CHAPTER-I

INTRODUCTION

The world of today is changing fast, India is no exception. Specially after the opening up of the economy, the pace of change that India and its people are experiencing in their socio-culture milieu mind boggling. The Indian economy today is in transition. A transition from government control to free market economy, from protection to competition, from isolation to globalization and from obsolescence to innovation. In the protected environment, most Indian firms were operating in seller’s markets; all of them alike now have to learn the alien art of marketing without wasting time. This requires an altogether different approach towards business. Firms must now develop the right perspective based on proper information about markets and customers. If you know your customers and prospects and how they vary by value, revenue and profit potential, it makes sense to concentrate on those who are more likely to generate the most profit. Therefore, the understanding of changing preferences of consumers’ has become necessary for marketers to strategically plan their moves in the market place.

India with its wide diversity offers a fascinating scope to study the host of changes, which developmental activities have brought about in its social and economic fabric. Although these changes are difficult to
measure at the micro level, nevertheless, they have been of great significance to marketers. The fact remains that the profile of the Indian markets is vastly different from what it was five years ago. Any marketer is keen to closely monitor the changes in terms of numbers and specially to keep regular task of the changing pattern of the consumers’ aspirations and competitive actions.

With strong economic fundamentals and rising income, consumer durable industry is on a fast path. Consumption of manufactured consumer goods is recognized as one of the most widely accepted measures of standard of living and quality of life. Consumer goods manufacturing industry provides the driving force for stimulating rapid economic growth. The growth rate of manufacturing and consumer goods industry normally surpasses that of agriculture sector. It is for this reason that the manufacturing and consumer goods durables industry is considered backbone of the economy.

Exposure to television is transforming the tastes and aspirations of the people of the country. Coupled with the expansion in communication and infrastructural facilities, prosperity among the people has led to rising demands for durable items in the country. With a rising awareness of brands, the discerning buyer is becoming more choosy.
With the opening up of the Indian economy, marketers today are facing a barrage of new challenges and opportunities. The Indian market is emerging as a dynamic and competitive arena where “the only thing that is permanent is change”. Industry is getting increasingly deregulated, reforms in spite of delay in critical pockets like labour are continuing, companies are entering the market with powerful international brands, driving many erstwhile Indian companies to streamline their operations and look for alliances. The marketers in this rapidly changing environment have not only to learn how to cope with consumer aspirations, but also to deal with newer form of competition.

**Boom in Indian Economy**

In a sustained show of strength, the Indian economy is expected to perform at a robust growth rate of 8.1 per cent in 2005-06. According to the Economic Survey 2005-06, this growth rate reflects a 2.6 per cent increase in agricultural output and follows a growth rate of 8.5 per cent and 7.5 per cent in the last two years. The economy’s growth momentum has been driven by a dynamic industrial resurgence, a pick-up in investment, modest inflation despite increasing global prices of oil and steel, rapid growth in imports and exports with a widening of the current account deficit, steps towards enhanced physical infrastructure, progress
in fiscal consolidation, and the launch of the National Rural Employment Guarantee (NREG) scheme for inclusive growth and social security.

While the inflation, as measured by wholesale price index (WPI), was 4.1 percent on February 4, 2006 (as compared to 5 per cent on February 5 the previous year), the agriculture and allied sectors are expected to grow at 2.3 per cent. This moderate recovery of the farm sector can be partly attributed to a change in the pattern of rainfall. With a near normal distribution of rainfall, there has been a good agricultural output.

With an annual growth of 7 per cent or more, industry and services have acted as the twin engines for propelling the overall growth of the economy. The industrial sector is expected to register an impressive growth of 9 per cent in 2005-06, while the advance estimates for 2005-06 for the service sector is a record 9.8 per cent. The improvement is particularly pronounced in manufacturing and construction sectors. Within industry, manufacturing growth has climbed steadily from 7.1 per cent in 2003-04 to 9.4 per cent in 2005-06. The infrastructure sector experienced mixed outcomes. Overall index of six core industries having a direct bearing on infrastructure, registered a growth of 4.5 per cent in the period April-December 2005.
Infrastructure sectors like rail goods traffic, cargo handled at ports and airports and air passenger traffic have recorded high growth rates. Domestic and international air traffic grew by 24.2 per cent and 18 per cent respectively in April-December 2005. In the same period, international and domestic cargo recorded a growth of 11.7 per cent and 6.6 per cent respectively. This growth is the second highest in the world, next to China, for the second consecutive year. Industry witnessed a 7.8 per cent rate of growth in the period April-December 2005. The impressive performance of the manufacturing sector, with a growth rate of 8.9 per cent in the April-December 2005 period was tempered by a decline in the mining and quarrying, and electricity sectors, which suffered due to calamities like fire and floods.

Exports grew at 21.9 per cent in the first two quarters of 2005-06, with overall exports in April-January 2005-06 standing at US$ 74.9 billion. Exports for the period April-September 2005-06 amounted to US$ 44,761 million as compared to a figure of US$ 36,715 million for the same period in 2004-05. India’s merchandise exports (in US dollar terms and customs basis) have been recording annual growth rates of more than 20 per cent since 2002-03. In 2004-05, such exports grew by 26.2 per cent – the highest annual growth rate in the last three decades-to cross US$ 80 billion. Five major sectors-gems and jewellery,
engineering goods, petroleum products, ores & minerals, and chemicals and related products were the key drivers. Despite recording a somewhat lower rate of growth of 18.9 per cent, exports during April-January 2005-06 have already reached US$ 74.9 billion and are well on their way to achieve the US$ 92 billion target set for 2005-06.

