CHAPTER 1

INTRODUCTION

Given that India is one of the world’s largest consumer markets and is an emerging world economic champion too, this market presents a potentially vast untapped source for research and business. Who within the Indian family has influence at the various stages of the family purchase decision making process? Does this influence vary by stage of the decision process or by type of purchase decision? Who within the Indian family makes the final purchase decision? Such questions are fundamental to a more thorough and complete understanding of family purchase decision making within the Indian family.

The purchase of a consumer durable product is an important occasion in Indian families (Kapoor, 2003). A large number of family and social factors influence consumer purchase decision process (Gupta & Chundawat, 2002). They evolve from a consumer’s formal and informal relationships with other people. There are distinct roles in the family decision process, which throw light on how family members interact in different consumption related roles. A large number of purchase decisions are also influenced by a person's interaction with his friends, relatives and acquaintances. To understand how consumers actually make their buying decisions, marketers must identify who makes and has input into the buying decision and thereby design marketing campaigns targeting them.

The information concerning involvement of family members during different stages of the decision making process and the various related sub-decisions in the Indian context is in its nascent stage with even lesser work been done in the rural context.
One of the key features of the Indian society is unequal status relationship between males and females in the family. The social norms prevalent in India have long emphasized seniority among family members and the dominant role of the male (Hofstede, 1980; and Brislin, 1993; Khan, 2000). Such masculine cultures typically emphasize strongly differentiated sex roles. But this trend is gradually changing as the purchase of a consumer durable, which is an important occasion in Indian families, has now become a collective process with women and teenage children playing a major role on product and brand choices (Nagraja, 2004). In fact, decision making is now a democratic process in the family where woman may be the initiator and/or product evaluator, man the financier and child, an influencer.

1.1 Rural Markets: Their Rise to Prominence

With about 75% of population living in the villages and generating nearly half of the national income, the rural market plays a very important and decisive role in the Indian marketing environment. The Indian rural market is almost twice as large as the entire market of USA or Russia (Bargal, 2004). This market is not only large, but also geographically scattered. It exhibits linguistic, regional and cultural diversities and economic disparities, and hence, it can easily be considered as more complex than the market of a continent as a whole.

Marketers and researchers have long realized the importance and the significance of the rural markets and acknowledged their complexity and ever-changing dynamics. Researchers have written at length about the prospects and the problems of the rural consumer (Aneja, 1996; K. Reddy, 1996; P. Reddy, 1996; Sathyavathi, 1996; Dey & Adhikari, 1998; Kashyap, 2000 and Krishnamoorthy, 2000; Krishnamacharyulu & Ramakrishnan, 2002; Manjunatha, 2004) and time and again asserted that the rural consumer is different from his urban counterpart. Both the markets significantly differ from one another in considering general and product specific factors like brand image, guarantee, warranty, credit availability & after sale service while making their purchase decisions for durables (Mathur, 1995; Prema, 1998; Krishnamacharyulu & Ramakrishnan, 2002; Halan, 2003; Trehan & Singh 2003; Kashyap, 2005b). This can be attributed to the differing social, economic and cultural factors. Rural consumers are mostly farmers whose income receipts are
dependent on the vagaries of nature in contrast to a wide range of professions in urban areas (Prema, 1998; Halan, 2003). The seasonality of income receipts centering around harvest season is reflected in their purchasing behaviour also. According to researchers (Halan, 2003; Kashyap, 2005a, b) in the urban family, wife and often even children (pester power being the latest buzzword in marketing scenario) are involved in the buying process. But in a village, because of lack of mobility and their having very little contact with the market, it is the men who generally make the purchase decisions. But a different and contradictory view has been stated by (Pareek, 1999; Krishnamurthy & Lokhande, 2000; Khairoowala & Siddiqui, 2001; Lokhande, 2004; Nagaraja, 2004) according to which even though men and children may actually go out and buy the product, it is usually the women who make the brand decision and this is more so in case of household (groceries and utensils) and FMCG products. The rural buyers in India provide a tremendous range of contradictions and paradoxes which baffle the marketers who had an urban mindset and, even more so, the foreign observers. Rural consumers are far less homogeneous than their urban counterparts and differ from region to region (Krishnamacharyulu & Ramakrishnan, 2002; Bargal, 2004) and therefore it is very important to understand their psyche and to design tailor made products and marketing communications.

