Chapter 2

Review of Literature

In this chapter, an attempt has been made by the researcher to examine the related review of literature.

2.1. Introduction.

Consumer behavior is the study of how individuals, groups, and organizations select, buy, use and dispose of goods, services, ideas or experiences to satisfy their needs and wants. Consumer behavior encompasses all of the behaviors that consumer's display in searching for, purchasing, using, evaluating and disposing of products and services that they expect will satisfy their needs. Consumers may experience dissatisfaction with their choice of durables. They may communicate then dissatisfaction to friends and in turn, influence their friend's future durable purchases. They may never buy the same make or model again, limiting their own future selection decisions. Each of these possible consequences of consumer post purchase dissatisfaction has significant ramifications for durable marketers, who have to build post purchase strategies in to their promotional campaigns.
2.2. Consumer behavior.

The study of consumer behavior is made easier by examining it, in an organized fashion. Therefore, we should determine the general classes of variables influencing consumers’ behavior, understand the nature of these variables, and learn how make inferences based on this knowledge. **Culture is the most fundamental determinant of persons’ wants and behavior.** A culture is the **complex of symbols** and artifacts created by a given society and handed down from generation to generation as determinants and regulators of human behavior.⁶ The growing child acquires a set of values, perception preferences and behaviors through its family and institutions.

Most consumer purchases, however, are also likely to be influenced by psychological or sociological factors. We know very little about what goes on in a buyer’s mind before, during and after a purchase. Sometimes, the explanation for buyers’ behavior is not even discernible to the buyers themselves. To illustrate, buying motives may be grouped on three different levels depending upon the consumers’ awareness of them and their willingness to divulge them.

At one levels, buyers recognize, and are quite willing to talk about, their motives for buying certain products. At a second level, they are aware of their

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reasons for buying but will not admit them to others. (A man may buy a backyard swimming pool because he feels it adds to his social position in the neighborhood. Or a woman may buy a fur coat to keep up with her peer group. But when questioned about their motives, they offer other reasons that they think will be more socially acceptable). The most difficult motives to uncover are those at the third level, where even the buyers themselves do not know the real factors motivating their buying actions.

A purchase is rarely the result of a single motive. Furthermore, various motives may conflict with one another. In buying a new dress, a woman may want to (1) please herself, (2) please her boy friend, (3) be considered a fashion leader by other women in her social circle, and (4) strive for economy. To do all these things in one purchase is truly a difficult assignment. Also, a person’s buying behavior changes over a period of time because of changes in income, changes in life-cycle stage, and other factors.

If we add to this complexity the countless variations occurring because each consumer has a unique personality, our task of understanding consumer behavior may seem an impossible dream. Yet try we must, because an understanding of buyer behavior is critical to the success of a marketing program. Fortunately, marketing people, working with behavioral scientists, have been able to develop some generalizations about what influences consumer buying behavior.
To understand why consumers behave as they do, we first must ask why a person acts at all? The answer is, “because he or she is motivated”. That is, all behavior starts with motivation. A motive (or drive) is a stimulated need that an individual seeks to satisfy. Thus, hunger, a need for security and a desire for prestige are examples of motives.

2.3. Perception.

In marketing, perceptions are more important than the reality, because it is perceptions that affect consumers actual behavior. A motive is an aroused need. It, in turn, acts as a force that activates behavior intended to satisfy that aroused need. But, what influences or shapes this behavior? What determines the direction or path this behavior takes? The answer is our perceptions. We define perception as the process whereby we receive stimuli (information) through our five senses, we recognize this information, and then we assign a meaning to it. In other words, perception is the meaning we give to stimuli, or the way we interpret stimuli.

This interpretation, or meaning, that we attribute to stimuli – that is, our perceptions – is shaped by our socio-cultural environment and by psychological conditions within us. Our behavior, in turn is determined by what stimuli we respond to and how we interpret those stimuli. That is, our behavior is determined by our perception.

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Every day, an infinite number of marketing stimuli exist that conceivably we could be exposed to. In reality, however, a process of selectivity that limits our perceptions is occurring continuously.

There are many marketing implications in this selectively process. To illustrate, if a marketing stimulus – a product or a store – falls outside your range of selective perception, then for you that product or store does not exist. In another situation, a given product stimulus such as a video cassette recorder (VCR) may be perceived quite differently by various consumers. A child perceives a VCR as a source of entertainment. Mother may view it as a baby-sitter, a source of information, and a teacher for her child. Father may view it as an overpriced luxury that prevents him from buying a new outboard motor. (The color TV set was perfectly okay, as he perceived it.)

**Figure 2.1: Model of Buyer Behavior**

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**Buyer’s**

- Characteristics
- Cultural
- Social
- Personal
- Psychological
- Purchase decision

**Buyer’s Decision Process**

- Problem recognition
- Information search
- Evaluation of alternatives
- Post purchase behavior

**Buyer’s Decisions**

- Purchase timing
- Purchase amount

**Buyer’s**

- Decisions
- Product choice
- Brand choice
- Dealer choice
See Leon G Schiffinan and Lesile Lazar Kanuk (1997)\(^8\) identified that a Child growing up in the United states is exposed to the following values; achievements and success, activity, efficiency and practicality, progress, material comfort, individualism, freedom, external comfort, humanitarianism and youthfulness

**Clyde Kluckhohn (1951)\(^9\)** stated in a marketing and consumer-behavior context, artifacts of the material culture would include all the products and services which are produced and consumed; marketing institutions such as **Safeway supermarkets, Kmart** discount houses, and 7-Eleven convenience stores; and advertisements. Non-material culture would include the way in which consumers shop in supermarkets, our desire for newer and better products, and our responses to the word "sale".

**James S Duesenberry, (1949)\(^{10}\)** observed in 1949 that all of the activities in which people engage are culturally determined, and that nearly all purchases of goods are made either to provide physical comfort or to implement the activities that make up the life of a culture.

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Thus, an understanding of culture enables the marketer to interpret the reaction of consumers to alternative marketing strategies. Sometimes guidance from cultural anthropologists (those social scientists who study people and their culture) is sought in order to gain a better understanding of the market.

Culture is not innate or instinctive, but is learned beginning early in life and is charged with a good deal of emotion. The great strength of this cultural stamp handed down from one generation to another is such that at an early age, children are firmly imbued with their culture's ways of acting, thinking, and feeling. This obviously has important implications for the behavior of consumers, because these preconditions of that behavior are molded by their culture from birth.

- Pickering, J.F., and B.C. Isherwood (1975)\textsuperscript{11}, in their article entitled “Determinants and Expenditure on Consumer Durables (CDs)” were concerned with consumer attitudes and expectations, and it was suggested that attention should be paid particularly to obtain indications of expected household liquidity and the willingness to devote financial resources to the purchase of CDs.

- Shivakumar, K. (1990)\textsuperscript{12}, in his study entitled “Relationship between marketing stimuli and consumer response” shows that the CB

\textsuperscript{12}Ibid, P.28
connected with purchase of the refrigerator reveals that irrespective of the income level and profession of the consumers, the refrigerators have been bought mainly to “preserve food”.

