Chapter-1

Introduction
Chapter - 1

Introduction

The consumption behavior pattern of Indian consumers is becoming a complex function of many factors today. The liberalization initiatives have altogether changed the consumer behavior in India. With economic liberalization, a large number of quality products are available at competitive prices. A large number of new products and a great proliferation of brands have changed the decibel levels of marketing communication with everyone trying to get rupee of consumer’s wallet as well as a share of his mind. The increase in role of satellite communication, international business and the growing interest in cultural differences, make their own impact on consumer behavior. The impulse buying behavior is considerably growing in Indian economy due to imitation of foreign culture. It requires the necessity to examine the impulse buying behavior in the Indian transitional economy.

The term Consumer Behavior refers to the behavior that consumer’s display in searching for, purchasing, using, evaluating and disposing of products and services that they expect, will satisfy their needs. Consumers are highly complex individuals, subject to variety of psychological and sociological needs apart from their survival needs. Needs and priorities of different consumer segments differ
drastically. In this competitive era, a large number of brands are available to consumers and the study examines how they prefer to buy from the quantum.

Besides Indian economy increasingly witnessing structural transformation from a rural, agricultural one to more urban industrialized one, consumer durable goods sector is fast emerging as an important segment of the economy.

Consumption of manufactured consumer's goods is recognized as one of most widely accepted measures of the standard of living and quality of the 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 and service sectors. It is for this reason that the manufacturing and consumer goods durable industry is considered to be the fulcrum of economy.

A recent survey conducted by FICCI on consumer durables industry has indicated a buoyant trend in all three segments-white goods, consumer electronics and electronic components during April-March 2003-04. It confirms that consumer goods sector is poised for further growth because of emerging opportunities and strong fundamentals developing in the economy.

A number of factors have contributed to the persistent rise in demand for consumer durables within the Retail Sector. The most perceptible ones include the
mounting income levels, emergence of dual-income families, availability of disposable income, changing lifestyles etc., and these factors have led to the emergence of a highly aware and demanding consumer base.

In terms of product category, the consumer durables market can be stratified into consumer electronics comprising of TV sets, audio systems, VCD players and others, and appliances referred to as “white goods”, include washing machines, microwave ovens, air conditioners (A/Cs).

MNCs with their superior technology and high spending on R&D have a distinct edge over Indian manufacturers. Domestic companies however, are able to have a standing owing to a far-reaching distribution network and a better understanding of the local market conditions. Presently sales volumes are the highest in the Unorganized Retail Sector.

In the rural areas the demand is also governed by the extent of government funding for infrastructure development, particularly with respect to electricity. RNCOS, an India based market research Company, in its report “India Retail Sector Analysis (2006-2007), highlights the overall contribution of the Indian consumer durable sector in the Indian Retail Industry. The existing size of this sector stands at an estimated USD 4.5 Bn.

Besides the boom in consumer products witnessed in the last decade, a huge unsaturated demand exists in India for consumer durables. This has been brought out by the National Sample Survey Organization (NSSSO) in its latest report on ‘Household Amenities and Other Characteristics’.
In urban areas, in terms of possessions of miscellaneous durables, possessions increase as the income level increases. The order of preference-cum-affordability (from the most to the least affordable) that emerges shows that the first preference is for fans, followed by sewing machine, refrigerator, air-cooler, washing machine, room heater and air-conditioner.

The NSSO survey conducted during July-December 2002 on a sample of 97,882 households spread over 4,769 villages and 3,538 urban blocks of the country revealed that in rural areas, the audio-visual medium of television appeared to substitute the radio/tape-recorder as the standard of living improved, despite the fact that radio/tape-recorder had become cheaper than that was 10 years ago. The report also highlighted that personal computer (PC) has not become a favoured item for household possession. Only 0.6 per cent of rural households possessed a PC and that the internet facility was practically non-existent in such households.

Only 1.4 percent of urban households possessed a PC with Internet facility and another 1.7 percent possessed a PC without an internet facility. Only 5.3 percent of rural households had (one or more) fixed telephones and 0.9 percent had cell phones. Among urban households, about 24 percent possessed fixed telephones and 3.3 percent had cell phones.
Besides, it reveals that if some of basic issues pertaining to each individual sector are properly set right, growth and development of consumer durable goods sector may help overall economic development of the country. Significantly it highlights the need for pro-active government action for helping the industry to achieve lower cost, improved quality and better performance in competitive environment. The rising rate of growth of GDP, growth in disposable income, improved lifestyles, rising purchasing power of people with higher propensity to consume with preference for sophisticated brands would provide constant impetus to growth of white goods industry segment.

The survey has made detailed segment wise analysis and has come out with segment-wise strategies for further of white goods industry. It has outlined the strategy to be undertaken by the industry for healthy development of consumer durables in India with co-existence of domestic companies and MNCs and for better household penetration.