The capital account surplus during the first half of 2005-06 has been more than one and a half times the surplus in the corresponding period of the previous year. During 2005-06, robust Foreign Institutions Investment (FII) inflows were more than eleven times higher than such inflows during April-September 2004. The bulk of this increase occurred during July-September 2005, in response to the rising buoyancy in the stock markets. Foreign investment inflows did a vertical climb, rising sharply to US$ 19,458 million in the period April-September 2005, up from US$ 7,421 million during the same period in 2004-05. Robust inflows of commercial borrowings sustained the capital account climbing from US$ 1,526 million in the period April-September 2004 to an impressive US$ 2,752 million in the period April-September 2005.

India’s foreign exchange reserves stood at US$ 139.2 billion as on January 27, 2006. As on end September 2005, external debt stood at US$ 124.3 billion. As per the revised Real Effective Exchange Rate (REER) of the RBI, which is a six-currency-trade-based-weights index providing
a better reflection of India’s trade competitiveness, the rupee appreciated by 2.5 per cent in 2004-05 on an annual basis. Though the REER (six-currency index) for November 2005 reflects an appreciation of above 7 per cent, the rupee started to depreciate in nominal terms from August 2005. The upbeat projection of 8.1 per cent in 2005-06 is based on a steady increase of 17.5 per cent in net domestic credit from the banking system—from US$ 447 billion on January 21, 2005 to US$ 526 billion on January 20, 2006. The growth in net domestic credit during the current financial year up to January 20, 2006 was 14.4 per cent.

Robust growth of the industrial sector and the Government’s conscious decision to increase credit to the agricultural sector has led to rapid increases in bank credit. During the period (ending on January 20, 2006) of 2005-06, non food credit expanded further by US$ 60 billion, up 25.2 per cent from US$ 37 billion in the corresponding period of the previous year. There was also a significant decline in the non-performing assets of scheduled commercial banks.

The Economic Survey also spoke about a number of initiatives taken in sectors like telecom, roads, rail network, ports and civil aviation that have begun to yield results and made a positive impact on economic growth. Impressive progress in expanding railway passenger network and production of commercial vehicles and fast addition to existing
stock of telephone connections, particularly mobiles, played a key role in
the growth of the service sector. Growth in financial services
(comprising banking, insurance and real estate services) maintained their
growth momentum with progressive maturing of Indian financial
markets and the ongoing financial boom. The Survey, stressing the role
of higher foreign investment (both foreign direct investment and foreign
institutional investment) for accelerated economic growth, said trade
liberalization, introduction of greater competition and open foreign
investment policies have been successful in transforming several sectors
of the Indian manufacturing industry into globally competitive entities.
India is on the threshold of a business revolution favoured by political,
economic, social and demographic factors. On the economic front, it is
likely that the growth rate will accelerate. Poor will be benefited by the
employment opportunities, generated and the increase in the financial
resources of the Government due to high tax revenue.

Changes in the Indian Business Environment

The business environment in India has undergone substantial
changes in the last few years. What really triggered these changes was an
unprecedented foreign exchange crisis in 1991, which drove the country
to bring of bankruptcy. This probably shook the government and the
policy makers from their slumber. The political leadership in the country
realized, perhaps for the first time that the economic problems could only be solved through economic measures and not through political gimmickry and sloganeering.

The Indian market is conventionally divided into urban and rural categories. More than a quarter of the market is now living in urban areas. By nature, urban markets are easily accessible and have associated challenges of characteristics of urban locations. Today overall literacy has gone up to 64.5%, which has its advantages for the marketers. Further, it is well known that the middle-income category has grown at a phenomenal rate in the last decade. The market has witnessed all round growth, especially the demand for the popular or medium priced segment, which has grown in the small towns and rural areas. On the other hand, the rising affluence among the upper middle and high-income people in India has created a vast opportunity for any premium brand. These people are aspiring for superior quality, comforts and convenience.

Initiation of the reform process through the instruments of liberalization and decontrol was a watershed decision in the economic history of the country. While on the one hand, it signaled a measure departure from the utopian vision of a socialistic society, on the other, it mark the beginning of a new era of more liberal, open and industry-
friendly economic policies. The Indian economy, which has remained largely insulated from the rest of the world for about four decades, was thus thrown open for integration with the global environment. Because of the economic reforms, many of the unrealistic controls over production distribution and pricing—once considered the bane of the Indian industry—are gone.

The economic reforms have, as a spin-off, ushered in an era of consumerism in the country. This in fact evolved from the scarcity environment of the 1970s and early 1980s to the environment of plenty in the 1990s. The opening up of the consumer goods segment to foreign investors, allowing technology transfer and collaborations and reduction of import duties on several categories of goods have brought about substantial changes in the demand-supply situation in the domestic market. Upgradation of technology has resulted in improve quality of goods and services produced by Indian firms. The markets for television sets, refrigerators, audio-systems, computers, two-wheelers, kitchen appliances, wristwatches, dress material, toiletries and the like have turned into buyers’ markets. The consumer is today is better informed, more demanding and choosy.

Various socio-economic factors, such as rapid urbanization, rise in the literacy levels, more women joining the workforce in the organized
sector, growth of the service sector, better employment opportunities, rise in agricultural income, and so on, which had earlier helped in the emergence of a powerful middle class in this 1970s and 1980s, are now helping it to emerge as a decisive factor in shaping the demand for a broad spectrum of consumer goods and services in the country. Nuclear single-earning families have become double-income families, especially in the urban areas, with the rapid expansion of the service sector, which has provided more jobs to women. Consequently, in the next decade the demand for processed food, entertainment electronics, readymade garments toiletries, mass transportation, communication systems, and services such as domestic help, baby-sitting and laundry is likely to increase rapidly. The economic reforms have also affected the socio cultural climate in the country. Proliferation of mass media, especially the introduction of multiple TV channels, has substantially increased exposure and awareness levels. The common person today has a better understanding of not only the available brands of the products but also of the social and political issues being faced by the nation and the society.

