr>
<td>National Panasonic India Ltd</td>
<td>Panasonic/Tau</td>
</tr>
<tr>
<td>Philips India Limited</td>
<td>Philips/Power Vision, Matchline</td>
</tr>
<tr>
<td>Kalyani Sharp India Limited</td>
<td>Sharp</td>
</tr>
<tr>
<td>Thomson Consumer Electronics</td>
<td>Thomson</td>
</tr>
<tr>
<td>Daewoo Motor Electronics Ltd</td>
<td>Daewoo</td>
</tr>
<tr>
<td>TCL</td>
<td>TCL</td>
</tr>
</tbody>
</table>

The total market size of CTVs in India in CY 2001 was 5.8 million units. The market structure of the CTV industry is discussed below.

The market shares of the various CTV brands were as follows:

### Table 1.4
**CTV Market Shares (%)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mirc Group</td>
<td>11.3</td>
<td>12.2</td>
<td>12.5</td>
<td>13.1</td>
</tr>
<tr>
<td>LG</td>
<td>6.4</td>
<td>5.6</td>
<td>14.9</td>
<td>19.1</td>
</tr>
<tr>
<td>Samsung</td>
<td>8.1</td>
<td>6.0</td>
<td>12.3</td>
<td>14.5</td>
</tr>
<tr>
<td>V’con Group**</td>
<td>20.5</td>
<td>19.4</td>
<td>19.4</td>
<td>22.1</td>
</tr>
<tr>
<td>BPL</td>
<td>18.4</td>
<td>16.5</td>
<td>10.8</td>
<td>5.2</td>
</tr>
<tr>
<td>Philips</td>
<td>3.7</td>
<td>5.6</td>
<td>5.7</td>
<td>5.8</td>
</tr>
<tr>
<td>Panasonic</td>
<td>2.1</td>
<td>1.3</td>
<td>1.4</td>
<td>0.8</td>
</tr>
<tr>
<td>Sharp</td>
<td>3.7</td>
<td>2.1</td>
<td>2.1</td>
<td>2.0</td>
</tr>
<tr>
<td>Sony</td>
<td>3.1</td>
<td>1.8</td>
<td>2.5</td>
<td>2.3</td>
</tr>
<tr>
<td>Thomson</td>
<td>2.6</td>
<td>1.8</td>
<td>2.5</td>
<td>2.3</td>
</tr>
<tr>
<td>Others</td>
<td>20.1</td>
<td>27.7</td>
<td>15.6</td>
<td>12.3</td>
</tr>
</tbody>
</table>

*Onida & Igo, **Sansui, Akai, Videocon & Toshiba
Source: Business World, 20 September, 2004, p. 18

Table 1.4 reveal that Mirc group, L.G., Samsung and Videocon groups are close competitor, today they account for 69 per cent of the market, up from
43 percent a couple of years ago. Two or three factors have caused this change. BPL, Once a leader with over 20 percent market share, has dropped to 5.2 percent. Second, multinational brands like Sony, Panasonic, Thomson and Sharp have lost ground. Third, regional brands like Oscar, Texla, Weston and Beltek have lost market share.

- **Installed Capacities:** The total capacity for CTVs in India is around 8.4 million units per annum. The individual installed capacities of domestic CTV manufacturers (FY2002) are presented in Table 1.5.

<table>
<thead>
<tr>
<th>Company/Group</th>
<th>Installed Capacity (units per annum)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BPL Group</td>
<td>9,50,000</td>
</tr>
<tr>
<td>Philips India Ltd.</td>
<td>1,49,000</td>
</tr>
<tr>
<td>Daewoo Anchor Electronics Ltd</td>
<td>2,00,000</td>
</tr>
<tr>
<td>LG Electronics India Ltd.</td>
<td>10,00,000</td>
</tr>
<tr>
<td>Samsung India Electronics Ltd.</td>
<td>10,00,000</td>
</tr>
<tr>
<td>Videocon Group</td>
<td>38,00,000</td>
</tr>
<tr>
<td>Weston Electronics Ltd.</td>
<td>2,00,000</td>
</tr>
<tr>
<td>Matsushita Television and Audio India Ltd.</td>
<td>2,00,000</td>
</tr>
<tr>
<td>Mirc Electronics Ltd.</td>
<td>6,25,000</td>
</tr>
<tr>
<td>Kalyani Sharp India Ltd.</td>
<td>2,00,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>83,51,000</strong></td>
</tr>
</tbody>
</table>