- **Forsythe, S.M. (1991)**\(^{13}\), in a study “Effect of private, designer, and national brand names on shopper’s perception of apparel quality and price” showed that brand name does make a considerable difference in consumers perceptions of price, yet not in terms of the quality perceptions and found that consumers, more commonly, used garment characteristics such as colour, style, fabric, etc to determine garment quality.

- **Grewal, and M. Tein (1994)**\(^{14}\), in their study entitled “market variation, perceived price variation, and consumers’ price search decisions for durable goods” stated that consumer’s willingness to undertake price-comparison shopping was used as the criterion variable rather than actual price search behavior.

- **Nagaraja, B. (2003)**\(^{15}\), in his study entitled “consumer behavior in rural areas: A micro level study of Rural Consumers (RCs) in Kavali Mandal” attempted to study RCs level of utility and found that it was influenced by changing tastes and preferences of young generation. Buying behavior is influenced by consumer experience, neighbors and their own family.

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\(^{13}\)Ibid, P.28  
\(^{14}\)Ibid, P.28  
\(^{15}\)Ibid, P.28
• **Nilofer (2004)**\(^{16}\), in a study titled “A study on the effect of personality on advertisement preference and CB of working and non-working women” concluded that personality dimensions affect the advertisement preference of CB of women of different age groups.

• **Strebel, J., K.O’ Donnell, and J.G.Myers, (2004)**\(^{17}\), in their study entitled “exploring the connection between frustration and consumer choice behavior in a dynamic decision environment” proposes that the probability of making a decision is significantly lower when consumers are frustrated with the pace of technological change.

• **Naidu, B.V.R. (2007)**\(^{18}\), in his study entitled “Buyers perception towards prawn feed: A study in west Godavari District, Andhra Pradesh” found that as per their income, farmers are changing their brands of feed from time to time, and concluded that the farmers do not have a specific preference towards a particular brand of feed.

**Elizabeth C Hirschman (1985)**\(^{19}\) observed members of a given group (1) generally descend from common forebears, (2) tend to reside in the same local-and one that is distinct from another ethnic group (3) tend to marry within their own group (4) give certain objects meaning unique to their ethnic group over generations, and (5) share a common sense of people hold-of kind redness.

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\(^{16}\)Ibid, P.28  
\(^{17}\)Ibid, P.28  
\(^{18}\)Ibid, P.28  
R.E. Pitts and A.G. Woodside (1983) investigated that homemakers purchases of household appliances has used terminal and instrumental value liststo discover an important relationship between purchases and values. Women were interviewed who planned to make a purchase of one or more of eight major household appliances. Terminal values were found to be related much more strongly than were instrumental values to the product-class level of choice (for example, when deciding between clothes washers such as full-size automatics, "mini" automatics, and compact portables). At the brand choice decision level (such as deciding between may tag and general electric), instrumental values were found to be related, while terminal values were not related at all. Thus, terminal values would seem to guide choice among brands.

George P. Moscnis and Roy L Moore (1985) studied marketers and consumer behavior researchers generally agree that the consumer's behavior of Blacks differ from that of whites, there appears to be no consensus on the cause of the differences, Consumer behavior may be attributable to socialization processes that operates differently among the two subculture.

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Judith Waldrop (1990) found marketers are interested in understanding what products will sell well in the youth market. Moreover, it is important to appreciate the influence may be more significant to most marketers than is youth's role as primary purchaser of certain items.

Social Class, Income and Consumer Behavior.

Virtually all human societies exhibit social stratification. Stratification sometimes takes the form of a caste system where the members of different castes are reared for certain roles and can't change their caste membership. More frequently, stratification takes the form of social classes. Social classes are hierarchically ordered and whose members share similar values, interest, and behavior.

James E. Fisher (1987) stated social class and status are not equivalent concepts although they do have an important relationship. Status generally refers to one's rank in the social system, as perceived by other members of the society. An individual status therefore is a function not only of the social class to which he belongs but also of his personal characteristics. Social classes do not reflect income alone, but also other indicators such as occupation, education, and area of residence. Social classes differ in dress, speech patterns recreational preferences, and many other characteristics.

Social classes show distinct product and brand preferences in many areas, including clothing, home furnishings, leisure activities, and automobiles. Some marketers focus their efforts on one social class. Social classes differ in media preferences with upper-class consumers preferring magazines and books and lower-class consumers preferring television.

Even within a media category such as TV, upper-class consumers prefer news and drama, and lower-class consumers prefer soap operas and sports programs. There are also language differences among the social classes. The advertiser has to compose copy and dialogue that ring true to the targeted social class.

Richard P Coleman and Lee Rainwater (1978) highlighted income is often misleading as an indicator of social-class position. Yet money, far more than anything else, is what Americans associate with the idea of social class. On the other hand, occupation generally provides a fairly good clue to one's social class, in fact, some believe it is the best single indicator available, because certain occupation are held in higher esteem than others by Americans. The numerical scores indicate the level of status for the occupational category. Thus, the higher the score, the higher the status is perceived to be. Social classes are multidimensional, being based on numerous components. They are not equivalent to, or determined solely by,

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occupation or income or any one criterion; however, they may be indicated by, or be related to, one or more of these measures. It is important for the marketer to realize that some of these variables are more reliable "proxies" (substitutes) than others.

2.4. Social Class and Income.

James H. Myers and Jonathan Gutman (1974)\textsuperscript{25} tested more than 200 lifestyle items with both social class and income. Although none of the correlations was as high as might be desired in order to clearly support the contention lifestyle is the "essence" of social class, those correlations obtained for social class were generally higher than those obtained for income.

**Conclusions of the study** is (1) many lifestyle items showed significant correlations with the index of social class, indicating definite but small differences between the social class in terms of lifestyles. (2) Some items showed a much greater correlation with social class than with income, suggesting that social class is a better predictor of consumer's living patterns than is income.

Paul Hugstad, James W. Taylor and Grady D. Brace (1987)\textsuperscript{26} concluded Research on social class and information searching under different levels of perceived risk has found few significant relationships. In high-risk purchases,


no social class pattern existed for information search using friends, relatives, magazines, newspapers, TV/Radio, and sales people.

**However, upper classes are more likely than lower classes to consult consumer guides; hi mid level-risk purchases friends and relatives are more likely to be used as information sources as social class decreases.** In low-risk purchases there were no significant relationships between social and information searching.

### 2.5. Reference Groups and Consumer Behavior.

The reference group is at least in three ways significantly influence people. **Reference groups expose an individual to new behavior and lifestyles.** They influence attitudes and self-concept and they create pressures for conformity that may affect actual product and brand choices. People are also influenced by groups to which they do not belong aspirational Groups are those person hopes to join; Disassociate groups are those whose values or behavior an individual rejects.