**Consumer Durable Goods Sector**

The Federation of Indian Chambers of Commerce and Industry (FICCI) has carried out a comprehensive survey of industries in the consumer durable goods sector. The survey revealed that the rising rate
of growth of GDP, rising purchasing power of people with higher propensity to consume with preference for sophisticated brands has provided constant impetus to growth of white goods industry. The urban consumer durable market for products including TV is growing annually by 7 to 10 percent. Quality products with superior technology and technology upgradation have helped the industry to achieve higher growth in terms of volume and in higher realization in value terms. Though CTV segment faced a de-growth in April-June 2005 sales of CTVs declining by 5.3 per cent and in value terms by 14.1 per cent due to the Value Added Tax (VAT) regime introduction in April 2005, the flat CTV category achieved a volume growth of 36.2 per cent and value growth of 25.8 per cent in the first quarter of 2005-06. The refrigerator segment also has shown a similar trend with frost-free segment having about 54 growth with about 15 per cent de-growth indirect cool refrigerators. There has been qualitative change in consumers’ preference going for higher products. Rate of growth in production has been more in terms of quantity or in volume growth rather than the growth in value terms for a number of products. This has happened because of constantly falling prices over the years due to competition among the major players, aggressive marketing strategies, declining import tariffs.
The sectors that have recorded excellent growth rates of more than 20 per cent in terms of quantity produced are Air Conditioners (25%), Split Air Conditioners (42.6%) Micro Wave Oven (27.3%), Colour Picture Tube (23%). The sectors which have recorded high growth rates between 10 and 20 per cent in April-March 2004-05 over the corresponding previous period are Colour Television (12%), Window Air Conditioners (18.8%), Washing Machines (18.1%), Watch (10%), Frost Free Refrigerators (13.8%). The Refrigeration Industry has reached 3.9 million units in 2004-05 from 3.7 million units in the last year with a growth of 5 per cent. The Air-Conditioners industry has reached at 1.2 million units during 2004-05 with a growth of 25 per cent from 9.8 lakh units in 2003-04. Washing Machines is estimated to have grown by 18.1 per cent from 1.35 million units in 2003-04 to 1.6 million units in 2004-05. Microwave oven has grown by 27.3 per cent growth with 3.5 lakh units compared to 2.75 lakh units in 2003-04. The Indian Colour Television industry has grown by 12.1 per cent in 2004-05 by reaching 9.25 million units in 2004-05 from 8.25 million units in 2003-04. The B&W TV has recorded a negative growth of 16.7 per cent from 3 million units in 2003-04 to 2.5 million units in 2004-05. Watch and clock have registered growth of 10 per cent and 8 per cent from 20.6 mn
units and 26.3 million units in 2003-04 to 22.6 mn units and 28.4 mn units in 2004-05.

Because of growth in production in the organized segment and domestic availability of branded products due to lowering of import duties and other liberal measures, the share of unorganized segment has come down sharply to only 8 to 10 per cent from 40 to 50 percent. The price differences between branded and unbranded goods has narrowed down and with branded players providing good after sales services and support consumer prefer to buy branded products.

**Opportunities and Potentialities for Future Growth**

The consumer durables industry appears to have two clearly differentiated segments. The MNCs have an edge over their Indian counterparts in terms of technology combined with a steady flow of capital. The domestic companies compete on the basis of their well-acknowledged brands, an extensive distribution network and an insight into local market conditions. Competitive strategies revolve around strong brand differentiation and prices and bargaining power of customers is high due to availability of many brands.

Increasing consumer awareness and preference for new models have added to the demand. Products like air conditioners are no longer
perceived as luxury products but are treated as necessities in the changed socio-economic environment with changed life styles.

Attractive consumer loan schemes with reduced interest rates over the years by the financial institutions and commercial banks and the hire-purchase schemes have added to the surge in demand. Besides, the consumer goods companies are themselves coming out with attractive financing schemes to consumers through their extensive dealer network. The phenomenal growth of media in India and the flurry of television channels and the rising penetration of cinemas have spread awareness of products in the remote markets. The other factor for surging demand for consumer goods is the phenomenal growth of media in India. The flurry of television channels and the rising penetration of cinemas will continue to spread awareness of products in the remotest of markets. The vigorous marketing efforts being made by the domestic majors will help the industry. The internet being now used by the market functionaries that will lead to intelligence sales of the products. It will help to sustain the demand boom witnessed recently in this sector.
<table>
<thead>
<tr>
<th>CONSUMER DURABLES</th>
<th>UNIT</th>
<th>2003-04</th>
<th>2004-05</th>
<th>% Growth</th>
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<tr>
<td>REFRIGERATORS</td>
<td>LAKH UNIT</td>
<td>37.00</td>
<td>38.85</td>
<td>05.0</td>
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<td>FROST FREE</td>
<td>LAKH UNIT</td>
<td>07.33</td>
<td>08.34</td>
<td>13.8</td>
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<tr>
<td>DIRECT COOL</td>
<td>LAKH UNIT</td>
<td>29.67</td>
<td>30.51</td>
<td>02.8</td>
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<tr>
<td>AIR CONDITIONERS</td>
<td>LAKH UNIT</td>
<td>09.80</td>
<td>12.25</td>
<td>25.0</td>
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<tr>
<td>WINDOW</td>
<td>LAKH UNIT</td>
<td>07.22</td>
<td>08.58</td>
<td>18.8</td>
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<td>SPLIT</td>
<td>LAKH UNIT</td>
<td>02.58</td>
<td>03.68</td>
<td>42.6</td>
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<td>WASHING MACHINES</td>
<td>LAKH UNIT</td>
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<td>16.00</td>
<td>18.1</td>
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<td>MICROWAVE OVEN</td>
<td>LAKH UNIT</td>
<td>02.75</td>
<td>03.50</td>
<td>27.3</td>
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<td>CONSUMER ELECTRONICS</td>
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<tr>
<td>VALUE OVERALL</td>
<td>RS. CRORE</td>
<td>14500</td>
<td>15660</td>
<td>08.0</td>
</tr>
<tr>
<td>COLOR TELEVISION (CTV)</td>
<td>LAKH UNITS</td>
<td>82.50</td>
<td>92.50</td>
<td>12.1</td>
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<td>COLOR TELEVISION (CTV)</td>
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<td>7000</td>
<td>7580</td>
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<td>B &amp; W TV</td>
<td>LAKH UNITS</td>
<td>30.00</td>
<td>25.00</td>
<td>-16.7</td>
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<td>B &amp; W TV</td>
<td>RS. CRORE</td>
<td>482.55</td>
<td>361.50</td>
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<td>VCD/DVDS</td>
<td>MN UNITS</td>
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<td>08.40</td>
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<td>DVD</td>
<td>NOS</td>
<td>50000</td>
<td>62500</td>
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<tr>
<td>WATCH</td>
<td>LAKH UNITS</td>
<td>206</td>
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<tr>
<td>CLOCK</td>
<td>LAKH UNITS</td>
<td>263</td>
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Table 1.2
Projected growth in production of consumer durables