In regard to consumer electronics and colour TVs the FICCI survey has explored some strategies being adopted by some companies that have significant bearing on future growth.

These relate to ambitious plans made by some companies to launch Direct-to Home TV services. Some companies are in the race for intensifying competitive activities by adding strength to the existing facilities.
Rising demand from rural and semi-urban market will go a long way in increasing market size for colour TV. Keeping the overall spectrum of consumer goods industry in mind, it confirms that penetration of consumer durables would be deeper in rural India if banks and financial institutions come out with liberal incentive schemes for the white goods industry segment. While the consumer durable market is facing a slowdown due to saturation in the urban market, rural consumer should be provided with easily payable consumer finance schemes. The Survey suggests there is need for ensuring basic services, after sales services to suit the existing infrastructure and amenities like electricity and voltage power availability by the concerned agencies and companies for better penetration.

Rural India, which accounts for nearly 70 percent of the total number of households, has a two percent penetration in case of refrigerators and 0-5 percent for washing machines, offers plenty of scope and opportunities for the white good industry. As per the survey made by the industry itself, the rural market is growing faster than urban India now. The urban market is a replacement and up-gradation market now.

The increasing popularity of easily available consumer loans and the expansion of hire-purchase schemes will give a moral boost to the price-sensitive consumers. The attractive schemes of financial institutions and commercial banks are increasingly becoming suitable for the consumer.
Consumer goods companies are themselves coming out with attractive financing schemes to consumers through their extensive dealer network. This has a direct bearing on future demand.

The other factor surging demand for consumer goods is the phenomenal growth of media in India. The flurry of TV channels and the rising penetration of cinemas continue to spread awareness of products in the remotest markets.

Summing up, the study says tempo of strong economic fundamentals like low inflation rate, rising foreign exchange reserves and falling interests and steadily rising and firm economic growth, higher consumer confidence and industry’s contribution to GDP will continue and raises the expectation levels of the industry.

The last decade has witnessed as market over-flow with the products of intricate technology besides dramatic changes in the supply of goods services and ideas. The communications networks have multiplied and distribution channels have become efficient and quick. The technological development has brought in wake a number of effects, which have completely changed the face of market and the consumer environment on the one hand on the other hand, most of the consumers-whether rich or poor. Literate or illiterate, urban or rural-often become the victims of adulterated, spurious, hazardous and substandard goods as well as wrong measurements and high prices. Consumer remains the most neglected and is subjected to exploitation more often than not. Producers try to satisfy
commercially profitable consumer desires but the rarely show any keenness in satisfying consumer interests. Though the product is being made available more efficiently, the market is not devoid of fraudulent practices. The consumer is the forgotten man. He is the leased organized and the most centrifugal element in the circle of investment, production, sale and consumption and is generally taken for granted as one who has anyhow to buy in order to live (Gulshan, 1994).

In developed countries, the quality of products has improved a lot over the years and has led to the decrease in the quality variability across many product categories (Grunewald et al., 1993). The product, service and store choice decisions have also steadily increased across these nations. In contrast, consumers in India are diverse in composition, varying in religion, caste and language; ignorant and apathetic and therefore remain at the receiving end.

In India prior to liberalization of the economy it was the absence of competition and the seller’s market status of business that passed on the inefficiencies of the business to the poor consumer. Business policies were formulated with complete lack of concern of consumer interest. These malpractices of business were manifested in poor quality, high prices, deficient services, adulterated and hazardous goods, misleading advertising etc. Even after the decade of liberalization drive; it is the corrupt practices of business and the persuasive powers of unethical and emotional advertising that lures even the educated consumers to buy unwanted and unnecessary goods (Hakim, 2002).
India, with about one billion population and a vibrant economy has emerged as one of the largest markets in the world today. The consumption behavior pattern of Indian consumers is a complex function of many factors like economic, demographic, cultural, socio-psychological elements etc. The liberalization initiatives, which began in the early 1990's have altogether changed the marketing scenario. The pre-liberalization scenario was characterized by low quality, high price and fewer choices in different product categories. With the globalization of Indian economy, large number of quality products is available at competitive prices. A large number of new products and a great proliferation of brands have changed the decibel levels of marketing communication with everyone trying to get a rupee of the consumer's wallets as well as share of his mind. The rapidly growing middle class consumers are an attractive market for international firms because they are increasingly exposed to western products and lifestyles through the media (Anil Gupta et al., 2003). Accordingly, because of the increasing important role of satellite communication, international business and the growing interest in cultural differences in consumer behavior (Maheswaram and Sharif, 2003). It is necessary to examine the consumer behaviors in particular in transitional economies including India.