**George Romans (1975)**\(^{27}\) noted generally, consumers accept reference group influence because of the perceived benefits in doing so. It has been suggested that the nature of social interaction between individuals will be determined by the individual's perception of the profit of the interaction.

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An interaction situation may result in rewards (such as friendship, information, satisfaction, and so on) but will also exact costs (lost time, money expended, alternative people and activities sacrificed).

The difference between these rewards and the costs that is the net profit from the social exchange individuals will attempt to maximize. Thus, individuals will choose their groups and interact with members based upon their perception of the benefit of that exchange, rather than rewards or costs alone.

M. Venkatesan (1966)\textsuperscript{28} studied the influence of group pressure on consumer decision-making and the effects of choice restriction by group pressure in the consumer decision-making process. Student subjects were instructed to evaluate and choose the best suit among three identical men's suits. Three group members (all confederates) were instructed to select suit "B" which then put pressure on the naive subject, who was questioned last, to agree with the group or to differ in his judgment and thus resist the group influence. It was found that individuals tended to conform to the group influence. It was found that individuals tended to conform to the group norm. The implication is that consumers accept information provided by their peer groups on the quality of a product, of a style, and so forth, which is difficult to evaluate objectively.

In addition, the study sought to determine the extent to which, individuals might be controlled in a buying situation. The study's confederate subjects were instructed to give responses, which indicated that they were "good guys" merely going along with the group consensus. The implication was that the naive subjects should also go along with the group. They were thus in a position of having to respond to an obvious effort at group pressure. **It was found that any attempt to restrict independent choice behavior conditions.** We see the occurrence of this in the market place when an individual confirms to the group norm by keeping a new product or adopting a new style, but maintains his or her independence by purchasing a different colour or brand. This situation is known as reactance, whereby the individual is motivated to resist further reduction in his or her set of free behaviors and to avoid compliance with the inducing, therefore, that too obvious an attempt to force compliance with a group may have the opposite effect on consumers and thus they may strike out in an independent direction to avoid going along with the group.

**Reference groups can be very potent influences on behavior in general, and they may also be very influential on consumer behavior.** For example, before making a decision about purchasing a product, consumers often consider what a particular group would do in this situation, or what they would think of the consumer for purchasing the product. This common sense notion however has been difficult to apply meaningful in specific marketing
situations. The basic problem is one of determining which kinds of individuals under which kinds of situations in making which decision, and of measuring the extent of this influence.

Bourne, has studied the reference group's influence on the purchase of a number of consumer goods, it was found that the "conspicuousness" of a product is a strong determinant of its susceptibility to reference-group influence.

Conspicuousness may be of two forms; however, first the item must be exclusive in some way. If virtually everyone owns it, it is not conspicuous in the first sense, even though it may be highly visible. Operationally, we may think of this as the distinction between luxuries (having a degree of exclusivity) and necessities (possessed by virtually everyone). Second, the item must be seen or identified by others. Thus, where an item is consumed has great relevance. In this situation, a distinction may be made between publicly consumer products (which are seen by others) and privately consumed items (not seen by others). Reference groups may influence either the purchase of a product or the choice if a particular brand, or both.

Robert E Witt (1969)²⁹ identified the conformity may be related to group cohesiveness. In addition brand-choice behavior found group cohesiveness

and brand similarities to be positively related. **John H, Murphy and William H. Cunningham (1978)** found **group cohesiveness to be associated with group influence.** Conformity also appears to be related to group size. One set of experiments showed that increasing the number of influencing members up to three increased the pressure toward conformity on the experimental subject, but beyond three, the influence was found to be no greater. This and other studies have indicated that influencers and influences live close to each other.

**George Moschis (1976)** identified similarity to the group's characteristics, outlook, and values is also important. **Consumers are more likely to seek product information, to trust this information and to choose the same products, as do friends who have similar attributes.** This suggests that a new product can be diffused fastest when the market posses similar value orientations about similar types of products, because the likelihood of interpersonal communication and influence is great.

**Laurie Flynn (1995)** found socialization responsibility is expanding parents are increasingly anxious to see their young children possess adequate computer skills almost before they are able to talk or walk as early as twelve

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months after their birth. Because, parents seem to be so intensively interested in their young children learning about using a computer, hardware and software developers are rapidly creating products targeted at parents seeking to buy such items for their very young children Isabella CM Cunningham and Robert T. Green (1974)\(^{33}\) stated, purchase influence may change over a period of time as the American family structure adapts, it is difficult to judge whether, and if so, how far purchase-influence roles have shifted.

Arch G. Woodside and John F. Willenborg (1972)\(^{34}\) have examined a wide variety of products and services with similar findings. Their data support the contention that the extent of husband-wife involvement varies considerably from product to product throughout the decision making process.

Filiatrault and I R Brent Ritchie, (1980)\(^{35}\), made a comparison based on a study of purchase-decision processes by families as opposed to couples without children, husbands tended to dominate decision making more in families, while "joint decision making was more prevalent among couples". Also, greater variability in the relative influence of husbands and wives across different elements of the decision process was found in family


decision-making units. William R. Swinyard and Cheng PengSim, (1987)\textsuperscript{36}, done a research study on children's influence on family decision processes for twenty-five products, found that for child-centered (e.g. toys, children's clothing, food) and child-used products or services (e.g. vacations, restaurant choices, outside entertainment) children were perceived to be influence recognition than in later decision stages, and older children are more influential than younger children.

It is assessed that there are differences between married and cohabiting couples in terms of purchase involvement and participation. There is more autonomy and less female influence among unmarried than among married couples. However, these patterns vary from product to product and from decision stage to decision stage.

Jeanna L. Hafstrom and Marilyn M Dunnsing, (1978)\textsuperscript{37} found, thus there are both socio-economic and social-psychological reasons for wives working. Moreover, these determinants or reasons are different for those in higher-income families versus those in lower-income families. It is important to know the reasons wive work, because it may help in understanding their consumer-behavior patterns.


An important consideration for the marketer is whether working women behave as consumers in the same way as do their nonworking counterparts. In general, the answer is that there are some important distinctions between the two groups. Working women's media behavior differs from that of non-working women. They watch less television (particularly day time) and read more magazines. Working women also spend somewhat more time listening to radio and reading newspapers.

Myra H Strober and Charles B. Weinberg (1977)\(^{38}\) reviewed working women versus non-working women also exhibit some difference in product usage patterns. It should be noted, however, that for some durable goods and appear to be a determinant of whether the goods and services are purchased or of how much is spent, according to one recent study. Thus, though the wives earnings raise family income, families with working wives do not spend any more or less frequently or heavily on some items than do families without working wives.

The diffusion process and the adoption process are two closely related concepts concerned with the acceptance of new products by consumers. The diffusion process is a macro process that focuses on the spread of an innovation (a new product, service, or idea) from its source to the consuming public. The adoption process is a micro-process that examines the stages

through which an individual consumer passes when making a decision to accept or reject a new product.

Tina M Lower, (1991)\(^{39}\), studied purchasers of CD players and other high-tech products (such as computers, VCRs, and telephone answering machines) found that the key factors inhibiting product adoption were incompatibility with existing values and poor product quality.