<table>
<thead>
<tr>
<th>Consumer Durables</th>
<th>2005-06 (projected)</th>
</tr>
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<tbody>
<tr>
<td>Refrigerator</td>
<td>05-10%</td>
</tr>
<tr>
<td>Air conditioner</td>
<td>20-25%</td>
</tr>
<tr>
<td>Washing machines</td>
<td>05-10%</td>
</tr>
<tr>
<td>Microwave ovens</td>
<td>25%</td>
</tr>
<tr>
<td>Consumer electronics (overall)</td>
<td>09%</td>
</tr>
<tr>
<td>Colour televisions</td>
<td>15-20%</td>
</tr>
<tr>
<td>Black &amp; white televisions</td>
<td>-20%</td>
</tr>
<tr>
<td>VCSs/MP3</td>
<td>30%</td>
</tr>
<tr>
<td>DVD</td>
<td>25%</td>
</tr>
<tr>
<td>Clock</td>
<td>10%</td>
</tr>
<tr>
<td>Watch</td>
<td>10%</td>
</tr>
</tbody>
</table>
Consumption in Indian Context

The consumption pattern of Indian household has undergone a structural change during the post liberalization phase. Given our low per capita income, food and beverages continue to account for a large part of the household’s final consumption expenditure. The middle class is now emerging as the consumption community of the country. As the members of the class are better educated and better exposed to global lifestyles, their aspirations have been constantly growing. Their spending is steadily on the increase. They often spend more than what they earn at any given point in time in order to cope with their new social image. Their expenditure on non-food items is continuously on the increase. Toiletries and cosmetics, including premium brands, have become common items of consumption for them. Instant coffee and soft drinks find a place on their daily menu. Costly fabrics, ready-mades, furniture, fans, stereo-music systems, TVs, refrigerators, electric mixers and grinders, pressure cookers and gas stoves have become essential items for the class. Modern household appliances like washing machines, dishwashers and vacuum cleaners, are gaining a rapid entry into the homes of the upper segment of this class. The consuming class, which forms the biggest segment, is also growing the fastest. This group no longer wants to remain middle class, it aspires to move up. That is why
the marketers of expensive personalized items (De beers, diamond, Titan, Nebula range) are targeting this segment.

In addition to economic factors, socio-cultural and lifestyle factors have also contributed to the rapid shift in the consumption pattern of the middle class. The growth of urbanization is the first among these factors. The breaking down of the joint family system and the rise of the nuclear family is the next. More and more women taking to employment is the third factor. Domestic help becoming scarce and costly is another. These and other similar factors acting in concert have brought about a new lifestyle among the middle class; it now requires several timesaving conveniences. The economic improvement and the lifestyle change have collectively brought about the shift in their consumption pattern. The income coming from the employed wife, for example, has made it possible for the family to buy a variety of household appliances. In fact, the boom in household appliances that we see today has been caused jointly by the change in lifestyle and the increased affordability of the middle class. It can be seen that these appliances are mostly sold on planks such as ‘save time’, ‘make your job easy’, and ‘enjoy a new recipe’. These planks go well with the lifestyle profile of the neo-middle class woman, whether she is a working woman or a non-working woman. She needs the time saving devices; she is also willing to take the
suggestions of the advertisers to fry, grill or bake and bring the new, exotic recipe to the dining table.

The very rich classes are oriented towards money for value. They are willing to pay more and more for better and better benefits. They want the best that is available in the world not merely in India. Climbers tend to say,” This is all the money I can afford what is the best you can offer me for it. They buy popular brands like Nirma. Urban areas will become increasingly consumerist and prosperous with more and more households moving into higher categories.

One of the most striking effects of liberalization has been radical change it has triggered in the spending behaviour of Indians. Indian consumers have shed all inhibition and are splurging fat sums of goods and activities. Economy in use has been a compelling brand proposition. Being culturally new to consumption, we also do not replace durables frequently unless we get a good banyan for disposing them.