1.2 Family and Purchase Decision Process - An Overview

The family is a complex and ever evolving core institution in many of the world's societies or nations. It exerts a major influence on the consumption behaviour of its members. For a family to function as a cohesive unit, one or more family members must carry out roles or tasks. There are eight distinct roles in the family decision making process (Schiffman & Kanuk, 1995) which provide an insight into how family members interact in their various consumption related roles:

1. **Influencers**: Family member(s) who provide information to other members about product or service.

2. **Gatekeepers**: Family member(s) who control the flow of information about a product or service into the family.
3. *Deciders:* Family member(s) with the power to determine unilaterally or jointly whether to shop for, purchase, use, consume, or dispose of a specific product or service.

4. *Buyers:* Family member(s) who make the actual purchase of a particular product or service.

5. *Preparers:* Family member(s) who transform the product into a form suitable for consumption by other family members.

6. *Users:* Family member(s) who use or consume a particular product or service.

7. *Maintainers:* Family member(s) who service or repair the product so that it will provide continued satisfaction.

8. *Disposers:* Family member(s) who initiate or carry out the disposal or discontinuation of a particular product or service.

Ordinary marketing views the individual as both decision-maker and consumer. Family marketing adds three other possibilities: (Boutilier, 1993).

- Some purchases have more than one decision-maker.
- Some purchases have more than one consumer.
- Sometimes the purchaser and the consumer can be different people.

The family marketing model suggested by Boutilier (1993) contains 9 cells, each of which represents a different pattern of purchaser/consumer relationships:

- Purchase decision-maker can be a single individual, a subset of individuals in the family, or all the members of the family.
- Consumers can be one, some, or all family members.
- The product may be purchased for the buyer to use or for someone else.
• Some decision-makers may consume the product, while others may not.

Understanding the distribution of consumer and decision maker roles within a family is crucial to developing a family marketing plan. To develop this understanding, it is useful to put purchasers and consumers into three categories, based on the number of people who share the role: one, some, and all.

Since 1970 the interest of consumer researchers increased in examining the extent and nature of husband-wife influence in purchase decisions after the pioneering work of Davis (1970, 1971, 1974, and 1976). Davis' studies provided an impetus to the other researchers who too focused their energies on the dynamics of home buying by the families and the roles played by the various members. Research on family-member influence in durable goods buying is more abundant than that on frequently purchased items. Even a casual observer would probably agree that important, one-time purchases are likely to involve more than one household member. The automobile purchase has been another popular arena in which to study marital roles (Blood & Wolfe, 1960; Brehl & Callahan Research, 1967; Conway / Milliken Research, 1969; Davis, 1970, 1972; Green & Cuningham, 1975; and Haley, Overholer & Associates, 1975).

The information about who influences the purchase decision within a family setup serves as the basic input in designing the marketing communication and subsequently in media selection. Researchers have categorised household decision-making as husband dominated, wife dominated, syncratic (joint decision) and autonomic (individualised decisions) (Herbst, 1952; Davis & Rigaux, 1974 and Lavin, 1985). According to Aronoff & Crano (1975) and Davis (1976) the marital role influence was found to vary among families while Cunningham and Green (1974) found that relative roles of husband and wife in purchase decisions change with the passage of time.

Qualls (1987) identified three factors that strongly effect a member's influence in the family. The financial resources of the family member, the importance of the decision to the family member and the sex role orientation of the family
member. Sheth (1974) and Hill (1988) have examined the impact of stage of the family life cycle. The role of social networks has been explored by Rogler & Procidano (1986).

Because of a growing awareness of the role children play in family decision making, as well as a realization that the influence of children in family decision making appears to have grown significantly over the past two decades (Sellers, 1989), increasing attention is being given to children and their role in family decision making (Foxman, Tansuhaj & Ekstrom, 1989a; McNeal 1998; Khan, 2000). Lackman and Lanasa (1993) note that the influence of children in consumer decision making appears to be growing, possibly due to greater affluence, higher consumer socialization of children, and increasing independence of children as more mothers work outside the home. Shannon (1997) found that children are very capable of making choices between brands.