The advertising profession would also have to bear in mind the grim reality that more than 75 percent of the population is outside the market even of the usual toiletries or personal care article. This type of advertising poses a different type of
a challenge. It is significant that in the advanced industrialization countries, in the well entrenched consumer societies, advertising professional have engaged for quite some time now in what is called 'social marketing', or social service advertising. Many top advertising agencies devote some of their talent to such advertising. There are advertising professional, who, at the end of their careers, are turning to this kind of activity. This is understandable. To be a successful advertising person, one has to be sensitive to the environment. While one comes to see from the ringside the capitalist market as it operates and participates in the ruthless battles that take place. One deals with men's minds. While one deals with the raw data about human needs and their reaction to the environment around them, one cannot escape seeing the total reality beyond the glamour of high fashion and the glitter of consumer durables. Some are able to de-sensitive themselves to the reality outside the world of the 'super-haves' and the 'have-somes'. Some cannot; they find escape in other creative fields or turn to social service advertising, helping noble causes. Hovering between two worlds-the world of the 'super-haves' and 'have-somas' and the 'near-haves' and the 'have-nots' - the advertising profession in India has a variety of roles to play and has wide choices. The challenges are different to meet different inclinations and types of personalities. At the same time, we must remember that advertising is not an autonomous variable.
It is difficult for it to overcome socioeconomic limitations inherent in the economic system. Today, especially in the context of undifferentiated liberalization and the urge for globalization, it is practically impossible to break away from the stereotypes of international advertising, which are invading India along with the transitional brands. The only hope lies in the fact that with the experience of the last few years, there are already indications of some moderation. Attention might again turn to the ‘near-haves’ and the ‘have-nots’ and new and innovative strategies of what is being talked of as ‘sustainable development’ might be evolved. In such a situation, advertising would really be able to contribute to development in a meaningful way. This would offer major challenges to those entering the advertising profession during the nineties – a challenge that would demand fresh, innovative approaches, very different in many cases from the models now coming from the advanced industrial nations.

Durable companies spend 30-35 per cent of the revenues on advertising especially during the festive months to push volumes. Retail chains have become much more demanding and it has become crucial for us to shift a lot of money out of the usual advertising and promotion spends to offer better margins to the retail chains and also focus on real brand building to enhance the pull of our brands.

According to the National Council for Applied Economic Research (NCAER), the middle classes are those making $ 4,545 to 23,000 a year. NCEAR projects that the market for all categories of products, from daily consumables to
Chapter 1

Introduction

consumer durables, will double in annual sales by 2010. With the economy expected to maintain steady 6 percent annual growth, India is widely seen as one of the world’s 10 largest emerging markets.

The south and West account for nearly 70-80 percent of the total financed purchases in the country. Consumer finance has existed in the south in the shape of “hire purchases schemes” for a long time. However with more players in the consumer finance sector, the costs of credit have declined. This has led to a growth in financed purchase of white goods both in rural and urban areas.

These facts open up a new area of marketing opportunities for consumer durable and appliance makers. Marketers can no longer hope to tap into a readymade market they will have to create demand. Manufacturers will have to piggyback their products with products in the consumer finance market. This also means that they will have to expand their network of sales and after-service outlets as to reach new consumers in the Indian market. Exposure to new consumers and new markets will also help manufacturers to collate information about the need gaps of consumers, and provide them with an opportunity of launching appropriate products.

A number of factors have contributed to the persistent rise in demand for consumer durables within the Indian Retail Sector. The most perceptible ones include the mounting income levels, emergence of dual-income families,
availability of disposable income and changing lifestyles. These factors have led to the emergence of a highly aware and demanding consumer base.

Today, the state of Karnataka is the eighth largest in the country both in terms of population and area. Its capital city, Bangalore, is now classified as a mega city and has population of over five million inhabitants. The last two decades have been a period of rapid growth for Bangalore with a proliferation of Multi National Companies choosing to locate their operations in the city and its environs in industrial products, consumer durables etc.

Bangalore, the capital of Karnataka, in 2001 it's was the fifth biggest city in India with a population of about 5.7 million. It was the 16th biggest in the country in 1941 and grew rapidly to become the 8th largest in 1951. Its geographical location in the heart of south India and its salubrious climate has contributed to its growth and importance. The city is 3115 feet above the sea level. Growth of Bangalore during the last 130 years is phenomenal i.e. from 1871 shows that the population of the city which was about 1.44 lakh in 1871 has increased to 56.86 lakhs in 2001 accounting for 3836 percent of growth over the period of 130 years or an arithmetical decadal growth rate of 295 percent. The reason for this is the increase in area of the city due to urbanization of rural units around the city and further of the core city itself owing to the incorporation of the surrounding areas on a continuous basis over the years. The industrialization of Bangalore city is rapid since 1951 where by the employer opportunities, Medical facilities, business
and industrial activities, etc., available in Bangalore attracted large number of migrants. It may be mentioned here that besides being the capital of the state, Bangalore is also famous world over, as the “Silicon Valley”. Consequent of this, the inflow of population from different parts of the country to Bangalore City and its surrounding areas has been increasing.