A consumer makes a purchase so that he can have positive experience. Consumption in its broadest and simplest sense is the possession and use of goods and services. As our lifestyle changes so, do the things we purchase and use. Consumers form certain expectation prior to the purchase. These expectation may be about :- the nature and performance of the product or service, the costs and efforts to be
expended before obtaining the product or service and the social benefits and costs accruing to the customer as a result of the purchase. The level of satisfaction or dissatisfaction we experience depends upon how well the product’s performance meets our expectations.

Man is a social being. The demand for anything cannot be explained merely by looking at the physical properties of that product. Man also needs goods for communicating with others. A consumer does not consider consuming a brand as an objective. He sees it as a means to an end.

A customer may be offered a free sample, followed by a discount price offer until the marketer feels that customer is habituated of consuming the brand. Habitual consumers of one’s own brand being susceptible to competitor’s deals, it is important for a marketer to offer comparable to stop switching. Thus, when Palmolive soap reduced the price, Lux, which would have been directly, affected followed suit. Secondly a consumer may be forced to break his habit in the case the brand is not conveniently available, and if in any case there was no strong preference in favour of it. Therefore, distribution is also important to prevent habitual consumers from switching to another brand.

Marketers attempt to influence consumer beliefs about brands by associating them with important consumer benefits. Sunsilk has come
out with a pack of Rs.8/- that is good for six washes. Marketers create brand identity through strong association with a particular, sometimes unexpected product category. Dove is a moisturizer also while Parker is for gifting.

A consumer’s attitude can be formed and changed through personal contract with influence persons. To capitalize on this type of influence, advertisers often use celebrities to act similar to their intended audience. “Slice of life” advertisements show “typical” people confronting “typical” problems and finding solution through the advertised brand. For eg. Wheel ad, Clinic antidandruff shampoo ad, etc. A consumer’s feelings or emotional reactions to an object represent the affective component. A consumer who states that he likes Amul cheese and dislikes Britannia cheese is expressing the results of an emotional or effective evaluation of the product. If a customer has to buy a product, then he will go through various brands he knows of these constitute his awareness set. The awareness set in turn consists of three categories – firstly he looks these brands, which he thinks are worth further consideration since they can solve his problem. On the other hand, a consumer may find some brands completely unworthy of further consideration. Thus while preliminary information may be collected on all the brands in the awareness set, detailed information is sought on
brands. Lastly, the consumer may be aware about some brands but may be indifferent towards them. Marketers need to satisfy consumer expectations, creating reasonable expectations through promotional efforts maintaining consistent quality so that reasonable expectations are fulfilled.

Satisfied customers are a valuable asset for any marketer. Today two interrelated developments are forcing the companies to be customer oriented; empowered customer and increasing competition. Companies are becoming increasingly customer focused. For eg. L.G. technicians visit homes for repairing washing machines in early mornings since this is the time many homes get running water. Companies are working overtime to out do each other in serving the long ignored customer. The effort is to get close to the customer. To become easily accessible most companies have set up websites dedicated to customer service.

Now a days marketers grab the consumers by delivering the product on a right time et. McDonalds say that after ordering they send the order in an hour. It helps in the competition amongst the marketers. Marketer can segment consumer based on their motive for purchase for eg. Car companies are doing it Santro gives us Zip driver, Ford is a josh machine…. Van Heusen the well-known brand has the policy to replace
– no questions asked – the garment in case the customer points out any defect in it, and respective of the outlet from where it was bought.

Philips has gone one-step further: if a customer is not satisfied with complaint handling then he can take the complaint to an Ombudsman appointed by the company who must resolve the issue in 7 days. Success depends on the consumers. The era today belongs to relationship marketing, which entails a logical affiliation, association and connection between the buyer and seller. It is basically an integrated effort to identify, maintain customers and to constantly strengthen the network for the benefit of both the sides. A successful brand develops a high quality relationship with the customer in which the latter feels a scare of commitment and belonging.

Consumption is the possession and use of goods and services. From an economic perspective products have been conceived as bundles of attributes that yields particular benefits, and from a symbolic perspective, products have been conceived as vessels of meaning that signify similarly across all consumers. Every purchase inevitably results in satisfaction or dissatisfaction. Satisfaction means a consumer receives a confirmation that performance of the chosen alternative is consistent with his prior beliefs and expectation. Group membership exerts a equally performs an important role in gathering the information which is
used by her i.e. mixer, washing machine etc. and decision is taken jointly in the family. Imbibed value system itself act as a motivator. The marketer is exploiting the Indian housewife's psychology of having a craving for being the best housekeeper since the product of her brand helps her attain what is desired by her. Consumers buy and use products because they are motivated by the need and desire to do so. Consumer's don't buy products. Instead, they buy motive satisfaction and problem solutions. When a consumer who buys TV or refrigerator any other product is actually buying the hope that she is getting the best brand product. It is for the marketers to discover the motives that their products and brands can satisfy their marketing elements around these motives.

Interest for products and services varies from individual to individual. Consumers tend pay less attention to advertisements for less known brands than for popular, established ones. The message is a thought or an idea or information that the sender wants to communicate to the receiver. Media message creates awareness about the brand leading to a feeling of familiarity. Consumer received the information from the message about the products attributes. Then the consumer starts associating himself with the brand. The consumer through the spokesperson may develop image about the brand. Consumers tend to link certain attributes with specific products accepting them as facts.
Thus, in India the belief is that M-800 is economical to run, but is an unsafe car in times of accidents. A person's attitude tends to generalize towards a class of object. Thus if a person faces problem with a Videocon TV, he tends to believe that all the Videocon products are prone to cause trouble. Media plays an important role in marketing. Advertising message with unique aspects have a greater potential for being remembered.