1.3 The Indian Scenario

As earlier stated, the research concerning involvement and influence of family members at different stages of the decision making process and the various related sub-decisions in the Indian context is in its nascent stage especially in the rural context.

Historically, Indian society has long been male dominated, with women deferring to men and serving in subordinated positions both in the home and in the work place but as the literacy rate is picking up, income level rising, and their being gradual but steady transition from an agrarian to an industrial economy from traditional family to democratic family setup, the role of women is changing and is further expected to change greatly. They are becoming increasingly aware of their rights and are marching shoulder to shoulder with men. Thus, their role in purchase decision making and actual buying has also undergone a drastic change. The male (breadwinner) is no longer the sole authority in purchase decision making (Dobhal, 1999). Vincent (2006) in his study found high level of brand awareness among the children, their influence in the decision making process and independent decision making in case of FMCG's. Another study by Mishra (2006) found brand preference
among children in the high involvement category including cars, computers and cell phones etc. Researchers Halan (2003) and Kashyap (2005b) also indicated the influence of children in the urban settings. In the context of role of females in the urban settings, a gradual shift is discernable with more and more women taking up jobs and consequently influencing the decision process (Khan, 2000), While Pareek (1999), Krishnamurthy & Lokhande (2000), Khairoowala & Siddiqui (2001), Lokhande (2004), Nagaraja (2004) indicate the increasing influence of women in the buying process even in the rural context. Krishnamurthy & Lokhande (2000) and Suri & Singh (2003) found brand awareness among the rural children.

1.4 Mapping the Cultural and Sociological Transition in India

In India, gradual changes are taking place in the cultural and sociological ethos, which have triggered changes in the purchase process and consumption patterns of Indians (Gupta & Chundavat, 2002). Rise in consumerism, emergence of nuclear families in the urban context, rise of middle class, increasing financial independence of women, more convenience oriented lifestyles, fewer children per household, increased media exposure and many more factors have led to a paradigm shift in the roles played by family members in buying decision making.

Similar changes to a lesser extent have taken place in the rural setup due to a shift from agriculture to non-agriculture activities (Bijapurkar, 2002) and emergence of 'individualised joint families' (Kashyap, 2005b), increased literacy and media exposure. Earlier women and children as such had no role to play in the decision making process, however, now due to the aforementioned reasons their level of participation has gone up (Pareek, 1999; Krishnamurthy & Lokhande, 2000; Khairoowala & Siddiqui, 2001; Lokhande, 2004; Nagaraja, 2004). While in the urban context, families are splitting giving rise to nuclear families (Khan, 2000; Gupta & Chundavat 2002), the situation in the villages is somewhat different. Individuals are branching off to form nuclear families (with separate cooking arrangements) but they still continue to live in the traditional family compound (under one roof). These hybrid families can be termed as 'individualized joint families' (IJF), which live separately on a daily basis and take purchase decisions independently for FMCGs and consumer durables (Kashyap, 2005b). But unlike
their urban counterparts, they bond with the ‘parent’ family for social occasions such as marriage, childbirth, death, and family disputes.

Another aspect that deserves attention is that the family member-influence is not static and is likely to shift, depending upon the specific product or service (Converse, Huegy & Mitchell, 1958; Wolff, 1958; Beckman & Davidson, 1962; Ferber & Lee, 1974; Wilkes, 1975; Davis, 1976; Woodside & Motes, 1979 and G. Belch, M. Belch & Ceresino, 1985); Woodside & Motes, (1979) and the specific stage in the decision making process (Davis & Rigaux, 1974; Park & Lutz, 1982 and Belch et al., 1985). Thirdly, it also depends on the specific purchase factors (Bonfield, 1978 and Belch et al., 1985).