**REFRIGERATOR**

The history of modern artificial refrigeration can be traced back to 1748, when Dr. William Cullen of Scotland demonstrated the cooling effect produced by the evaporation of certain liquids in vacuum. Based on Cullen's discovery, an American inventor, Oliver Evans, designed the first vapour driven refrigeration machine in 1805. The commercial use of mechanical refrigeration systems began in the US in 1889-90. The first refrigerator for household applications were developed in the first decade of the 20th century in Ford Wayne, Indiana, US, independently by General Electric Company and

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Frigidaire in 1911 and 1915, respectively. Initially they used ammonia. However, the gas had a pungent odour and was toxic as well, therefore, engineers search another alternative known as Chlorofluorcarbons (CFC's). In the 1950s and 1960s, the appliance evolved further with innovations like automatic defrost and automatic icemakers.

The 1990s, saw, in addition to the environment consciousness manifested in the replacement of CFC's as refrigerants, a trend towards greater energy efficiency through high efficiency refrigerators. New Models can be as much as 50% more efficient than older refrigerators.

GLOBAL SCENARIO

The size of the global refrigerator industry was estimated at 80 million units in FY 2001, of which Asia would account for about 40% followed by West Europe (20%) and North America (18%). In most major markets throughout the world, 2001 and 2002 were challenging years in the industry with rising material costs, decreased consumer demand and intense price competition.

The European industry has been suffering from surplus capacity, estimated at 5 million units. The State of the market has caused the sector undergo extensive restructuring which has given rise to capacity reduction or heavy job losses.

In Asia, the refrigerator and other major home appliance markets are characterized by low saturation and, as a result, rapid growth (except in Japan and South Korea). The Asian market is served by approximately 50 manufacturers of varying size and position on a country-by country basis.

INDIAN SCENARIO

After colour television (CTVs), refrigerators constitute the second largest product segment within the consumer durables sector in India, with an estimated annual turnover of Rs. 33-35 billion.
• **Market Size & Growth:** The size of the refrigerator market in India was an estimated 3 million units during FY 2002. The market size increased from a volume of 1.1 million in Calendar Year (CY) 1992 to 3.2 million in CY 2000. However, since then, the market size has shrunk. Let's understand this with the help of diagram.

![Figure 1.13](image)

**Indian Refrigerator Market: Trend in Growth**

- **Penetration:** According to the National Council of Applied Economic Research (NCAER), the penetration of refrigerators in Indian household increased from a level 26 per 1000 households in 1985-86 to 86 per 1000 households in 1995-96. While the urban penetration level increased from 150.7 to 455.5, the corresponding figure for rural penetration grew from 3.3 to 20.4.
- **Segmentation:** The refrigerator market in India can be broadly segmented on the basis of the cooling system into:
  - Direct cool (DC); and
  - Frost free (FF).
In DC refrigerators, refrigeration is accomplished through the direct contact of air with the cooling coils bound around the freezer. So, ice is formed frequently around the cooling coil, reducing cooling efficiency and calling for constant defrosting. Within the DC category, there are two sub-categories—automatic defrost and manual defrost.

FF refrigerators operate on principal called force conviction. In these models, the cooling coils are located outside the storage area. A circulation fan sucks cold air from over the coils and blows it into the refrigerator and freezer section, thus preventing frost formation inside the refrigerator and ensuring high cooling efficiency.

- **Geographical Distribution of Demand:** Geographically, the overall demand distribution for refrigerators in India has shown a shift towards the North, which accounted for 41% of the demand in FY 2002, as compared with 40% in FY 2000. The south and west accounted for 22% and 26%, respectively, while the East accounted for only 11% of the total domestic demand for refrigerators in FY 2002. In terms of category wise sales, currently, the North accounts for only 30% of FF sales, as compared with 43% for DC sales. By Comparison, the East and the South account for 32% and 27% of FF sales, respectively, as against 25% and 21% of DC sales, respectively. The higher market share of the west and the south in FF sales is partly attributable to the progressive nature of the market in these regions.