A consumer’s activities, interests and opinions reflect lifestyles. All messages and promotions are often designed to appeal to certain lifestyles. Advertisements often show products being used in the context of desired lifestyle. Lifestyle is a function of one's inherent individual characteristics that have been shaped through social interaction. By understanding the lifestyle of a particular segment, marketers can identify product constellations likely to appeal to that segment.

**Favourable Shift in Consumption in Post-Liberalisation**

Studies by the Centre for Monitoring Indian Economy (CMIE) reveal that structural shifts have been taking place in the consumption pattern of Indian consumers in recent years and the shifts have gained greater momentum since the launch of economic reforms. According to CMIE, the consumption pattern of Indian households has undergone a significant change in the post-liberalisation years.
The change in consumption pattern, of course, has been a continuous process for the last three decades and the share of food in total final consumption expenditure has been declining steadily. It accounted for 54 per cent of the total expenditure in the seventies; about 51 per cent in the eighties and by 1998-99, it had come down to less than 46 per cent. Conventionally, the share of food in the household’s consumption basket always declines with the rise in income/standard of living.

The aggregate share of transport and communication has increased the private consumption sharply from 11.26 per cent in 1993-94 to 14.51 per cent in 1998-99. It means that the Indian households have preferred to spend a major part of their new earning on transport and communications, rather than on consumer soft and durables, as is generally expected. Another significant change of the nineties has been the increasing consciousness about medical care and health services. Its share in aggregate consumption has increased from 3.38 to 4.25 per cent in 1998-99. The share of consumption towards furniture and household appliances increased from 3.05 per cent in 1993-94 to 3.25 per cent in 1998-99.

In recent times, Indian families are also spending more and more on their children education. In the five years between 1993-94 and 1998-
99, the private final consumption expenditure on education has increased by over 50 per cent from 10,092 crore to Rs. 15,196 crore, against a 31 per cent increase in total private consumption expenditure during the same period.

With the economy growing at the pace it is, the consumption story has been hitting the roof. Driven by a young population with access to disposable incomes and easy finance options, the consumer market has been throwing up overwhelming figures.

Globally, it has been observed that as income levels rise, the share spent on food and grocery in the total household income declines and the proportion of income spent on lifestyle-related activities increases. Indian consumption patterns are no exception to the rule. Spending on consumer durables, apparel, entertainment, vacations and lifestyle products have increased in India, as the following findings disclosed:

i) Spending on mobile phones has more than trebled in the past three years, says Management consultancy KSA Technopak. Tele-density has increased from 8.8 per cent in January 2005 to 11.7 per cent at the end of January 2006. The total number of phones, as on January 31, 2006 was 130.8 million.

ii) The US$10 billion fast moving consumer goods (FMCG) industry grew 5.3 per cent in value terms in calendar year 2005.
over 2004, according to an AC Nielsen India study. The FMCG sector in India can grow at a CAGR of 9 per cent and is estimated to reach a size of US$ 30 billion by 2010 from US$ 20 billion presently, a report by CII and A T Kearney said.

iii) Food items contributed 72 per cent more to the incremental fast moving consumer goods (FMCG) value in 2004 as against 2000, says a study by CII, AC Nielsen and Org-Marg on food and beverages. Most of the growth came from packaged basics like cooking oil, wheat flour, rice and ghee, indicating an overall upswing in the commodity branding movement.

iv) The passenger vehicle market (which includes cars and utility vehicles) crossed the coveted one million mark during the financial year 2004-05. India’s domestic passenger car sales rose 8.34 per cent in January 2006 to 84,235 units from 77,744 units in the same month last year, according to the Society of Indian Automobile Manufacturers.

v) Sales of commercial vehicles-trucks and buses-stood at 34,037 units in January 2006, up from 29,634 in January 2005, while sales in April 2005-January 2006 were 271,979 units against 252,919 year on year.
vi) The white goods industry comprising air conditioners and refrigerators recorded a surge of 37.9 per cent in sales turnover for the quarter ended September 2005. Leading consumer durables players and experts predict a 10-12 per cent growth for the sector in 2006. Their confidence stems from the fact that calendar year 2005 saw a growth of 8-10 per cent in the US$ 4.7 billion sector, driven by high-end categories.

vii) In 1995, just 2.6 million urban households in India could afford a mortgage. After eight years of rapid economic expansion, that number had rocketed to 20.5 million—a compounded annual growth rate of 29.4 per cent. The market is expected to grow by 30-45 per cent to a total value of up to US$ 77 billion by 2008, according to analysis by the IBM Institute for Business Value.

viii) Indians withdrew nearly US$ 50 billion using credit cards from ATMs in 2005. This includes US$ 26 billion through Visa credit cards alone. A survey conducted by Master Card International reveals that 58 per cent respondents are likely to spend in the range of US$ 3,001-5,000 abroad. This Consumer Lifestyle Survey demonstrates the changing patterns Indian
lifestyle with more and more Indians increasingly traveling abroad.

Growth in the consumer market has received further impetus by the fact that a large proportion of the consumers are in the 18-35 years age group with a propensity to spend. As a result, the size of the market is currently estimated at 300 million, which is larger than the population of the United States and is expected to grow to 450 million before the end of the decade.

Rising incomes in a young population makes an amazing recipe for growth. According to the National Council for Applied Economic Research (NCAER) estimates, there are 56 million people in households earning US$ 4,400-US$ 21,800 a year, which it defines as “middle-class”. This class forms the backbone of the India market story.

