CHAPTER – I

INTRODUCTION AND DESIGN OF THE STUDY

1.1 INTRODUCTION

The marketing scenario in the world today is changing very rapidly. The boundaries of nations are disappearing for exploiting the opportunities of business. Technological changes are taking place at the flash of an eye and standards are undergoing changes in time. Buying habits of the consumers are fast varying and so are the fortunes of various organizations.

An organization with an excellent track record suddenly finds its products obsolete, its unparallel consumer base eroded and its financial resources depleted. In order to sustain in such an environment, an organization needs to anticipate the changes in the behaviour of consumers. In today’s business environment time is not only a scarce resource, but also a competitive weapon. The marketer must move faster, quicker and swifter to thrive in these turbulent times. Companies have to react with speed to competitive moves of the rivals (Prem C.Purwar:1991). The marketing of products is becoming a more and more complex process in the context of globalization, liberalization, and privatization and modernization policy of the Government.

The challenge before marketing managers is twofold:

i) How to fight competition and maintain the market share?

ii) How to exploit the opportunities, establish customer base and retain the customer loyalty?

In order to face the above challenges there is a need for new methods of approaching the consumers by studying about the consumers buying behaviour in general and their buying patterns and preferences in particular.
1.2 CONSUMER ELECTRONICS INDUSTRY IN INDIA

The Indian consumer electronics industry has been growing at a double-digit growth rate since past few years. Higher disposable income, increased product awareness, affordable pricing, and shift in lifestyles have together been instrumental in changing the amount and pattern of consumer spending; thereby, resulting in strong growth in the consumer electronics industry. But still, the consumer electronics goods, like refrigerators, televisions and air conditioners, have low penetration in the country, leaving vast room for future growth.

The Indian consumer electronics industry will grow at a CAGR of around 18 percent during 2011–2014. During this time period, we expect that LCD TV will capture majority of the television market share as it will replace Colour Televisions market to a large extent.

Moreover, the Air-Conditioner (AC) segment is one of the most important product segments driving the overall growth of the Indian home appliances market. Introduction of innovative features and technology coupled with the expansion of distribution network is helping the market to grow at a faster rate.

With an affluent middle class and the country’s economic growth being on a rapid track, the consumer electronics industry has never before witnessed such an amazing growth. Estimated to be around $4 billion at the end of 2010, the Indian consumer electronics industry is second only to the Chinese and Japanese markets in the Asia Pacific region.

With the industry expected to witness a deceleration in growth in the coming years, Aruvian’s Research takes a look at the Consumer Electronics Industry in India. The industry is expected to have a market value of roughly $5.4 billion by the end of 2014.
1.3 GROWTH OF CONSUMER ELECTRONIC PRODUCTS

The Consumer Electronics (CE) industry will have stronger than anticipated growth in 2011, according to the semi-annual industry forecast released by the Consumer Electronics Association (CEA). The industry is estimated to surpass $190 billion in overall shipment revenues this year, a growth rate of 5.6 percent, which is higher than the previous projection from January. The Indian Consumer Electronics Sales and Forecast (July 2011) also projects industry shipments will grow in 2012, reaching an all-time high of $197 billion.

Innovation continues to drive the electronics industry to record levels, even in the face of declining economic growth overall. Newer innovative product categories, like tablets, not only meet consumer demand but also helps to bolster the industry and strengthen the overall Indian economy.

The forecast estimates 2011 shipment revenues of 6.9 percent up from a forecast of 3.5 percent in January and assumes Indian GDP growth rate of 2.4 percent. CEA expects the surging sales of electronics connected devices to be significant enough to push the overall industry higher than previously projected.

1.4 CONSUMER BEHAVIOUR TOWARDS DURABLE PRODUCTS

Indian consumer durables market used to be dominated by a few domestic players like Godrej, Allwyn, Kelvinator and Voltas. But post-liberalization many foreign companies have entered into India, dethroning the Indian players and dominating the market. The major categories in the market are CTVs, Refrigerators, Air-Conditioners and Washing Machines.

