CHAPTER 3

CONSUMER BEHAVIOUR IN DAIRY PRODUCTS SEGMENT
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CHAPTER - 3

CONSUMER BEHAVIOUR IN DAIRY PRODUCTS SEGMENT

Consumer is the most important person. The business revolves around the consumer.

3.1 ROLE AND IMPORTANCE:

All of us are consumers. We consume things of daily use; we also consume and buy the products according to our needs, preferences and buying power. These can be consumable goods, durable goods, specialty goods or industrial goods.

What we buy, how we buy, where and when we buy in, how much quantity we buy depends on our perception, self concept, social and cultural background and our age and family cycle, our attitudes, beliefs, values, motivation, personality, social class and many other factors that are both internal and external to us. While buying, we also consider whether to buy or not to buy and from which source or seller to buy. In some societies there is a lot of affluence and these societies can afford to buy in greater quantities and at shorter intervals. In poor societies, the consumer can barely meet his barest needs.

Marketing starts with the needs of customer and ends with his satisfaction. When every thing revolves round the customer, then the study of consumer behaviour becomes a necessity. It starts with the buying of goods. Goods can be bought individually or in groups. Goods can be bought under stress for comfort and luxury in small quantities or in bulk. For all this, exchange is required. This exchange is usually between the seller and the buyer. It can also be between consumers.
Consumer behaviour can be defined as the decision-making process and physical activity involved in acquiring, evaluating, using and disposing of goods and services.

This definition clearly bring out that it is not just the buying of goods/services that receives attention in consumer behaviour but, the process starts much before the goods have been acquired or bought. A process of buying starts in the minds of the consumer, which leads to the finding of alternatives between products that can be acquired with their relative advantages and disadvantages. This leads to internal and external research. Then follows a process of decision-making for purchase and using the goods and then the post purchase behaviour which is also very important, because it gives a clue to the marketers whether his product is a success or not.

To understand the likes and dislikes of the consumer, we conduct extensive consumer research. This research tries to find out:

- What the consumer thinks of the company’s products and those of its competitors?
- How can the product be improved in their opinion?
- How the customers use the product?
- What is the customer’s attitude towards the product and its advertising?
- What is the role of the customer in his family?

Consumer behaviour is a complex, dynamic, multidimensional process and all marketing decisions are based on assumptions about consumer behaviour.

Marketing strategy is the game plan, which the firms must adhere to, in order to outdo the competitor or the plans to achieve the desired objective. In formulating the marketing strategy to sell the product effectively, cost-benefit analysis is undertaken.

The Difference between this total benefit and total cost constitutes the customer value. The idea is to provide superior customer value market
analysis, leads to target market selection and then to the formulation of strategy by juggling the product, price, promotion and distribution, so that a total product creates an image in the mind of the consumer, who undergoes a decision process which leads to the outcome in terms of satisfaction or dissatisfaction, which reflects on the sales and image of the product or brand.

The shaping of consumer behaviour, which leads a consumer to react in certain ways and he makes a decision, keeping the situations in mind. The process of decision-making varies with the value of the product, the involvement of the buyer and the risk that is involved in deciding the product/service.

The consumer life style is in the centre of the circle. The consumer and his life style are influenced by a number of factors shown all around the consumer. These are culture, subculture, values, demographic factors, social status, reference groups, household and also the internal make up of the consumer, which are consumers' emotions, personality motives of buying, perception and learning. Consumer is also influenced by the marketing activities and efforts of the marketer.

All these factors lead to the formation of attitudes and needs of the consumer. Then follows the process of decision-making, which consists of the problem recognition, information search (which is both internal and external) then the evaluation and selection procedure and finally the purchase after the satisfied or dissatisfied with the product. This is known as post-purchase behaviour. The existing situations also play an important role in the decision-making process. The dotted line shows the feedback.
FIGURE NO. 3.1: A SIMPLIFIED FRAMEWORK OF CONSUMER BEHAVIOUR
A. CONSUMER BEHAVIOR INFLUENCING MARKETING STRATEGY

(i) Marketing Analysis

(a) Consumer
(b) Company
(c) Competition
(d) Condition

(ii) Marketing Segmentation

(e) Identify product related needs
(f) Group customers with similar need sets
(g) Describe each group
(h) Select target market

(iii) Marketing Strategy

(i) Product
(j) Price
(k) Distribution
(l) Communication
(m) Service

(iv) Consumer’s Decision Process

(n) Problem recognition
(o) Information search-internal-external
(p) Alternative evaluation
(q) Purchase
(r) Use
(s) Evaluation

(v) Outcomes

(t) Customer satisfaction
(u) Sales
(v) Product/Brand image
B. MARKET ANALYSIS

Market analysis is aimed at understanding the 4 Cs' which are consumer, conditions, competitor and the company. A study is undertaken to provide superior customer value, which is the main objective of the company.

❖ The Consumer: To understand the consumer; motivational research became handy to bring out hidden attitudes, uncover emotions and feelings. Questionnaires were handed to customers to gather information about their satisfaction, future needs and ideas for a new product.