Marketers of such products recognize that smaller-than-average sizes tend to stimulate new-product trial. Because a computer programme cannot be packaged in a smaller size, many computer software companies offer free working models of their latest software to encourage computer users to try the programme and subsequently buy the programmers’. Even better, Delphi Internet is offering 10 hours free trial of their Internet service. **A buyer's decisions are also influenced by personal characteristics.** These include the buyer's age and stage in the life cycle, occupation, economic circumstances, lifestyles, and personality and self-concept.

M. Joseph Sirgy, (1982)\(^{40}\) found products and brands have symbolic value for individuals, who evaluate them on the basis of their consistency (i.e. congruence) with their personal pictures or images of themselves. Some products seem to match one or more of an individual's self-images; others

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seem totally alien. It is generally held that consumers attempt to preserve or enhance their self-images by selecting products with "images" or "personalities" they believe are congruent with their own self-images and avoiding products that are not.

Katherine Fraccastoro, Scot Burton (1993)\(^4\) have investigated the effects on consumer price perceptions of three types of advertised reference prices; plausible low, plausible high, and implausible high.

Plausible low prices are well within the range of acceptable market prices; plausible high are near the outer limits of the range but not beyond the realm of believability, and implausible high are well above the consumer's perceived range of acceptable market price. As long as an advertised reference price is within a given consumer's acceptable price range, the external reference price is considered plausible and is assimilated. If the advertised reference point is outside the range of acceptable prices, it will be contrasted and thus, will not be perceived as a valid reference point.

Findings show that an implausible high reference price can affect consumer evaluations, as well as the advertiser's image of credibility. By setting the reference price at the highest price recently offered for identical or comparable merchandise, the advertiser could enhance consumer perceptions of value while minimizing negative effects.

Michael J. Me Carthy, (1991)\(^{42}\) noted, "Consumer reports found that consumers often cannot differentiate among various cola beverages and base their preferences on such extrinsic cues as pricing, packaging, advertising, etc..

Durairaj Mahaswaran (1994)\(^{43}\) highlighted that, in the absence of actual experience with a product, consumers often "evaluate" quality on the basis of extrinsic cues—cues that are external to the product itself, such as price, brand image, manufacturer's image, retail store image, or even the country of origin. Many consumers use country of origin stereotypes to evaluate products. Experienced consumers tend to use country of origin as a surrogate for product quality, regardless of whether or not product attributes are ambiguous, knowledgeable consumers tend to use country of origin to judge quality only when information about an attribute is ambiguous.

Sarwade W. K (2000)\(^{44}\) conducted a study on emerging Dimensions of buyers behavior in rural area found that from the study that, the role of husband in family purchasing decisions in various items was comparatively less than of housewife. The study reveals that, the family purchases for convenience goods in rural market was mostly did once a week and it is daily


for daily consumption goods such as edible oil, sugar, tea etc. With the increase in real income of rural peoples, a shift was found to have taken place in the items consumed by the rural consumer. **It is found in the study that, most of the consumers from rural area developed brand familiarity with brand names such as lipton, international lux, keokarpin, dabaramla, panteen, which are heavily known in urban areas.**

**It has been noted that, "income" is the variable, which determine the purchasing pattern.** As most of the consumers from higher income group generally purchase the products, which are highly popular in urban area. It is very interesting finding from the survey of that, most of the rural consumers are not aware of the producer of the product. Hence the "incorporate" image is playing very significant role in popularizing the product in rural markets.

Another finding of the study is that, marketing and trading of luxurious durable products such as washing machines, water heater, bathroom fitting and fixtures, air conditioning, sofa set, chairs, camera and other products have not yet strategically established in the rural markets. **The buying behavior in general and buying decision in particular in rural area is influenced by the factors like price, availability of products.** An interesting finding of the study is that, overall consumption pattern of the rural consumers has changed; consumption expenditure for non-durable items has increased considerably during the study period.
William O. Bearden and Michael J. et al. (1982)\(^{45}\) have investigated the role of reference-group influence on product and brand choice for several product categories. One of these studies disclosed that the products of the consumers could be identified into: (a) publicly consumed luxury; (b) private consumed luxury, (c) publicly consumed necessity, and (d) privately consumed necessity. It showed the following observations.

1. **Publicly consumed luxury**: It means a product consumed in public view and not commonly owned or used (such as gold clubs). In this case, whether or not the product is owned and also what brand is purchased is likely to be influenced by others.
   - A. Because it is a luxury, influence for the product should be strong.
   - B. Because it will be seen by others influence for the brand of the product should be strong.

2. **Privately consumed luxury**: It means a product consumed out of public view and not commonly owned or used (for example, a trash compactor). In many cases, the brand is not conspicuous or socially important and is a matter of individual choice, but ownership of the product does convey a message about the owner.

3. **Publicly consumed necessity**: It means where the influence for the product should be weak. Because it will be seen by others influence for the brand of the product should be strong.

4. **Privately consumed necessity:** A product consumed out of public view that virtually everyone owns (such as a mattress). Purchasing behavior is largely governed by product attributes rather than by the influences of others. In this group, neither products nor brands tend to be socially conspicuous, and nearly all consumers own the products.

More refinement is needed for understanding such reference influence. However, research indicates, that the consumers perceive their own personal preferences to a strongly outweigh reference groups in arriving at their product and brand decisions. It is clear that the consumer substantially underestimates the perceived influence of reference groups. The consumer views herself as largely independent of the implicit social pressures exerted on her product and brand selection by reference groups. For major durables of "family products", the greatest group influence comes from the family. Other reference groups are more influential in the case of products linked to social visibility or social status.

The marketer should also be aware that some shifting of product perceptions may occur over time. For example, a product may shift from a category in which reference-group influence is weak to another in which it is strong, especially through the use of heavy promotional efforts designed to create a favorable image and make a product or brand socially conspicuous.
Leon G Schiffman, (1972)\textsuperscript{46}, Proximity to group members can influence conformity. “A study of elderly consumer social-interaction patterns found that more than 80 percent of the exchange of information and advice about a new product occurred between persons living on the same floor. This and other studies have indicated that influencers and influences live close to each other”.

The socialization of family members ranging from young children to adults is a central family function. In the case of young children, this process includes imparting to children the basic values and modes of behavior consistent with the culture. These generally include moral and religious principles, interpersonal skills, and dress and grooming standards, appropriate manners and speech and the selection of suitable educational and occupational or career goals.

Adite Chatterjee (1995)\textsuperscript{47} a study was conducted to provide an understanding of the changes in personality traits, family relationships, personal goals, and attitudes to advertising and favored products among Indian consumers aged between 15 and 45.


Rao and Natarajan (1996) conducted a survey, which classified the consumption behavior by real disposable income corrected for regional imbalances and not by absolute income measured on one uniform scale across the country. According to the study, consumption and not income, differentiated consumer segments. The study classified the country's consuming household in 1993-94 into 5 categories on the basis of their ownership of durables and consumption of non-durables.