India being the second fastest growing economy with a huge consumer class has resulted in consumer durables as one of the fastest growing industries in India. LG and Samsung, the two Korean companies have been maintaining the lead in the industry with LG being the leader in almost all the categories.
The rural market is growing faster than the urban markets, although the penetration level in rural area is much lower. The CTV segment is expected to the largest contributing segment to the overall growth of the industry. The rising income levels, double-income families and increasing consumer awareness are the main growth drivers of this industry.

“Consumer behaviour is the behaviour exhibited by people in planning, purchasing and using economic goods and services. Consumer behaviour is an integral part of human behaviour and cannot be separated from it. In fact the consumer behaviour is a subject of human behaviour. This does not mean that all human behaviour is consumption oriented. Human behaviour refers to the total process by which individuals interact with their environment.” (Raghubir, P :1998).

Consumer buying behaviour is the study of how people buy, what they buy, when and why they buy. It is a sub category of marketing that blends elements from psychology, sociology, socio- psychology, anthropology and economics. It attempts to understand the buyer decision making process both individually and in groups. (Monroe, Kent B et al: 1999). It studies characteristics of individual consumers such as demographics, psychographics and behavioral variables in an attempt to understand people’s wants. It also tries to assess influences on the consumers from groups such as family, friends, reference groups and society in general. Thus, consumer behaviour is, “the process whereby individuals decide, whether, what, when, where, how and from whom to purchase goods and services”.

In this process, the consumer deliberates within himself before he finally makes a purchase move. This deliberation relates to many variables and is aimed at solving consumption problems. Amongst these problems, the first and foremost is to decide whether to spend money and the second problem is what to buy, because the needs are multiple and resources are scarce. Therefore needs are to be ranked in terms of priority. The subsequent consumption problems relate to the place from where to buy, the mode of purchase, quantum of purchases, mode of payment and the seller shop from whom to buy. (Dickson, P.R.: 1990).
This whole buying behaviour consists of both physical and mental activities. The physical activities involve visiting a shop, examining the product, selecting products and eating/drinking outside, that is the actual act of consumption. Mental activities on the other hand, involve deliberations within and forming of attitudes, perceiving communication material and learning to prefer a particular brand of product. Consumer behaviour consists of all human behaviour that goes in making purchase decisions. An understanding of the consumer behaviour enables a marketer to take marketing decisions, which are compatible with its consumer needs.

1.5 SHOPPING PATTERN OF CONSUMER DURABLES

The present world is changing fast. India is no exception. Especially after the opening up of the economy, the pace of change that India and its people are experiencing in their socio-cultural milieu is mind boggling. 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 economical framework.

1.5.1 Need Recognition

Need recognition means awareness of a want or a desire. A buying process starts with the need arousal. A need can be activated through internal or external stimuli. (Ajzen, I. & Fishbein, M.:1980). The basic needs of a man arise to a particular level and become a drive and he knows from his previous experience. This is a case of internal stimulus. A need can also be aroused by an external stimulus such as the sight of a new product in a shop while purchasing the usual product.

1.5.2 Product Awareness and Information Search

In this stage, the consumer enters a stage of active information search to get product awareness. He/she tries to collect more information about the product, its key attributes, and qualities of various brands and about the outlets where they are available. (Doddss et al: 1991)
The sources of consumer information are:

- Personal sources (family, friends, neighbors etc.)
- Commercial sources (advertisements, salesmen, dealers)
- Public sources (mass media, consumer rating organizations), and
- Experimental sources (handling, examining, using the products).

1.5.3 Interest

Consumer interest is indicated in the consumer’s willingness to seek further information about a product. At this stage the consumer is actively involved in the buying process and pays attention to the product. However if he loses interest during his involvement, his attention will be diverted and the buying process will break down. (Lichtenstein et al: 1989).