The upper middle and high-income urban households are estimated to grow to 38.2 million in 2007 from 14.6 million in 2000. Besides the middle class and the upper middle class, India has another class of consumers on the rise, the high net worth individuals (HNI). The HNI population until a few years ago spent outside the country. However, of late, it prefers spending within the country. With its burgeoning HNI, the Indian market for luxury goods is estimated to touch US$ 452 million in coming years.
The Middle Class Explosion

In the past few years, a virtual explosion has been taking place in the Indian middle class. In fact, the emergence and growth of this class has been the most significant development in the country’s marketing scenario in the last decade.

The middle class has emerged as the result of several socio-economic developments that took place over the years. The industrial units that came up created a sizable chunk of well-to-do industrial workers, engineers and managers. In the services sector, a sizable population of teachers, doctors and other supporting staff emerged. The continuous expansion of the government machinery at the Centre and the States swelled up the strength of government servants of different categories. The trader class also expanded considerably; and so did service providers of different types. While these developments were taking place largely in the urban areas, rural Indian was also undergoing a welcome change. While the landed gentry became a vanishing tribe, a large, well-to-do agricultural group emerged, which reaped the benefits of the green revolution, the land reforms and tax benefits. All these categories together created the Indian middle class. During the 1990s, with the economic reforms and the result and developments on various fronts, the middle class received a new boost.
The size of the middle class is now placed at around 300 million. India’s middle class thus exceeds the total population of the US. Also, the market potential represented by the class is almost on par with the total market potential of major European countries like the UK, France, or Germany. Any analysis of the Indian consumer has to necessarily pay maximum attention to this class. Some of the new features of this class can be brief as follows:

- The most striking feature of contemporary India is the rise of a confident new middle class. It is full of energy and drive, and it is making things happen.
- The middle class is at the centre of the socio-economic upheaval now taking place in India.
- India is passing from an inward-looking, predominantly rural society to an increasingly integrated and important player in the world economy; opportunities are opening up to the middle class as never before. Whether in the workplace or in their personal lives, the young have more chance to shape their future than their parents ever had.
- Indian entrepreneurs from the middle class are seizing key slots in the global information and media industries.
• They demonstrate that there is a way up from the bottom to the top—a message that has been the driving force behind the dynamism of the US and which could have the same impact here.
• The middle class is the fastest growing segment of Indian society.
• The new middle class is street smart and focused on increasing their income. It is non-ideological, pragmatic and result oriented.
  It is here to stay.

Overall, the Indian consumer is in the grip of big change. Our understanding of the Indian consumer is getting outdated fast. This is because the country and its environment have become more complex in recent times. They are also currently going through a major change phase. Quite naturally, the various segments of society are affected by these changes. Already, Indian society, especially the middle class, was in the threshold of a change. The well-off segments are becoming more cosmopolitan in work-culture, food habits, entertainment and lifestyle in general. A fusion of the East and the West is taking place. In fact, one can say that some kind of an internationalisation of the Indian upper middle class society is on.

**Study of Consumer Behaviour**

The term consumer is often used to describe two different kinds of consuming entities the personal consumer and the organisational
consumer. The personal consumers buy 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 individual, who are referred to as end users or ultimate consumers buys the goods for final use. The organizational consumer – includes profit and non-profit businesses organisations, all of which must buy products equipments and services in order to run their organizations. End use consumption is perhaps the most pervasive of all types of consumer behaviors for it involves every individual of every age and background in the role of either buyer user both. The study of consumer behaviour is the study of how individuals make decisions to spend their available resources on consumption related items. It includes the study of what they buy, why they buy it, when they buy it, where they buy it, how often they buy it, and how often they use it.

As consumers, we benefit from insights into our own consumption related decisions what we buy, why we buy, how we buy and the promotional influences that persuade us to buy. The study of consumer behaviour enables us to become better that is wiser consumers. As marketers and future marketers, it is important to recognize why and how individuals make their consumption decisions, so that we can make better strategic marketing decisions. If marketer understands consumer behavior they are able to predict how consumers are likely to react to
various informational and environmental cues and are able to shape their marketing strategies.

A Broad Profile of the Indian Consumer

India being very vast geographically, consumers here are naturally scattered over a vast territory. As the country is also marked by great diversity in climate, religion, language, literacy level, customs and calendars, lifestyles and economic status, here consumers present a complex and bizarre group. The heterogeneity holds many implications for a marketer, especially to those going in for national marketing.

According to the Census 2001, as of May 2001, the population of India stood at 1,027 million, of which 742 million lived in rural areas and 285 million in urban areas and the nation’s average literacy rate is 65.4 per cent.

A vast educated work force is a paradox; on the one hand, India has the highest concentration of illiterates in the world; and on the other, it has the second highest concentration of literates and the third largest pool of educated and technically trained work force in the world. India has a strong pool of engineers, scientists and technically educated persons. In modern fields like information technology, India has been displaying its strength very clearly in recent years. Further, Indian consumers are not a homogeneous lot. They are marked by great
diversity. It is this diversity that strikes us first when we look at Indian consumers-diversity in religion, language, culture, tradition, social customs, dress and food habits.

The middle class is not only confined to the metros and other big cities as an analysis of penetration of select FMCGs and durables shows that there is now respectable product penetration even in small towns. Actually, even in rural areas, penetration is reasonably good; sales in feeder towns reflect in part, the demand from the rural hinterland. An NCAER study reveals that rural households in the upper income categories are growing at a much faster pace than urban households in the corresponding categories. While the latter have been growing at 10-16 per cent per annum, the former have been growing at 20-30 per cent per annum.