By propagating the optimal use of brand names, advertising not only helps but perpetuates brand equity of the product through brand awareness, brand performance and brand loyalty.

Further, advertising increases recalling memory of the customers (Kevin Lane Keller, Susan E. Heckler, and Michal J. Houston 1998) and also facilitate comparisons between two rival brands. Brand positioning had been strengthened by envisaging new ads in the composition of the product and bringing out how it is superior to old product of the same brand. Henceforth, advertising plays a vital role not only in introducing the product, administering the product but also emphasizing brand persuasion with brand loyalty and ending with brand equity. The study of Thomas J. Reynolds, Charles E. Gengler and Daniel J. Howard conclude that the associations

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between means-end elements not only explained a significant amount of variance in brand persuasion, but also explained a significant variance beyond that accounted for by the communication of the means-end elements.

Singh, Rothschild and Churchill (1998) found that repetition of ads for initially unfamiliar brands increased claim recall. This findings suggests that higher levels of ad familiarity might lessen susceptibility to competitive interference. Interestingly, however, Burke and Srull (1988) observed that repetition of novel ads for low familiarity brands did not increase recall in the presence of competitive advertising.

Thus, advertising for increasing the memory power is not only making popular the well known brand, but sometimes the unknown also. This may be due to the extent of loyalty which customer owes to a quality product. Further, more loyal consumers may deter the influence of advertising relating to brand switching and purchase behavior. Gerard J. Tellis has identified the extent of relationship between advertisement exposure loyalty and brand purchase and has substantiated the above said conclusion.

Moreover, Brain Wansink and Michael L. Ray\textsuperscript{53} have observed that, advertising encourages a person’s attitude towards using a specific brand. It is referred to as usage expansion advertising such as non-comparison, product comparison and situation comparison ads. Thus, advertisement may be considered as a multi-faceted media that makes any product ensuring brand equity by living in the minds of loyal customers. In consumer behavior research, a considerable amount of attention has been paid to construct brand personality, which refers to the set of human characteristics associated with a brand.

Researchers have focused on how the personality of a brand enables a consumer to express his or her own-self (Belk 1988), an ideal self (Malhotra 1988), or specific dimension of the self (Keleine Kleine and Kerman 1993) through the use of a brand. However, despite this interest, research on brand personality and the symbolic use of brands more generally has remained limited, due, in part, to the lack of consensus regarding what brand personality really is. Brand personality is defined formally here as “the set of human characteristics associated with a brand”. In contrast to “product related attributes”, which tend to serve a utilitarian function for consumers, brand personality tends to serve a personality is the sum total of all the significant tangible and intangible assets that a brand possesses.

Although human and brand personality traits might share similar conceptualization (Epstain 1977), they differ in terms of how they are formed. Perceptions of human personality traits are inferred on the basis of an individual’s behavior, physical characteristics, attitudes and beliefs and demographic characteristics (Park 1986). In contrast, perceptions of brand personality traits can be formed and influenced by any direct or indirect contact that the consumer has with the brand (Plummer 1985).

**Personality traits come to be associated with a brand in a direct way by the people associated with the brand** – such as the brand’s user imagery, which is defined here as “the set of human characteristics associated with the typical user of a brand”, the company’s employees; and the brand’s product endorsers. In this way, the personality traits of the people associated with the brand are transferred directly to the brand (McCracken 1989). In addition, however, personality traits come to be associated with a brand in an indirect way through product related attributes, product category associations, brand name, symbol or logo, advertising style, price and distribution channel (Batra, Lehmann and Singh 1933).

**In addition to personality characteristics, researchers (Levy 1959, p. 12) argue that brand personality includes demographic characteristics such as gender, age and class.**
Brand personality increases consumer preference and usage (Sirgy 1982), evokes emotions in consumers (Biel 1993) and increases level of trust and loyalty (Fournier 1994).

Moreover, in literature the definitions of brand personality are classified into emotion-centered, human-centered and others. Emotion-centered definitions contend that brand personality is the emotional component of a brand (Crask and Laskey, Sengupta, Upshaw). These definitions see brand personality as the emotional link between the brand and the consumer. Human-centered definitions ask the question “what happens when this brand becomes a human being?” In a way both types of definitions emphasize the intangible aspect of the concept of brand personality. The third type of definitions includes the tangible aspects of the brand as well as their account of brand personality.

David A. Aaker in his book "Building Strong Brands” outlines the personality factors and their respective sub factors in the following figure.
Shridhar (2007)\textsuperscript{54} revealed that for a durable product, such as television, level of influence due to financial risk is high followed by time risk, performance risk, uncertainty in purchase and physical risk while for non

durable product such as toilet soap, influence of uncertainty is more than financial risk and psychological risk.

**Cardoso (2007)**\(^{55}\) revealed that consumer’s interest to purchase a product varies from product to product and consumer to consumer. Children are highly involved with clothing in the five dimensions – interest, pleasure, symbolism, perceived importance and subjective probability. They consider the functional aspects of clothing important and they think that the pretentious values are unimportant.

**Rajagopalan, Heitmeyer (2005)**\(^{56}\) revealed that consumers who are highly acculturated to American culture are more involved in the selection and purchase of Indian ethnic clothing and less involved in the selection and purchase of western dresses. Moderately acculturated to western culture are less involved in Indian ethnic apparel but become increasingly involved as they become more acculturated to the US culture.

**O’Cass (2004)**\(^{57}\) argued that materialism affects fashion clothing involvement significantly. Materialists are utility, appearance, financial with and ability to convey status, success and prestige. Stronger the materialistic tendencies of individuals, the higher their involvement in fashion clothing. Materialistic values are a significant contributor to an individual’s involvement in fashion clothing and purchase decision involvement.

\(^{55}\)Ibid, P.52
\(^{56}\)Ibid, P.52
\(^{57}\)Ibid, P.52
Park and Kim (2003) revealed that consumer purchasing behavior from an online store is influenced by information quality, site commitment, relational benefits, and site awareness. The online shopping environment enables customers to reduce their decision making effort by providing vast selection once customer insures that the company is able to fulfill their requirements. Then they are likely to purchase products through online facility.

Ahmed, Johnson, Yang, Kheng, Fatt, Teng and Boon (2002) revealed that brand, price and country of origin (quality, taste and image of the country) are the aspects of product evaluation. Brand and price are more important than country of origin in evaluating low-involved products for Singaporean consumer.

Kim, Damhorst and Lee (2002) revealed that dimension of product involvement shaped consumer attitude. Dimension of involvement like fashion, individuality and comfort influenced consumer beliefs about product attributes in the advertisement.

Shwu-ing Wu (2002) revealed that level of consumer involvement influenced the advertising effectiveness. Degree of consumer involvement could effectively segment the market. Consumer involvement and advertising content importance (type of media, the degree of repetition, the length of the
message, the tone of the message, and the quantity of information) are positively related. Similarly, Degree of consumer involvement and the advertising effect hierarchy (awareness, knowledge, likely, preference, conviction, and purchase) are positively related. A high degree of consumer involvement directed a high advertising effect. Thus, the degree of consumer involvement is an important indication for an advertising strategy.