In Karnataka, right from 1871, Bangalore city had a population of over one lakh and since 1961 Bangalore city is one and the only place, which has crossed the one million mark. Since 1871, the only decade during which the population growth declined was in decade 1891-1901 which may be due to plague and partly due to the absence of troops in 1901 owing to their deployment in South Africa and China. In 2001, Bangalore urban agglomeration with 56.86 lakhs has the highest population among 237 towns and urban agglomerations in the state. The density of population was 9,263 per sq.km in 1991. As per 2001 census it is approximately 10,710 sq.km. (Census of India: 2001). The major reason behind this is the huge amount of international investment pouring into the city and the establishment of numerous industrial units, primarily related to electronics and computers, coupled with the dwindling resources of the Bangalore City Corporation (BCC). This rapid population growth has become the major cause of deteriorating urban environment in the city.

The consumer behavior has been the subject of research and analysis both in economics and management for long. Besides being the hub of the business and
economy, the purchase decisions of consumers embody both a variety and large range of choices. Naturally, the evolution of the theory of consumption has traversed different stages and phases of evolution along with the development of economic sciences. From the maximization of cardinally measured utility function to the choice of the optimum combination of goods on an ordinally measured indifference preference scale within the constraint of income-price line (equation) to actual behavior specific revealed preference model, the consumption theory has covered a long distance. From there arose the thesis of commitment expenditure, leaving only a part of income for disposal by current exercise of choice which then moved to permanent income consumption hypothesis, to Catona model, entrapped in behavioral economics. Thus, the diversity and range of theoretical advancement has itself continuously been enriching theory and practice. As the economics traversed the different phases of their growth oaths, the ever rising standard of living and the expansion and diversity of consumption baskets led to the emergence of the need for explaining the decisions and choice of consumer durables. Consumer durables are quasi wealth and quasi capital in an expanded and broadened sense of the term capital (Prakash et al., 2007).

Bangalore city is taken as study area, in Karnataka Bangalore city as the leading consumer. When countries grow, more people buy more things. More products become available. They need more shelf space. The result: a retail revolution. That’s what’s happening in India today. A new generation of retail outlets is emerging, which will change the landscape of the country’s cities.
Objectives

In this background, following objectives are proposed for detailed study.

1. To document the consumers' possession durables in different categories of household.
2. To identify the factors influencing their purchase decisions with regard to durables.
3. To assess the consumer value system for consumer durables and
4. To assess the role of advertising in their purchase decision.

Hypotheses

1. Majority of the low income groups are depending on the income level.
2. Increase in consumer possession durables in different categories of household.
3. The consumer value system of consumer durable increases in case of high income group.
4. Purchasing capacity increases on the basis of advertisement.

Selection of the Sample Respondents

The cluster sampling method was followed and sample respondents post stratified based on their income, education and age. In Bangalore city out of 147 wards made 10 clusters. Data was collected from the samples randomly drawn from each cluster. Totally 500 sample respondents were selected from all these wards.
Limitations of the Study

1. The data is collected using recall method and hence the respondents have to rely on memory which could act as limitations.

2. Consumer Perceptions and behavior are changing and therefore the results of the study may not have relevance for a very long time.

Chapter Scheme

The study has been presented in six chapters as indicated below:

Chapter-1 : Introduction

Chapter-1 deal with theme, nature and importance of present study. The objectives of the study hypothesis to be tested are also specified. The limitations of the study are presented at the end.

Chapter-2 : Review of literature

Chapter-2 describes comprehensively a review of the relevant research work done in the past related to the present.

Chapter-3 : Methodology and Database

Chapter-3 outlines the features of the study area, sampling design followed. This is along with collection of relevant data and analytical tools used in the study.
Chapter-4 : Results

Chapter-4 devoted for the results on general features of respondents. Average of age, education and income among High, Medium and Low groups was done. Studies the influence of consumer attributes impinging on the purchase behavior of consumer durables and also studies the brands perception of the respondents for the purchase of consumer durables. The brand decision on each consumer with respect to durables is also analyzed.

Chapter-5 : Discussion

Chapter-5 discusses the results of the study and presents the economic implications of the same. The consumer behaviour towards the purchase of consumer durables and also consumer perceptions and demand for consumer durables of the respondents is discussed. In this chapter brand preference of each consumer durables is studied among different size of groups of respondents in study area.

Chapter-6 : Summary and Conclusions

Chapter-6 presents the summary of the findings and conclusions.