- **Size-wise Distribution:** In the Indian refrigerator market, the 165-184L size dominates sales. In FY 2002, this size range 1.78 million units, representing a market share of 59.2%. Traditionally, the 165L is the most popular size, mainly because it has proved to be the optimal size for the average Indian home. Sales in the next larger segment 185-225L aggregated 0.58 million Units in FY 2002, representing a market share of 19.3%. Combined with a market share of 5% of
refrigerators below 165L, refrigerator size of up to 225L accounted for 83.5% of total refrigerator sales in India during FY 2002.

In the DC category, the bulk of the demand lies in the 165-184L size segment. Sales of 165-184L DC refrigerators aggregated an estimated 1.78 million during FY 2002, accounting for 71% of refrigerator sales in the DC segment. In the FF category, sales are roughly evenly distributed across size. However, in recent years, the 165-184L segment has lost market share to the 185-225L segment. DC refrigerator sales in the 165-184L segment declined from 85% of sales in 1995-96 to 71% of sales in FY 2002. The two segments of 165-184L and 185-225L accounted for nearly 90% of all DC refrigerator sales during FY 2002.

SUPPLY CHARACTERISTICS:

- **Industry Overview:** The major players in the Indian refrigerators industry are Whirlpool, Electrolux (including Electrolux, Kelvinator, and Allwyn), Godrej, Videocon, BPL, LG, Samsung and Daewoo. The total industry size was 3 million units during FY 2002, consisting of 2.5 million DC Units and 0.5 million FF Units. The following table mentions the major players in the industry (as a whole) and their market shares during.

### Table 1.6

**Market Shares of Refrigerator (in percentage)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Whirlpool of India</td>
<td>23.3</td>
<td>24</td>
<td>26</td>
<td>28.8</td>
</tr>
<tr>
<td>Godrej Appliances</td>
<td>23.3</td>
<td>17</td>
<td>17</td>
<td>20.0</td>
</tr>
<tr>
<td>LG Electronic India</td>
<td>5.4</td>
<td>8</td>
<td>8</td>
<td>10.7</td>
</tr>
<tr>
<td>Electrolux Kelvinator</td>
<td>23.6</td>
<td>19</td>
<td>20</td>
<td>18.8</td>
</tr>
<tr>
<td>Voltas</td>
<td>11.29</td>
<td>5.89</td>
<td>7.51</td>
<td>--</td>
</tr>
<tr>
<td>Samsung</td>
<td>3.3</td>
<td>4.11</td>
<td>7.28</td>
<td>5.2</td>
</tr>
<tr>
<td>Allwyn</td>
<td>--</td>
<td>6.0</td>
<td>6.0</td>
<td>4.0</td>
</tr>
<tr>
<td>Videocon</td>
<td>13.0</td>
<td>10.0</td>
<td>12.0</td>
<td>10.0</td>
</tr>
<tr>
<td>BPL</td>
<td>7.4</td>
<td>--</td>
<td>--</td>
<td>4.5</td>
</tr>
<tr>
<td>Others</td>
<td>0.4</td>
<td>1.0</td>
<td>3.41</td>
<td>2.0</td>
</tr>
</tbody>
</table>

Table 1.6 reveal that Whirlpool, Godrej, LG and Electrolux are close competitors in refrigerator market.

- **Installed Capacities:** The current installed capacities of the different players in the Indian refrigerators industry are presented in the following Table.

### Table 1.7

**Installed Capacities of Major Refrigerator Manufactures in India**

<table>
<thead>
<tr>
<th>Company</th>
<th>FY2002 (units per annum)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BS Appliances(^1)</td>
<td>1,50,000</td>
</tr>
<tr>
<td>BS Refrigerators(^2)</td>
<td>30,00,000</td>
</tr>
<tr>
<td>Daewoo Anchor Electronics</td>
<td>1,00,000</td>
</tr>
<tr>
<td>Electrolux Kelvinator</td>
<td>10,50,000</td>
</tr>
<tr>
<td>Godrej Appliances</td>
<td>11,00,000</td>
</tr>
<tr>
<td>LG Electronics</td>
<td>3,00,000</td>
</tr>
<tr>
<td>Videocon Appliances</td>
<td>8,50,000</td>
</tr>
<tr>
<td>Voltas</td>
<td>4,00,000</td>
</tr>
<tr>
<td>Whirlpool</td>
<td>13,90,000</td>
</tr>
</tbody>
</table>