Kim, Damhorst and Lee (2002)\textsuperscript{62} disclosed that women are more involved in fashion attributes while purchasing apparel but men are more concerned about level of comfort for the same product.

Aurifeille, Quester, Lockshin and Spawton (2001)\textsuperscript{63} revealed that Nationality plays an important role in consumption of the product and consumers can be categorized on the basis of nationality and segment them using product involvement, brand decision involvement and purchase involvement as segmenting variable.

Baltas (1997)\textsuperscript{64} revealed that familiarity and propinquity between consumer and brand personality have positive impact on the buying behavior. As familiarity increases, probability of purchasing from store brand will also increase.

Beharrell and Denison (1995)\textsuperscript{65} revealed that consumer are highly involved

\textsuperscript{62}Ibid, P.52  
\textsuperscript{63}Ibid, P.52  
\textsuperscript{64}Ibid, P.53  
\textsuperscript{65}Ibid, P.53
in routine shopping and grocery shopping activity becomes highly involving in the event of a stock-out, customer may search the whole store or even undertake a second shopping trip to obtain it.

**Decision Making.**

Atkin, Nowak and Garcia (2007)⁶⁶ revealed that women pay more attention and get more involved than men to purchase wine in US. In US, if information is not available, then to get aware, women show a significantly stronger preference for acquiring on the spot information, including asking questions and reading the menu in restaurants as well as asking store personnel, reading labels, and reading shelf tags in stores. While men have significantly stronger tendency to read books about wine. As far as the region of origin, US consumers strongly prefer home country of origin.

Charters and Pettigrew (2006)⁶⁷ argued that high, medium and low involved consumers evaluate the quality of wine in different ways. Involvement levels have different impact on drinker’s concept of wine quality. High involved drinkers use standard criterion to evaluate the quality, even few of high involved drinkers think that quality should be absolute—a fixed unchanged standard while low involved drinkers do not use such criterion for evaluation. They consider price, smoothness, flavor and drinkability as important aspects to quality evaluation.

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⁶⁶Ibid, P.53
⁶⁷Ibid, P.53
Silayoi and Speece (2004)\textsuperscript{68} revealed that packaging plays an important role in purchase decisions. Colors, size, shape, graphics and available information influence the buyer’s decision. Housewives and working women identified packaging as the main factor in their assessment and decision on household purchase. Consumers rely on the information available on the package and judge the quality of the product. If the package communicates high quality, consumers assume that the product is of high quality.

O’Cass (2003)\textsuperscript{69} revealed that consumer involvement and product knowledge are related. Confidence represents a consumer’s belief that their knowledge or ability is sufficient or correct regarding fashion clothing and this belief in ability is significantly influenced by consumer’s degree in involvement in fashion clothing. Fashion clothing knowledge also positively affected consumer confidence in making decisions.

Wang, Siu and Hui (2002)\textsuperscript{70} revealed that quality consciousness, brand consciousness, fashion consciousness, recreational and hedonistic orientation, price consciousness, impulsive and careless tendencies, confused by over choice and brand loyalty are important in Chinese consumer’s mentality. They show their involvement in purchase of international branded garments as domestic brands are still less stylish and have lower brand recognition as compared to imported brands. Consumers preferring to buy imported brands

\textsuperscript{68}Ibid, P.53  
\textsuperscript{69}Ibid, P.53  
\textsuperscript{70}Ibid, P.53
tend to be brand loyal and have a more hedonistic attitude. They are more quality, brand and fashion conscious.

**Baltas (1997)**\(^{71}\) revealed that national brands provide special offer for the promotional of their product while typically, store brands are at permanent lower prices and do not promote as often as national brands do. Customers who usually search for such offers do not prefer stores brands, but consumer inclination to choose the cheapest alternative is positively affected on picking the store brand. Price is an important predictor of purchasing a product from a store.

**Demographics.**

**A study by Sidin, Rahman, Rashid, Othman and Bakar (2008)**\(^{72}\) revealed that social structural variables such as social status, age birth order and city of dwelling influenced children consumption behavior. Young consumer’s decision making patterns are to be based on certain parent/child characteristics such as age, social class, and sex, although the degree of associations varies by product type also. The available information sources like newspaper, magazine internet; electronic media at higher socio-economic class homes plays an important role in consumption behavior and purchasing.

\(^{71}\)Ibid, P.53
\(^{72}\)Ibid, P.53
Drichoutis, Lazaridis and Nayga (2006)\textsuperscript{73} revealed that as age increases, people get more involved about their health and are likely to consume foods consistent with the recommended dietary guidelines. As age increases, people become more involved in food and consider price, brand, and ease of preparation as important. Working consumers are more likely to have high involvement because they feel bigger deterioration in their health status and, therefore, try to compensate by involving in their diet. Family size is again a very important aspect - largest households are less likely to find brands important. The main meal planners are more involved with food.

Branded products possess individual identification and create standard quality in the minds of the consumers. A good brand signifies prestige, ensure, legal rights, forms the basis for successful demand, creational activity, sales stability and widening the market area.

\textbf{In this section, an attempt has been made by the researcher to examine the related review of literature of Consumer Durables. The following section provides an overview of the Indian Consumer Durable Industry.}

\textsuperscript{73}Ibid, P.53
Section - B

In this section, the Indian consumer Durables industry has been discussed.

Consumer Durables Nov 2013

Contents

- Advantage India

- Market overview and trends

- Growth drivers

- Success stories: Videocon, LG, Samsung

- Opportunities

- Useful information
Figure: 2.3 Advantage India

Growing demand

- Growth in consumer durables likely to accelerate as disposable incomes and adoption of plastic credit rise
- Additionally, increasing electrification of rural areas would augment

Opportunities

- Rural markets expected to grow at a CAGR of 25 percent from USD 2.1 billion in FY 10 to USD 6.4 billion in FY 15
- Huge untapped rural markets—only 2 percent penetration for refrigerators and 0.5 percent for washing

Increasing investment

- Sector attracted significant investment sevenfold during global recession
- USD 1 billion worth of investments in production, distribution, and R&D in the next few years

Policy support

- 49 percent FDI allowed in the electronics hardware-manufacturing sector under the automatic route
- Duty relaxation, schemes such as EPCG, EHIP to provide tax sops

Advantage India

FY 03
Market size USD 2.9 billion

FY 15E
Market size USD 12.5 billion

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74 Corporate Catalyst India, FY 15E estimate for financial year 2015. Based on growth estimates by Corporate Catalyst India, Moneycontrol, GEPL capital
The consumer durables market is split into two segments:

- **Consumer electronic (brown goods):**
  - Televisions
  - Audio and video systems
  - Personal computers
  - Digital cameras
  - Camcorders
  - Electronic accessories