1.5.4 Evaluation and Intention

Once interest in a product is aroused, a customer enters the subsequent stage of evaluation and intention. The evaluation stage represents the stage of mental trial of the product. During this stage, the consumer assigns real-time value-weights to different products/brands on the basis of accumulated stock of product information and draws conclusions about their relative satisfaction giving potential value. (Bronnenberg, Bart J and Vanhonacker, Vilfred R.:1996). After this evaluation, the consumer develops the intention either to purchase or reject the product. The final purchase will however depend on the strength of the positive intention, that is, the intention to buy.

1.5.5 Output

Output is the end result of the inputs of buying behaviour. It emerges after these inputs are duly processed by the consumer. Output is composed of purchase and post-purchase behaviour. (Briesh, Richard A. et al: 1997).
1.5.6 Purchase

It is the terminal stage in the buying decision process that completes a transaction. It occurs either as a trial or adoption. If a consumer is buying something for the first time, from the behavioral viewpoint, it may be regarded as trial. This trial enables him to accumulate experience about the product purchased. (Beatty et al: 1987). If this experience is positive in terms of satisfaction derivation then repeat purchases may occur. However repeat purchases will occur only when he is satisfied with the performance. But the possibility of trial purchase is available. In the case of durables like refrigerator, air-conditioner and microwave oven, trial purchase is not possible because, once a product is purchased it has to be adopted and repeatedly used.

1.5.7 Post Purchase Behaviour

Post Purchase behaviour refers to the behaviour of a consumer after his commitment to a product has been made. It originates out of consumer experience regarding the use of the product and is indicated in terms of satisfaction. This behaviour is reflected in repeat purchases or abstinence from further purchase. (Meyers – Levy, J & Maheswaran D:1991).

1.6 NEED OF THE STUDY

The need and importance of studying the perception of consumers is rooted in the modern marketing concept. In order to operationalise this concept, management attempts to solve consumption problems of consumers. However no business can possibly help consumer solve their consumption problems unless, the marketer understands the buying behaviour of the consumers and makes an attempt to comprehend the buying process and the factors influencing it. (Bagozzi,R.P.et al:1999).

Consumer buying behaviour is dynamic. Therefore it is necessary to continuously study, analyse and understand it and, monitor this understanding to the marketing management so that effective decisions can be taken in respect of products, price, promotion and distribution. The profit position of a product hinges on the kind of
predisposition – positive/negative – that a consumer has developed towards it. It is essential to study and analyse it in order to understand why he/she has developed such a predisposition. Besides, the Indian marketing conditions in particular, the role of the Government and the steadily emerging consumer movement necessitates that marketers in India must understand buying behaviour of consumers- their needs, aspirations, expectations and problems. (Bagozzi, R.P. et al: 1999).

Thus, in substance, it may be said that in the interest of effective marketing decisions, marketers must develop an understanding of their consumer’s behaviour, the buying process and the factors influencing this process.

1.7 STATEMENT OF THE PROBLEM

The perception of consumers is of great importance for marketers and this knowledge is applied to find out the consumers wants and needs. In India, consumer legislations since 1960 have created special interest in this subject. The main point for developing successful marketing strategy is a clear understanding of the consumers mind before, during and after a purchase. As all consumers are not alike and their shopping patterns and preferences are constantly changing, they prefer varieties of products which reflect their own needs, personalities and life styles. (Alba, Joseph. W. et al: 2000).

After globalization, a wide range of Consumer Household Electronic Products started flooding the market. The products, which were the presence of upper class during the eighties, have suddenly started thronging the middle-income group households. The focus of everyone’s attention is shifted towards owning these gadgets and the very social status of the family has come to be assessed by the possession of these assets. A noteworthy development of the nineties is that even the low income groups have started acquiring a wide range of Consumer Household Electronic Products.