1: Previously BPL Sanyo Utilities & Appliances Ltd.; 2: previously BPL Refrigeration Ltd. Compiled by INGRES

In addition to the above capacities, LG Electronics and Samsung Electronics, which have been hitherto either outsourcing refrigerators from domestic manufacturers or importing them from the parent company, are coming up with facilities.
Table 1.8
Profiles of Major Players in Domestic Refrigerator Industry

<table>
<thead>
<tr>
<th>Company</th>
<th>Brand(s)/Sub-Brand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whirlpool of India Limited (WIL)</td>
<td>Whirlpool/Quick Chill, Ice Magic, Flexigerator, Corona Elite, Masterpiece, Calypso</td>
</tr>
<tr>
<td>Videocon International Limited</td>
<td>Videocon</td>
</tr>
<tr>
<td>BS Refrigeration Limited</td>
<td>BPL</td>
</tr>
<tr>
<td>Godrej Appliances Limited</td>
<td>Godrej/Cold Gold Ultra, World Series, Pentacool</td>
</tr>
<tr>
<td>LG Electronics Limited</td>
<td>LG/Preserve Nutrition (FF), Fresh Master (DC), A One (DC)</td>
</tr>
<tr>
<td>Samsung India Electronics Limited</td>
<td>Samsung</td>
</tr>
</tbody>
</table>

AIR-CONDITIONER

The history of Air-conditioning can be traced to the year 1902, when Willis Haviland Carrier, an American engineer, designed the first system for treating the temperature and humidity of the ambient air in his printing plant at Brooklyn. The term "air conditioning" was first coined by a textile engineer, Stuart Cramer. The early use of air conditioning was for commercial purpose, as many industries discovered its potential to improve the quality of their products. It was in 1924 the potential of air conditioning was realized beyond industrial applications-in cooling for human comfort. In 1928, carrier developed the first residential ‘Weather maker’ an Air-conditioner for private home use. As the market demand shifted toward ACs for personal comfort, manufacturer started offering small ACs.
Type of AC's

Taking the cooling capacity required and the nature of cooling application as the bases, the AC Industry can be divided into the following segments.

- **Room AC**: Room AC's (RACs) cater to relatively low cooling requirements, ranging from 0.75 tonne to 4T, typically in households and small offices. RACs can again be divided into window ACs and split ACs, on the basis of the mounting principle. Windows ACs are single, compact units, which are mounted on to windows. Owing to the ease of assembling these ACs, a large portion of the windows AC market is catered to by small, unbranded, local assemblers. Split ACs are named as such because the condenser portion and the compressor are mounted separately, and connected to each other through a coil.

- **Packaged ACs**: Packaged ACs cater to higher cooling requirements of 5-15T, and generally find use in office buildings, hotels and large restaurants and cinema theatres, where it would be uneconomical to install separate window or split units for different rooms.

- **Central ACs**: Unlike RACs or packaged ACs, which are unitary systems, in a central air conditioning system there is a central cooling plant. Central AC's handle refrigeration requirements ranging from a low of 10T to a high of 1650 T. Depending on the type of refrigeration used, central ACs can be categorized into vapour compression systems and vapour absorption system.

GLOBAL SCENARIO

The size of the global air conditioning industry was estimated at 43.6 million units in 2001, as compared with an estimated 38.5 million units in 2000. Asia constitutes the largest market for ACs with an estimated market share of 35.1%. followed by North America (28.1%) and Japan (19.2%).
US is the largest market with an estimated 11.8 million shipment during 2001, followed by China (10.7 million), and Japan (8.4 million). India with a market size of 0.66 million represents only 1.5% of the total market.

The total market for AC's is expected to increase from 43.6 million in 2001 to an estimated 50.1 million units in 2005. Growth is expected to be strong in the RAC segment and in the developing markets.