- **Consumer appliances (white goods):**
  - Air conditioners
  - Refrigerators
  - Washing machines
  - Electric fans
  - Cleaning equipment
  - Cleaning machines
  - Other domestic appliances
  - Microwaves
  - Laptops
  - CD and DVD players
  - Other domestic appliances

Source: Electronic Industries Association of India, Corporate Catalyst India, Aranca Research
Figure 2.5 Evolution of the Indian consumer durables sector

- Introductory stage
  - 1980s and early 1990s
  - Closed market
  - Increased product availability, increased media penetration

- Liberalization stage
  - Mid and late 1990s
  - Liberalisation of markets
  - Influx of global players such as LG and Samsung
  - Shift in focus from promotion to product innovation

- Growth stage
  - Early 2000s
  - Increasing availability and affordability of consumer finance provides impetus to growth
  - Low penetration of high-end products such as air conditioners (<1 percent)

- Consolidation stage
  - Late 2000s
  - Companies look to consolidate market share
  - Indian companies such as Videocon gaining global identity
  - Increasing penetration of high-end products such as air conditioners (>3 percent)
  - Introduction of new aspirational product such as High Definition TVs (HDTVs)
Consumer durables revenues have been growing at a healthy pace … (1/2)

- The consumer durables market recorded revenues of USD 6.3 billion in FY10
- During FY03-10, the industry expanded at a CAGR of 11.7 percent

Notes: FY – Indian Financial Year (April-March), USD – US Dollar
CAGR – Compound annual growth rate.

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76Electronic Industries association of India, corporate catalyst India, Aranca research.
Consumer durables revenues have been growing at a healthy pace … (2/2)

- Urban markets lead the revenues, accounting for two thirds of the total sales in India.

- Rural and semi-urban markets are growing at a remarkable pace over the last few years on account of high sales in products such as TVs, washing machines and water purifiers.

**Composition of Consumer durables market (FY 2010)**

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77Electronic Industries association of India, Corporate catalyst India, Aranca Research.
Figure 2.6 Consumer electronics - key product

- Color TVs (CTVs)
  - CTVs are the largest contributors to this segment; market size estimated at 18 million units in 2010. During this period, 21 inch CTVs dominated the market with a

- Liquid crystal displays (LCDs)
  - LCDs are perceived as high-end products
  - Indian LCD market in 2010 was about 3.2 million units
  - The price decline due to relatively low import duty on LCD panels and the introduction of small entry-size models have triggered growth in LCD sales.

- Digital video discs (DVDs)
  - The Indian DVD market was estimated at 6.2 million units in 2009
  - The organized market accounts for 80 percent of the total DVD market.

- Direct-to-home (DTH)
  - The set-top box (STB) market is growing rapidly, due to the expansion of DTH and introduction of the conditional access system (CAS) in metros
  - During 2010-2012, the subscriber base is expected to grow from 23 million to 42 million, making India the largest DTH market in the world.

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78. Electronic Industries association of India, Corporate catalyst India, TV Veopar journal 2011, Aranca research.
Figure 2.7 Consumer appliances- key product Refrigerators

- The Indian refrigerator market was estimated at 6.5 million units in 2010, the largest in this segment.
- Reduction in prices and high demand for frost-free segment are driving growth.

Air conditioners

- ACs is perceived as high-end products, current penetration stands at 3 percent.
- Split ACs are driving growth in the market.

Washing appliances

- Washing machines are the second largest contributor to this segment after refrigerators; total market in 2010 was 4.7 million units.
- Fully automatic washing machines are garnering an increasing share of the market due to reduction in prices.

Electric fans

- This is a highly penetrated market.
- Electric fans are an essential utility for more than six months of the year in most parts of the country.
### Figure 2.8 Key players in the consumer durables sector … (1/2)

<table>
<thead>
<tr>
<th>Company</th>
<th>Product category</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BLUE STAR</strong></td>
<td>ACs, refrigerators and specialty cooling products</td>
</tr>
<tr>
<td><strong>DAIKIN</strong></td>
<td>ACs and cooling equipment</td>
</tr>
<tr>
<td><strong>Godrej</strong></td>
<td>Refrigerators, ACs, washing machines, microwave ovens, DVD players, digital-imaging products and audio-visual products</td>
</tr>
<tr>
<td><strong>HITACHI</strong></td>
<td>ACs and refrigerators</td>
</tr>
<tr>
<td><strong>LG</strong></td>
<td>TVs, audio-visual solutions, computers, mobile phones, refrigerators, washing machines, microwave ovens, vacuum cleaners and ACs.</td>
</tr>
<tr>
<td><strong>ONIDA</strong></td>
<td>LCDs, washing machines, DVD players, ACs, microwave ovens, mobile phones, projectors and display products.</td>
</tr>
<tr>
<td>Company</td>
<td>Product category</td>
</tr>
<tr>
<td>---------</td>
<td>-----------------</td>
</tr>
<tr>
<td><strong>PHILIPS</strong></td>
<td>TVs, home theatre systems, DVD players, audio products, personal care products, household products, computer and phones</td>
</tr>
<tr>
<td><strong>SAMSUNG</strong></td>
<td>TVs, home theatre system, DVD players, mobile phones, digital cameras and camcorders, refrigerators, ACs, washing machines, microwave ovens and computer</td>
</tr>
<tr>
<td><strong>SONY</strong></td>
<td>TVs, projectors, DVD players, audio systems, home theatre systems, digital cameras and camcorders, computers, video-gaming products and recording media</td>
</tr>
<tr>
<td><strong>VIDEOCON</strong></td>
<td>TVs, DVD players, microwave ovens, refrigerators, washing machines, ACs and power backup solutions</td>
</tr>
<tr>
<td><strong>Whirlpool</strong></td>
<td>Refrigerators, washing machines, microwave ovens, water purifiers and power backup solutions</td>
</tr>
</tbody>
</table>
Increasing presence of organized retail

- Emergence of speciality retailers, such as Croma, Nextade Zone, is intensifying competition.
- Companies are setting up exclusives to resorsingle-brand retail outlets.

Expansion into new segments

- Companies are venturing into new product segments, such as high-definition televisions (HDTVs) and smart phones, buoyed by rising consumer incomes and easy availability of credit.

Increased affordability of products

- Advancementintechologyandhighercompetitionared rivingpricereductions across various consumer durable product segments such as computers, mobile phones, refrigerators and TVs.

Focus on energy-efficient and environment-friendly products

- Leading companies have introduced star-rated, energy-efficient ACs and refrigerators.
- Companies also plan to increase the use of environment-friendly components and reduce-waste by promoting product recycling.

79. Electronic Industries association of India, Corporate catalyst India, TV Veopar journal 2011, Aranca research.
Income growth will drive consumer durable demand.

- Multiple drivers are leading to a growth in the Indian consumer durables sector.

- Significant increase in discretionary income and credit availability lead to shortened product replacement cycles and evolving lifestyles where consumer durables, such as ACs and LCD TVs, are perceived as utility items rather than luxury possessions.