The changing concept of retail business into ‘retail in detail’, emergence of giant sized retail business in the name of malls and the government’s policy to allow foreign direct investment in retail business also change the life style and the buying patterns and preferences of the consumers in India. (Herr, P.M. et al :1991). In this context the
consumer is confronted with a complex set of alternatives in many purchase situations. The consumer has to choose the products and product classes from many varieties worth his money and efforts. Again from each product category he has to make selection from different size, colour, model and brands.

The consumer has also to take decision about when and where to buy the products that he needs or wants, how much the consumer wants to spend on it, or how much the consumer can afford to and how the consumer will pay for it. Some purchase decisions are routines and may not require these considerations. Other purchase situations may be more complex.

In other cases considerations regarding status and prestige are also important. Many product purchases may require the evaluation of a variety of economic, social, and psychological factors. To solve the problems of consumers and marketers, there must be continuous studies in the field of consumer buying behaviors. Hence this study is carried out to understand to the perception of Consumer Household Electronic Products and preferences in Coimbatore district.

1.8 SCOPE OF THE STUDY

The study aims at analysing consumer perception and preferences towards Household Electronic Consumer Products. The products selected for the study are Electronic Consumer Products which include Refrigerator, Washing Machine, Television, Air-Conditioner and Microwave oven. The scope of the study has been limited to certain buying behavioral aspects of purchase decision process, namely -Information search, product awareness, interest, product evaluation process, brand preference, factors of motivation, price and quality consciousness, purchase and post purchase behaviour . The study broadly aims at examining perceptions of the consumers mainly in terms of the information gathered, sources of information, location where the purchase is made and the ultimate purchase decision.
1.9 OBJECTIVES OF THE STUDY

1. To identify the factors motivating the consumers to buy household electronic products.
2. To study the factors influencing the purchase decision process of consumers for household electronic products.
3. To analyse the level of satisfaction and factors contributed in the purchase and utilization of household electronic products.
4. To find out the problem faced by the consumers in the purchase and utilization of the household electronic products and offer suitable suggestions there in.
5. To recapitulate the key findings of the study and to offer suitable suggestions to the consumers, product manufactures and respective Governments.

1.10 HYPOTHESES OF THE STUDY

For the purpose of studying the level of satisfaction in utilizing the household electronic products, the following null hypothesis has been framed:

There is no significant relationship between socio-economic factors and conceptual factors and their level of satisfaction in utilizing the household electronic products.

1.11 RESEARCH METHODOLOGY

The validity of any research depends on the systematic method of collecting the data and analyzing the same in a logical and sequential order. The study is descriptive and analytical in nature.

1.11.1 Sampling Design

Coimbatore district has been purposively selected for the study since it is the culture-developed area and perk-up in electronic technological place of all types of small, medium and large size industries. Also for collecting primary data, field survey method and personal interview were employed in the study area. First hand information related to perception of household electronic products and the level of satisfaction in utilizing them were collected from 750 sample respondents.
Stratified random sampling method was employed to select the sample respondents. Coimbatore District comprises of six taluks viz., Mettupalayam, Coimbatore North, Coimbatore South, Sulur, Pollachi and Valparai. Respondents were chosen from these six taluks in the study. As the population frame could not be defined properly, a sample size of 750 was considered as reasonable. Hence, selecting 125 respondents from each area, totally 750 consumers were selected randomly from six taluks of Coimbatore District.

1.11.2 Collection of Data

(i) Primary Data

In order to fulfill the objectives set, a sample study was undertaken by using a well framed questionnaire that was duly filled in by the respondents. The respondents with varying backgrounds were selected based on the important aspects of their living area, age, gender, educational status, marital status, present status, income of the family, family size, type of family and so on. A significant feature was that all the 750 respondents filled the questionnaire with much zeal. This was due to the significant level of literacy among the respondents and the researcher’s rapport established with them.