**Table 1.9**

<table>
<thead>
<tr>
<th>Region</th>
<th>2001</th>
<th></th>
<th>2002</th>
<th></th>
<th>2005</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>RAC</td>
<td>PAC</td>
<td>Total</td>
<td>RAC</td>
<td>PAC</td>
<td>Total</td>
</tr>
<tr>
<td>North America</td>
<td>5.65</td>
<td>6.62</td>
<td>12.27</td>
<td>5.10</td>
<td>6.02</td>
<td>11.12</td>
</tr>
<tr>
<td>Japan</td>
<td>7.63</td>
<td>0.74</td>
<td>8.37</td>
<td>6.95</td>
<td>0.70</td>
<td>7.65</td>
</tr>
<tr>
<td>Asia (Excl. Japan)</td>
<td>13.27</td>
<td>2.03</td>
<td>15.30</td>
<td>14.39</td>
<td>2.14</td>
<td>16.53</td>
</tr>
<tr>
<td>Europe</td>
<td>2.23</td>
<td>0.41</td>
<td>2.64</td>
<td>2.36</td>
<td>0.43</td>
<td>2.79</td>
</tr>
<tr>
<td>Middle East</td>
<td>1.47</td>
<td>0.36</td>
<td>1.83</td>
<td>1.50</td>
<td>0.37</td>
<td>1.87</td>
</tr>
<tr>
<td>Latin America</td>
<td>1.79</td>
<td>0.15</td>
<td>1.94</td>
<td>1.85</td>
<td>0.16</td>
<td>2.01</td>
</tr>
<tr>
<td>Others</td>
<td>1.15</td>
<td>0.13</td>
<td>1.28</td>
<td>1.21</td>
<td>0.14</td>
<td>1.35</td>
</tr>
<tr>
<td>Total</td>
<td>33.19</td>
<td>10.44</td>
<td>43.63</td>
<td>33.35</td>
<td>9.97</td>
<td>43.32</td>
</tr>
</tbody>
</table>


**INDIAN SCENARIO**

- **Demand Growth:** The segment of the air conditioning industry that comes within ambit of consumer durables in the RACs segment. The RAC market has grown from a level of 2,50,000 units in 1993 to an estimated 5,66,000 units in 2000 and 6,60,000 units in 2001. Between 1997 and 2001, the market grew at a compounded annual growth rate (CAGR) of 15.2%. The penetration level of RAC in 2001 was a mere of 0.1% of the total population. The overall penetration of ACs in Indian households, as of 1998, was a mere 1%. The figure for the top eight metros was around 2%.

Because of the seasonality of demand in the AC Business, nearly 70% of annual AC sales in India take place in the month of March-May. During 2002, the summer season was extended because of a hotter summer and deficient rainfall in most part of the country.
• **Region-wise Distribution of Demand for AC's:** Among the four regions, North India has accounted for the great proportion of RAC sales, followed by the west. Among states, Delhi accounts for the largest share for all AC's with 32% of the country's market. The other states, in order of market size, are Maharashtra (17%) Tamil Nadu (13%), Punjab (6%) Andhra Pradesh (6%), Gujrat (5%), West Bengal (4%), Uttar Pradesh (3%), Haryana, Kerala, Karnataka, MP are 2% each and all others share 0.0% total distribution.

**Domestic Supply Characteristics**

• **Industrial Structure:** The size of the AC industry in India is estimated at Rs.18 billion in 2001. The major players in this industry are carrier Aircon, LG, Voltas, Amtrex, Hitachi, Blue Star, Fedders, Llyod, National and Samsung.

  The market shares of the major players in the RAC segment (based on volumes for 2001) are present in the following figures.

**Figure 1.14
RAC Market Shares**

Figure 1.15
Window and Split AC Market Shares

Window AC

<table>
<thead>
<tr>
<th>Manufacturer</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>LG</td>
<td>15.5%</td>
</tr>
<tr>
<td>Unorganised</td>
<td>19.4%</td>
</tr>
<tr>
<td>Amtirex</td>
<td>8.5%</td>
</tr>
<tr>
<td>Carrier</td>
<td>7.7%</td>
</tr>
<tr>
<td>National</td>
<td>9.2%</td>
</tr>
<tr>
<td>Voltas</td>
<td>9.7%</td>
</tr>
<tr>
<td>Samsung</td>
<td>7.7%</td>
</tr>
</tbody>
</table>


Split AC

<table>
<thead>
<tr>
<th>Manufacturer</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>LG</td>
<td>13.3%</td>
</tr>
<tr>
<td>Unorganised</td>
<td>21.7%</td>
</tr>
<tr>
<td>Amtirex</td>
<td>7.2%</td>
</tr>
<tr>
<td>Carrier</td>
<td>17.3%</td>
</tr>
<tr>
<td>Dalkin</td>
<td>10.0%</td>
</tr>
<tr>
<td>Voltas</td>
<td>13.3%</td>
</tr>
<tr>
<td>Samsung</td>
<td>4.0%</td>
</tr>
<tr>
<td>Other Organised</td>
<td>13.3%</td>
</tr>
</tbody>
</table>