Though India has not yet become a totally credit-oriented society like the West, consumer credit is gaining ground. The middle class is in the vanguard in this regard. Compulsions on the social and economic fronts are driving him towards consumer credit. He lives on a fixed income and manages within a rigid budget. However, he stays in a decent house, hired or owned. He has some furniture. His wife selects reasonably good furnishings and uses modern cooking gadgets. He has his personal transport. His children study in good schools. How does this
happen? He obviously manages such a lifestyle through credit facilities made available to him by different agencies. Today, practically anything—from sewing machines to personal computers—is available to him on installment payments. The very availability of credit facility acts as a temptation to buy. In addition, his present value system approves purchases on credit. His desire to possess more and more material comforts is realized through credit. It is estimated that 50 to 60 per cent of most durables are bought with credit facility. The middle class is pledging future income for current consumption.

Currently, one is also witnessing significant changes in lifestyles and buying habits of Indian consumers. Convenience foods and ready-to eat foods are now popular; modern gadgets like vacuum cleaners and cooking ranges have gained entry into households. With the nuclear family, there is also a shift in the woman’s attitude to cooking and the meals she serves. Teenagers are also becoming influencers of change in their family’s meal patterns. The average Indian is now spending his money more liberally than ever before. Yesterday’s luxuries are fast becoming today’s necessities.

Changing Dynamics of Consumer Behaviour

Luxury goods are now being perceived as necessities with higher disposable incomes being spent on lifestyle products. There is a
discernible shift in the consumers’ preference in favour of higher-end, technologically superior branded products, the demand being spurred by increasing consumer awareness and preference for new models. This shift is also explained by the growing trend of products being manufactured in the organized sector of the economy and the narrowing down of the price differential between branded and non-branded goods. Competition has forced companies to offer efficient after sales service and support and this, in turn, has swayed customer preference for branded products.

How Consumer Process

Kanuk and Schiffman (1999) have defined the uncertainty that consumers face when they cannot foresee the consequences of their purchase decisions. The decision to include or exclude an alternative from consideration will have consequences that cannot be predicted with certainty. Consumers experience pre-purchase uncertainty from the purchase and use of a product (Bauer, 1960; Cox, 1967). Since the amount and quality of information available is diminished in the case of an intangible service, the amount of perceived risk is expected to be higher in services than with products (Guseman, 1981; Levitt, 1981; Murray and Schlacter, 1990). Perceived risk is considered to be the probability of any loss that can occur as a result of the exclusion of an
alternative from consideration, multiplied by the importance of that loss; it can include financial risk, performance risk, physical risk and convenience risk (Peter & Tarpey, 1975; Srinivasan & Ratchford, 1991) and social risk.

However, there is no unified, tested and universally established theory of buyer behaviour. Generally, it is held that the buyer is a rational man and his buying decisions are totally governed by the concept of utility. If he has a certain amount of purchasing power, a set of needs to be met and a set of products to choose from, he will allocate this amount over the set of products in a very rational manner with the intention of maximizing the utility or the benefits.

The broad framework of customer value processing is that customers view any product or service as a composite of two kinds of variables-benefits that add value and costs that diminish value, cost being not just the price tag but all the economic rationale and emotional costs that have to be paid to acquire these benefits. The total value that they perceive from any offer is the net of the value gained from each of these benefits and the value lost because of each cost. They examine all the options available to them and process the value they derive from each, and then choose the one that offers the maximum value i.e. where the benefit minus cost is the highest. The magnitude of the value gained
or lost from each benefit /cost depends on the value system that customers have i.e. how much importance they attach to each benefit/cost. Different consumers have different value systems i.e. what they attach a greater or lesser value to be different for the rich and poor, young and old, city and small town. Having come to a value judgment for all available options, they then choose the one that delivers the maximum net value.

**Problems in Understanding Consumer Behaviour**

The problem with a selling orientation is that it does not take consumer satisfaction into account. When consumers are induced to buy products that they do not want or need, any resulting unhappiness is likely to be communicated through negative word of mouth that may dissuade other potential consumers from making a similar purchase. When a product does not fulfill a consumer need, it is unlikely that a repeat purchase would be confirmed. Consumer’s needs and wants became the firm’s primary focus.

Some marketers began to realize that they could sell more goods more easily, if they produced only those that they had predetermined consumers would buy. Instead of trying to persuade the consumers to buy what the firm had already produced, marketing oriented firms
endeavored to produce only those products that they had first confirmed consumers would buy.

The key assumption underlying the marketing concept is that to be successful. A company must determine the needs, wants of specific target markets, and deliver the desired satisfactions better than competition. That is why the marketing concept is based on the premise that a marketer should make what it can sell, instead of trying to sell what it has made. When the unsatisfied consumers were identified, it was discovered that consumers were highly complex individuals, subject to a variety of psychological and social needs quite apart from their survival needs and priorities of different consumer segments differed. Consumers vary tremendously in age, income, educational level, mobility patterns and taste. It is difficult to distinguish different consumer groups or segments and to develop products tailored to their needs. The consumer market consists of all the individuals and households that buy or acquire goods and services for personal consumption. In old times, marketers could understand consumers through the daily experience of selling to them. However, the growth in the size of firms and markets has removed many marketing decision makers from direct contact with consumers. The firms are dependent on consumer research to understand their needs and aspirations. It depends
on the background of the buyer to buy a particular product. A person’s purchase choice is the result of complex interplay of cultural, social, personal and psychological factors. It depends on a consumer’s financial position to buy a product. The consumer does not know much about the product category and has much to learn.

Marketers are generally keen to know more about who are their prospects. Where do they shop? What products do they consume? How did the market respond to any specific new brand launch? etc. However, no comprehensive study of the Indian consumer has been undertaken so far. Moreover, studies on consumers of Garhwal region do virtually not exist. We have to rely on the fragmented studies that have been conducted by different agencies. With due recognition of this limitation, this is an attempt to make a broad profile of the consumer of Garhwal region, including his buying motives and habits.