(ii) Secondary Data

The primary data were supplemented by a spate of secondary sources of data. The secondary data pertaining to the study was gathered from the records published by National Council for Applied Economic Research (NCAER). Latest information was gathered from well equipped libraries in Bangalore, Chennai and Coimbatore and from Internet web resources. Further, the secondary data were also collected from various leading journals inclusive and exclusive of household electronic products. A number of standard text books were studied to obtain pertinent literature on household electronic industry.

(iii) Discussions and Informal Interviews

In order to know the consumer behaviour, several rounds of discussions were held with knowledgeable persons in the field of consumer behaviour, businessmen and also with the Research Supervisor for clarifications.
(iv) Tools of Data Collection

By virtue of a mass of data obtained from research survey, as well as data from secondary sources collected and presented in the present report, descriptive and analytical research was considered the most appropriate for the study. The research problems and the questionnaire were all framed accordingly. The researcher used close-ended and open-ended questions in the questionnaire to collect the necessary primary data. The suggestions offered in the final chapter of the present research report emerged from the inferences drawn from the study during the study period.

(v) Construction of Questionnaire

The key aspect of the present research was identified through the preliminary interviews (Pilot study) with some selected consumers who utilize electronic products in their house. The questionnaire so drafted was circulated among some research experts, consumers and Research Scholars for a critical view with regard to wording, format, sequence and the like. The questionnaire was re-drafted in the light of their comments.

(vi) Pre-test

The questionnaire meant for the respondents was pre-tested with 25 consumers. After pre-testing, necessary modifications were made in the questionnaire to fit in on the track of the present study.

1.11.3 Frame Work of Analysis

The core of the study being ‘level of satisfaction of consumers while using household electronic products’, the study centres around the dependent variable viz., the level of satisfaction perceived by the consumers and its relationship with the related independent variables.

(i) Approach to assess the extent of satisfaction of consumer

The difference in the extent of satisfaction of consumers between the different types of respondents based on their Living Place, Age, Gender, Educational qualification, Marital Status, Family Income, Family size, Type of Family, Level of Awareness, Number of products used, Type of products used and mode of payment was studied by means of Percentages, Averages, Range, Standard Deviation, Two-way tables, Chi-squared test,
Multiple Correlation Analysis, Multiple Regression Analysis, Multi-Discriminant Analysis and Factor Analysis.

(ii) **Chi-Square Test**

The degree of influence of the following independent variables pertaining to the opinion of respondents towards household electronic products.

1. Living place
2. Age
3. Gender
4. Educational status
5. Marital status
6. Present status
7. Family monthly income
8. Family size
9. Type of family
10. Level of awareness
11. Number of products using
12. Type of products using
13. Mode of purchase
14. Point of purchase

In order to identify the factors influencing the level of satisfaction towards household electronic products by the selected respondents from different places of the study area, a Chi-square ($\chi^2$) test was used and the formula is given below:

$$\chi^2 = \sum \frac{(O-E)^2}{E}$$

With Degree of Freedom (D.F.) = (c-1) (r-1) where,

- $O$ = Observed frequency,
- $E$ = Expected frequency,
- $c$ = Number of Columns,
- $r$ = Number of Rows.
(iii) Multiple Regression Analysis

The regression is a statistical relationship between two or more variables. When there are two or more independent variables, the analysis that describes such relationship is the multiple regressions. This analysis is adopted where there is one dependent variable that is presumed to be in relation with the function of two or more independent variables. In multiple regression, a linear composite of explanatory variables is formed, in such a way that it has maximum correlation with an active criterion variable. The main objective of using this technique is to predict the variability of the dependent variable, based on its co-variance with all the independent variables. It is useful to predict the level of dependent phenomenon through Multiple Regression Analysis models, if the levels of independent variables were given. The linear multiple regression problem is to estimate coefficients of $\beta_1, \beta_2, \ldots, \beta_j$ and $\beta_0$ such that the expression,