### Table 1.10
**Profile of Major AC Manufacturers**

<table>
<thead>
<tr>
<th>Company</th>
<th>Brand(s)/Sub-Brand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrier Aircon Limited</td>
<td>Carrier/Iona Celesta Optima, NG-Series, N-Series, Sierinfinity, Slimpack (split ACs)</td>
</tr>
<tr>
<td>Voltas Limited</td>
<td>Voltas/Visionaire, Vectra, Vertis, Verdant</td>
</tr>
<tr>
<td>Amtrex Hitachi Appliances Limited</td>
<td>Logicool</td>
</tr>
<tr>
<td>Blue Star Limited</td>
<td>Blue Star</td>
</tr>
<tr>
<td>Fedders Lloyd Limited</td>
<td>Fedders Lloyd/Lloyd Gold, LPS Deluxe, Fuzzy, Multisplitter (Split ACs)</td>
</tr>
<tr>
<td>Videocon International Limited</td>
<td>Videocon</td>
</tr>
<tr>
<td>AGL Electronics India Limited</td>
<td>LG</td>
</tr>
<tr>
<td>Samsung India Electronic Limited</td>
<td>Samsung/Instachill</td>
</tr>
<tr>
<td>Matsushita Air Conditioning India Limited</td>
<td>National</td>
</tr>
<tr>
<td>Daikin Shiriram Airconditioning Private Limited</td>
<td>Daikin</td>
</tr>
<tr>
<td>Whirlpool of India Limited</td>
<td>Whirlpool</td>
</tr>
</tbody>
</table>

**FOCUS OF THE STUDY**

The efforts of the present study are focus to discover or examine how advertising affects the customer needs, wants, interest, perception and ultimately behaviour of the customers. It further interests to know that how consumer purchase the durable products i.e. Television, Refrigerator and Room Air-Conditioner? What factors they consider important and medium of advertisement effects consumer choice, which medium they consider best for advertising these products?

Focus of the study was – those consumer who had atleast two out of three products (Television, Refrigerator and Room Air-Conditioner). These are the common durable products which reflect the economics and behavioural pattern of Indian consumer. Researcher is of the opinion that these are the products which are very relevant to Indian consumer. Household consumers were selected for research purpose and reason is obvious. These three products which selected from three different category (Brown goods, White good and Air-Conditioner category) of consumer durable product strongly reflect almost all the advertising appeal.

**SIGNIFICANCE OF THE STUDY**

Consumers are so important for the health of the company, that company cannot afford to ignore the wishes of the small market. Consumers
buy so many products, durable as well as non-durable. Selecting these three durable products do not undermined the significance of the non-durable products but only few products can be selected for such type of study. These three products are not only relevant for Indian consumer but reflect their psyche and economics. Consumer social standing in measure through which kind of product he/she own’s. If somebody social-class is to be measured it is through the product he/she has and planning to have. There is strong indication of great shifting from middle class to upper middle class. This shift can be measured through these three different categories. How do they purchase durable products? This question is answered by getting an answer to purchase of these three products i.e. Air Conditioner, Refrigerator and Television. All these three reflect their income, which is a strong measure for measuring a social-class standing of a consumer. Advertising plays a significant role in purchasing of these three products. To what extent its influence to purchase is a matter of study.

Consumer attitude always influence marketing/advertising strategies for the marketers. They reflect their own kind of attitude through durable product. Hence, the study “Impact of Advertising on Consumer Behaviour” is very relevant for the marketers.

ORGANISATION OF THE STUDY

The next Chapter provides the literature base upon which this study is built, it begins with a discussion of the relevant advertising literature. The following Chapter describes the research methodology and procedure of testing hypothesis. Chapter fourth related to adverting and promotional strategies of electronic company used and their weaknesses. Chapter fifth related to test the hypothesis and measure the attitude or respondents, of different brand of television, refrigerator and room air-conditioner. The final Chapter provides a brief overview of the study and discusses the conclusion that can be drawn from the study.