Most of the studies on family purchase behaviour and decision making process are US centric and only a few studies have been conducted in Indian context and that too mostly in the urban setup. The rural setup has not drawn the attention it rightly deserves. As the influence of the family members in all types of decisions including product purchase decisions will vary across cultures and regions, the results of US centric studies as well as those related to urban context in India cannot help us in understanding the shifts in the rural context in India without verification. Through this study an attempt has been made to explore the dynamics of family purchase behaviour for selected products. The study has an applied bias considering the fact that the marketers now acknowledge that rural markets are increasingly playing a prominent role in designing of marketing strategies (Aneja, 1996; K. Reddy, 1996; P. Reddy, 1996; Sathyavathi, 1996; Dey & Adhikari, 1998; Kashyap, 2000 and Krishnamoorthy, 2000; Krishnamacharyulu & Ramakrishnan, 2002; Halan, 2003; Manjunatha, 2004). The intense competition in the already saturated urban markets coupled up with the untapped vast potential of the rural market makes it even more alluring. According to Ramaswamy & Namakumari (2002), it is the heat of competition in the urban markets which actually serves as the strong driver behind the growing interest of corporates in the rural market.
1.5 The Need for the Study

The rural sector holds enormous untapped potential for the marketers as well as the academicians considering the fact that about 75% of Indian population lives in villages and generates nearly half of the country’s GDP (Bargal, 2004). The rural market share in case of FMCGs and consumer durables (table 1.1a, 1.1b), along with the present economic status and its future projections as indicated below further enhances its importance and significance.

According to NCAER the ‘consuming class’, households with annual income of 45000-2, 15,000 at 1994-95 prices, which is normally considered as the middle class, now totals 53.4 million, about 27.5 million of these middle-income households are in urban areas and 25.9 millions in rural areas. As proportion of the population, the consuming class has doubled from 14 percent of total households in 1989-90 to 30 percent in 1998-99 and is expected to rise to 40 percent by 2006-07 (Ramaswamy & Namakumari, 2002).

There are almost twice as many ‘lower middle income’ households in rural areas as in the urban areas. At the highest income level there are 2.3 million urban households as against 1.6 million households in rural areas (The Hindu, 2001). Further, As per NCAER projections, the number of middle and high-income households in rural India is expected to be double that of urban India i.e. 111 million and 59 million respectively by 2007 (Halan, 2003; Parikh, 2004).

An income dispersal projection by NCAER for 2006-2007 shows that the number of poor households will shrink by half to 28 million from 61 million in 1997-98, whereas the middle income households will double and the rich households will treble over the decade in rural India (Kashyap, 2005a). This upward push – taking rural people from poverty to prosperity- will lead to greatly increased purchasing power. Today’s non-consumers comprising the rural poor will enter the market as first time buyers in large numbers.

A survey conducted by NCAER in the mid-1990s showed that income from agriculture forms 50% of the income of households in rural areas. Rural households account for an estimated 60% of total household expenditure on manufactured...
products in the country. A higher growth of rural incomes, therefore, boosts
domestic demand for consumer goods (Awasthi, 2005).

Of the all India total for 2003-04, annual rural household market size was estimated
to be around 58% (Mathew & Sinha, 2005), while market size for food products and
FMCGs was estimated to be 64% and 57% respectively. The corresponding figure
for durable products was 52% of the all India total.

In cases of several products, consumption is growing at a faster rate in the rural
markets relative to urban markets. Many, new products have made their entry into
the rural consumer basket. The upper segments in particular have started buying and
using a variety of modern consumer products, which were still recently unknown in
the rural areas (Trehan & Singh, 2003). In fact, the impression that the rural market
is confined to certain traditional consumer products and agri-inputs has totally lost
its validity in today's context. Today, a rural consumer is going for luxury products
instead of purchasing gold and he seeks quality but at low prices (Kashyap, 2000).

Rural demand is key to several industries' growth as can be seen in the table given
below:

**Table 1.1(a): Purchases of FMCGs– Share of Rural Markets of All India Total**

<table>
<thead>
<tr>
<th>Product</th>
<th>1995-96</th>
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<tbody>
<tr>
<td>Cooking Medium (oil)</td>
<td>65.78%</td>
</tr>
<tr>
<td>Foot wear</td>
<td>61.56%</td>
</tr>
<tr>
<td>Hair Oil</td>
<td>47.28%</td>
</tr>
<tr>
<td>Tea</td>
<td>58.02%</td>
</tr>
<tr>
<td>Toilet Soap</td>
<td>57.25%</td>
</tr>
<tr>
<td>Tooth Paste</td>
<td>38.94%</td>
</tr>
<tr>
<td>Tooth Powder</td>
<td>78.85%</td>
</tr>
<tr>
<td>Washing Cake</td>
<td>68.25%</td>
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</tbody>
</table>

*Source: NCAER: Indian Market Demographic Report, 1998*
In 1998-99, the share of rural consumption among edible oils stood at 64.2 per cent, while toilet soaps consumption was a high 48.2 per cent. The consumption of washing powders among rural markets stood at 48.5 per cent in 1998-99, indicates the findings by NCAER (Bhushan, 2002).