- Growth in middle and upper section of the population is also driving demand for consumer durables.

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80EHTP – Electronic Hardware Technology Park, FDI – Foreign Direct Investment, R&D – Research and Development.
Figure 2.12 Real GDP growth projections\textsuperscript{81}

![Real GDP growth projections graph]

Figure 2.13 Per-capita GDP growth\textsuperscript{82}

![Per-capita GDP growth graph]

\textsuperscript{81}IME, Aranca Research.
\textsuperscript{82}IME, Aranca Research Notes, Growth projections have been taken from the IME.
Figure 2.14 Policy support aiding growth in the sector

- **Customs duty relaxation**
  - IT/Electronics sector the first in India to be allowed complete customs exemption on certain items used for manufacturing electronic goods.
  - The peak rate of basic customs duty is 10 per cent.
  - Imports of parts of printers and drivers have been exempted from special additional duty of 4 per cent.

- **Reduced central excise**
  - The mean rate of excise duty is 10 per cent.
  - Components and accessories of mobile handsets and PC connectivity cables are exempt from excise duty.

- **Encouragement to FDI**
  - EPCG allows import of capital goods on paying 3 per cent customs duty.
  - EHTP provides benefits, such as duty waivers and tax incentives, to companies which replace certain imports with local manufacturing.

- **EPCG, EHTP schemes**
  - 100 per cent FDI is permitted in the electronics hardware-manufacturing sector under the automatic route.
Recent Investments by key players

- **Jun 09**: LG doubles the annual R&D investment outlay to USD 83.3 million.
- **Nov 09**: Samsung allocates USD 100 million for capacity expansion at existing plants.
- **Dec 09**: Panasonic designates USD 300 million investment to consolidate position in AC segment.
- **May 10**: LG earmarks around USD 85 million for upgrading Indian plants.
- **Sep 10**: Haier invests to open 75 new retail stores (called Experience centers) in India in 2010.
- **Nov 10**: Samsung inaugurates USD 75 million manufacturing facility in Chennai.
- **Feb 11**: Whirlpool announces USD 25 million investments in FY 11.
- **Apr 11**: Hitachi allocates USD 400 million to set up R&D centre in Bangalore.
- **May 11**: Panasonic establishes its first R&D centre in India in Gurgaon.

Videocon: The Indian behemoth … (1/2)

- Third largest consumer durables company in India.
- Holds about one-fourth market share in the consumer durables market.
- Leads the market in color TV, refrigerator, washing machines, and microwave oven segments.
Videocon: The Indian behemoth … (2/2).

- One of the largest color picture tube manufacturers globally.

- During FY 05-10, Videocon’s revenues increased at a CAGR of 20.3 percent, while profits registered a CAGR of 11.8 percent.

Notes; FY – Financial Year, CAGR – Compound Annual Growth Rate.

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LG and Samsung: Compelling success stories (1/4).

- Between them, LG and Samsung account for the largest share of the market.
- Bothe companies entered the Indian market in the mid 1990s
- LG took the lead – Its 2007 revenues (USD 2.4 billion) were almost double of Samsung’s (USD 1.3 billion)
- However, high growth in mobile phone sales saw Samsung equal LG’s revenues by 2010 (USD 3.6 billion).

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84Company website, ISM capital, Aranca Research.
LG and Samsung: Compelling success stories … (2/4)

- Before 2005, LG’s strategy was to offer affordable products, while Samsung focused on premium offerings.
- After 2005, the two have expanded the scope of their target markets and offer both functional and high-end products.
- New market development and product innovation have been the key success factors for the companies.

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85Company websites, Aranca Research.
86Company website, Aranca Research
LG and Samsung: Compelling success stories … (3/4)

- In FY10, LG and Samsung comprised of about one-third of the consumer durables and mobile phone markets combined.

- Between the two, Samsung leads the mobile handset and premium flat panel TV market.

- LG has a stronger presence in other consumer durables, including refrigerators, washing machines, microwave ovens, air-conditioners and televisions.
LG and Samsung: Compelling success stories … (4/4).

- LG expects India’s share in its global revenues to double to 12 per cent in FY15 from 6 per cent in FY10; Samsung anticipates a similar increase from 2.5 per cent to 5 per cent.

- The Korean giants are also looking at India as a manufacturing base for other markets and are ramping up investments accordingly.

- LG currently exports to countries in the Middle East, Africa, Southeast Asia and Europe from India.

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87Company website, Aranca Research.
Opportunities in rural areas\textsuperscript{89}.

\begin{itemize}
  \item Consumer durables market expected to double at 14.8 per cent CAGR to USD12.5 billion in FY15 from USD6.3 billion in FY10.
  \item Demand from urban markets is estimated to grow at 7-10 per cent annually.
  \item Demand from rural and semi-urban areas is expected to expand at a CAGR of 25 per cent to USD6.4 billion in FY15 from USD2.1 billion in FY10.
  \item By FY15, rural and semi-urban markets are likely to contribute a majority of consumer durables sales.
\end{itemize}

\textsuperscript{88}Company website, Aranca Research.
\textsuperscript{89}Corporate catalyst India, Aranca Research.
Consumer durable firms to augment investments in coming years … (1/2)

- Videocon, India’s third largest consumer durables manufacturer, plans USD333 million capex for setting up a LCD manufacturing plant in Chennai by the end of 2011.

- Market leader LG has earmarked around USD292 million for enhancing production capacity and strengthening its LG brand shop network by 2012.

- Japan’s Panasonic plans to invest USD208 million by 2014 in setting up manufacturing units and an advanced R&D centre.

- Samsung, India’s second largest consumer durables maker, plans to invest USD94 million to expand capacity by 2015.

- LCDs are expected to be one of the fastest growing segments, growing at a phenomenal CAGR of 87.6 per cent during 2009-12.

Note: USD- US Dollar, LCD- Liquid Crystal Display.
Consumer durable firms to augment investments in coming years … (2/2)

Upcoming investments by major players\textsuperscript{90}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure1.png}
\caption{LCD TV shipments}
\end{figure}

\textsuperscript{90}Business standard, company websites, Aranca Research.
To conclude, in this chapter, nearly 60 studies have been reviewed with regard to consumer behavior and branding. From the review, it is found that, social classes show distinct product and brand preferences in many areas including clothing, home furnishing, leisure activities and automobiles. Many lifestyles showed significant correlation with index of social class, indicating definite but, small difference between the social classes in terms of lifestyles. However, upper classes are more likely to consult consumer guides as an information source. It was also found from the review of literature, that the consumers accept the reference group influence because of the perceived benefits. It was found that individuals tend to conform to the group influence. Reference groups can be very potent influencers on the human behavior in general and in particular they may exert more influence on consumer behavior. It was also found that, decision making was more prevalent among couples. The researcher has also examined the consumer durable industry in India. However, the buying behavior in general and buying decisions in particular, in rural areas are influenced by the factors like price, availability of product etc. The socio-economic profile of the sample respondents have been discussed in the next chapter.