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \ldots + \beta_j X_K$$

provide a good estimate of an individual $Y$ score based on the $X$ scores,

Where,

$Y$ = Level of satisfaction in utilizing household electronic products

$X_1$ = Respondents’ Living Place

$X_2$ = Respondents’ Age

$X_3$ = Respondents’ Gender

$X_4$ = Respondents’ Educational Status

$X_5$ = Respondents’ Marital Status

$X_6$ = Respondents’ Present Status

$X_7$ = Respondents’ Family Income level

$X_8$ = Respondents’ Family size

$X_9$ = Respondents’ Family type

$X_{10}$ = Respondents’ Level of Awareness

$X_{11}$ = Respondents’ Type of Brand using

$X_{12}$ = Respondents’ Type of products using

$X_{13}$ = Respondents’ Mode of purchase

$X_{14}$ = Respondents’ Point of purchase
and \( \beta_0 + \beta_1 + \beta_2 + \ldots + \beta_j \) are the parameters to be estimated.

**(iv) Henry Garrett Ranking Technique**

This technique was used to rank the problems faced by the consumers in the study area. In this method the respondents were asked to rank the given problem according to the magnitude of the problem. The order of merit given by the respondents was converted into ranks by using the following formula.

\[
\text{Percentage Position} = \frac{100(R_{ij} - 0.5)}{N_j}
\]

where,

- \( R_{ij} \) - Ranking Position
- \( N_j \) - Total No. of Ranks

The percentage position of each rank thus obtained is converted into scores by referring to the table given by Henry Garrett. Then for each factor the scores of individual respondents were added and divided by the total number of respondents for whom the scores were added. These mean scores for all the factors were arranged in order of ranks and from this inference were drawn.

### 1.12 PERIOD COVERED BY THE STUDY

The primary data were collected for a period of two years from the respondents covering all the six taluks of Coimbatore district of Tamil Nadu. Web Resources were also referred to collect the latest information about the performance of consumers. The review of literature took six months period. The analysis and interpretation of the data were taken another six months. The last six months period was used for rough drafting and final form of the thesis.
1.13 LIMITATIONS OF THE STUDY

The study takes into account certain factors influencing the purchase decision process.

1. The Universe for the study is Coimbatore District; therefore findings are applicable for the district. However, some of the findings may be applicable to other areas, with care to take into account the local conditions. The methodology is replicable.

2. The sample is small but it is selected by random sampling method and it is sufficient to meet the requirements of statistical analysis. Therefore, results are valid in terms of precision of estimates and allowed their generalization to the universe for the study.

3. The study is based on primary data collected from a sample of consumers who are experienced in utilizing the household electronic products. The data included also qualitative information i.e. satisfaction of the respondents. Personal interview technique of data collection helped to minimize response errors. The limitations of tools of analysis were kept in mind while evaluating the estimated parameters and their implications.

4. Individual products are not selected for the study. Individual name of the brands are not taken for study. The study focuses mainly on the factors influencing the buying behaviour of consumers.

Hence, the generalization of the findings of the study is subject to these limitations.
1.14 SCHEME OF CHAPTERISATION

The present empirical study has been divided into six chapters.

1. The **First Chapter** deals with Introduction, Need of the Study, Statement of the Problem, Objectives of the Study, Profile of the Study Area, Hypothesis of the Study, Research Methodology, Period of the Study, Scope of the Study, Limitations of the Study and Chapter Scheme.

2. The **Second Chapter** presents the Review of Literature.

3. The **Third Chapter** gives An Overview of Consumer Durable Industry in India.

4. The **Fourth Chapter** presents the Conceptual Framework of Shopping Pattern of Durable Products, Consumer Preference and Profile of Coimbatore District.

5. **Fifth Chapter** deals with the Data Analysis and Interpretation of the study.

6. The **Final Chapter** presents the Summary of Findings, Suggestions and Conclusion of the study.