ORG-MARG's data shows that so-called 'necessity' products (like popular soaps, detergent cakes, premium, soaps) show signs of saturation in both urban and rural markets, but the growth of 'emerging' products (like toothpaste, toffee, chewing gum) and 'lifestyle' products (like chocolate, coffee) is being fuelled by the rural markets (Rao, 2000). The rural market recorded a volume growth of 40% in the shampoo market, while the urban market’s trailed along at 16% (Vyas, 2006). There is even a demand for high-end electronic products like projection TV’s and refrigerators from rural areas, with an overall 45-50% spurt in sales compared to last year (Economic Times, 2005). According to recent industry estimates, the rural consumption of premium bikes and top-end cars has gone up by 35-40% (Vijayraghavan & Philip, 2005).

Table 1.1(b): Purchases of Consumer Durables– Share of Rural Markets of All India Total

<table>
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<tbody>
<tr>
<td>Mopeds</td>
<td>42%</td>
<td>39.6%</td>
<td>46.7%</td>
<td>48.4%</td>
</tr>
<tr>
<td>Motorcycles</td>
<td>52%</td>
<td>47.7%</td>
<td>51%</td>
<td>52.9%</td>
</tr>
<tr>
<td>Scooters</td>
<td>36%</td>
<td>27.8%</td>
<td>34.5%</td>
<td>40.1%</td>
</tr>
<tr>
<td>Refrigerators</td>
<td>14%</td>
<td>18.1%</td>
<td>26.3%</td>
<td>28%</td>
</tr>
<tr>
<td>Colour TVs</td>
<td>11%</td>
<td>31.1%</td>
<td>34.7%</td>
<td>36%</td>
</tr>
<tr>
<td>Washing Machines</td>
<td>12%</td>
<td>9.8%</td>
<td>15.3%</td>
<td>14.9%</td>
</tr>
</tbody>
</table>

*Source: NCAER: Indian Market Demographic Report, 2002*

With the increase in incomes, rich rural consumer is found lapping up a plasma television or a super premium saloon and the poor urban consumer opting for a low-end bike or a 14-inch television (Vijayraghavan & Philip, 2005). The assumption that the rural population was primarily poor and that the urban population richer has been dropped by marketers, as it was found there are as many rural rich as there are urban poor.
Several mobile service providers are foraying into the rural areas (Chakraborty & Chakravarti, 2005). Reliance Infocomm has a subscriber base of over 8.8 lakhs of which 35% are in small towns and rural hinterland and is witnessing a growth of over 10% against the growth of about 7% in the urban centers (Economic Times, 2005).

**Figure 1 (a): Purchases of FMCGs– Share of Rural Markets of All India Total**

![Bar chart showing share of rural markets of FMCGs for 1995-96](image)

**Figure 1 (b): Purchases of Consumer Durables– Share of Rural Markets of All India Total**

![Bar chart showing share of rural markets of consumer durables for 1985-86, 1992-93, 1997-98, and 2001-02](image)
Rural India is borrowing faster than saving. Recent figures released by Reserve Bank of India* show that loans disbursed by banks in rural India are outstripping deposits mobilized by them. More interestingly, while the share of agriculture loans is falling, that of home loans and other personal loans is on the rise. The share of home loans and other personal loans has jumped from 3.2% to 7% and from 8.4% to 11.9%, respectively. Bankers feel most of these loans are possibly to meet expenses like a wedding in the family, fund education and purchase of certain assets (Nayak, 2005).

With more communication targeted at rural market, the demand can be satisfied only when sufficient funds are available. Providing consumer loans with terms and conditions that satisfy the consumers would perhaps increase the demand for consumer loans (Nandgopal & Chinnaiyan, 2005). NCAER (2003) reported that the growth in the purchase of white goods that were financed is significantly higher than those, which have not been financed. Rural demand for white goods grew 22.40 per cent in 1999-2000, whereas the growth of financed white goods was 39.60 per cent.

Insurance and Rural Market
The rural market is vibrant and holds tremendous potential for growth of insurance business, particularly because of the strong saving habit (Joshi, 2004). In 2001-2002, Life Insurance Corporation (leading player in the Indian insurance sector) sold about 55 per cent of its policies in rural India (Kumar, 2004). According to Insurance Regulatory Development Authority (IRDA) Annual Report 2004-05, the number of authorized agents for LIC is 179815 in the rural sector. About 24 million Kisan (Farmer) Credit Cards were issued in the rural markets which exceed the 18 million mark issued in the urban market. The value of the average individual life policy sold in the rural areas as a percent of the average of all the individual life policies sold nationwide was 84% in 1990 and has hovered around that figure since then (Sinha, 2005).

*The Reserve Bank of India (RBI): It is the central bank of India, and was established on April 1, 1935 in accordance with the provisions of the Reserve Bank of India Act, 1934. The Central Office is located at Mumbai since inception. Though originally privately owned, since nationalization in 1949, RBI is fully owned by the Government of India.
Successes in private initiatives in rural India have emboldened players to view rural life cover business as a profitable one. For example, agro-products major ITC, which has set up a critically acclaimed *e-choupal* network across the country, has tied up with several insurance firms for actively selling life covers in rural India (Prahalad, 2005).

According to a study commissioned by private insurer ING Insurance, the savings ratio is a healthy 30% of income across all socio economic segments in rural India. The survey also shows that awareness about life Insurance is near universal and 51 per cent of all respondents expressed intention to purchase a life policy.

Another study by Associated Chambers of Commerce and Industry (ASSOCHAM) has revealed that rural and semi-urban India shall contribute $35 billion to the Indian insurance industry by 2010 (www.deccanherald.com, 2006) including $20 billion dollars by way of life insurance and the remaining through non-life insurance schemes. The paper found that there are a total 124 million rural households. In this environment; the scope for expansion for private players seems infinite.

The rural consumer is now exhibiting an increasing propensity for insurance products. A research conducted exhibited that the rural consumers are willing to dole out anything between Rs 3,500 and Rs 2,900 as premium each year. In the insurance the awareness level for life insurance is the highest in rural India, but the consumers are also aware about motor, accidents and cattle insurance. In a study conducted by MART the results showed that nearly one third said that they had purchased some kind of insurance with the maximum penetration skewed in favor of life insurance (Subramanian & Bhushan, 2003). The study also pointed out the private companies have huge task to play in creating awareness and credibility among the rural populace. The perceived benefits of buying a life policy range from security of income bulk return in future, daughter's marriage, children's education and good return on savings, in that order, the study adds.

Despite the fact that the rural market is vibrant and holds tremendous potential for growth vis-à-vis various categories of product and services, yet, surprisingly most of the studies conducted till date have focused on the individual buyer behaviour and
and from which dealer) for four consumer durables—two-wheeler, television, radio, Video Compact Disc Player (henceforth referred to as VCD), three FMCGs—edible oil, toothpaste, washing powder and one service (i.e. insurance).

4. To investigate the effect of type of family i.e. nuclear family and joint family (independent variable) and member’s involvement during the purchase decision stages (dependent variable).

5. To investigate the effect of type of family i.e. nuclear family and joint family (independent variable) and member’s involvement in product related sub decisions (dependent variable).

6. To investigate the effect of individual’s life stage (i.e. pre-teens, teenage, early adulthood, middle adulthood, late adulthood and old age) and his involvement during the stages of purchase decision process (dependent variable).

7. To investigate the effect of individual’s life stage (i.e. pre-teens, teenage, early adulthood, middle adulthood, late adulthood and old age) and his involvement in the product related sub decisions (dependent variable).

8. To investigate the effect of individual’s education, occupation, income and gender (independent variable) and his involvement during the stages of purchase process (dependent variable).

9. To investigate the effect of individual’s education, occupation, income and gender (independent variable) and his involvement in the product related sub decisions (dependent variable).