❖ The External Analysis: The external analysis is done by the feedback from the industry analyst and by marketing researches. The internal analysis is made by the firm's financial conditions, the quantum of the sales, free and other factors within the company.

The study of these factors led to a better understanding of the consumer and his needs.

1. Geography
2. Population
3. Urban-Rural
4. Sex
5. Age factor
6. Literacy level
7. Incentive level
8. Linguistic diversity
9. Religion
10. Dress food
11. Habits and fashion

Indian Consumer
♦ **The Competition:** In the analysis of the market a study of the strengths and weaknesses of Amul and Nestle their strategies, their anticipated moves and their reaction of the companies' moves and plans is made.

♦ **The Conditions:** The conditions under which the firms are operating is also seriously considered. The factors studied are the economy, the physical environments, the government regulations, the technological developments, etc. These effect the consumer needs, i.e. the deterioration of the environment and its pollution will lead to the use and innovation of safer products. People are health conscious and are concerned with their safety. Hence in this, safer products have a better chance with the consumer.

**C. MARKET SEGMENTATION**

The market is divided into segments, which are a portion of a larger market whose needs are, they are homogeneous in themselves. Such segments are identified with similar needs.

♦ **Product Related Needs:** By need set, it is meant that are products which satisfy more than one need. We identified the group which had similar needs.

♦ **Demographic and psychographic Characteristics:** These groups are identified and they are described in terms of their demographic and psychographic characteristics. Here we found out how and when the product is purchased and consumed.

♦ **Target Segment:** After all the above preliminary work is done, the target customer group known as the target segment is chosen.

**D. CONSUMER DECISION PROCESS**

The decision-making process consists of a series of steps, which the consumer undergoes. First of all, the decision is made to solve a problem of any kind.
For this, information search is carried out. This leads to the evaluation of alternatives and a cost benefit-analysis is made to decide which product and brand image will be suitable and can take care of the problem suitably and adequately. Thereafter the purchase is made and the consumer uses the product. The constant use of the product leads to the satisfaction or dissatisfaction of the consumer, which leads to repeat purchases or to the rejection of the product.

The marketing strategy is successful if consumers can see a need, which a company's product can solve and offers the best solution to the problem. For a successful strategy the marketer must lay emphasis on the product/brand image in the consumer's mind. Position the product according to the customers' likes and dislikes. The brand, which matches the desired image of a target market, sells well. Sales are important and sales are likely to occur if the initial consumer analysis was correct and matches the consumer decision process. For repeat purchase, satisfaction of the consumer after sales services is an important factor. It is more profitable to retain existing customers, rather than looking for new ones. The figure below gives an idea of the above discussion.
FIGURE NO. 3.2: DECISION PROCESS

FIGURE NO. 3.3: CREATING SATISFYING CUSTOMERS
3.2 FACTORS INFLUENCING CONSUMER BEHAVIOUR:

The factors that influence consumer behaviour can be classified into internal factors or individual determinants and external environmental factors. External factors do not affect the decision process directly, but percolate or filter through the individual determinants to influence the decision process.

The arrow shows how the external influences are filtered towards the individual determinants to affect the decision process.

FIGURE NO.3.4: FACTORS INFLUENCING CONSUMER BEHAVIOUR
The individual determinants that effect consumer behaviour are:

- Motivation and involvement
- Attitudes
- Personality and self concept
- Learning and memory
- Information processing

The external influences or factors are:

- Cultural influences
- Sub-cultural influences
- Social class influences
- Social group influences
- Family influences
- Personal influences
- Other Influences

We shall give a brief description of these influences in this chapter and they will be dealt with in greater detail in the subsequent chapters.

A. INDIVIDUAL DETERMINANTS:

- **Motivation and Involvement**: In a society, different consumers exhibit different consumer behaviour because they are unique and have unique sets of needs. Motivation is that internal force that activates an individual to satisfy his recognized need and provides direction of behaviour towards fulfilment of these needs.

According to the law of individual differences no two individual difference is because of age, gender, taste, preferences, and needs. Because of different needs consumer behaviour in different manner in a market or a society.
Motivation can be
Physiological or
Psychological in
Nature

Maslow's Hierarchy of Needs

While talking of motivation, we cannot afford to forget Maslow's Hierarchy of Needs, which tells us about the primary and secondary needs.

First the biological needs of hunger, thirst, shelters are satisfied then the safety needs and then the psychological desires of being accepted in society, seeking status, esteem, etc. are satisfied.

Involvement refers to the personal relevance or importance of a product or a service that a consumer perceives in a given situation. Depending on the value and personal interest, a consumer can have a high or low involvement.

- **Attitudes:** These are our learned predispositions towards people, objects and events. Attitudes are responsible for our responses and are not inborn but are learnt from people around us. Our attitude influences our purchase decisions and consumer behaviour.

- **Personality and Self Concept:** It is sum total of our mental, physical, moral qualities and characteristics that are present in us and that make us what we are. Consumers try to buy the products that match their personality.

- **Learning and Memory:** Every day we are exposed to a wide range of information, but retain only a small portion of it. We tend to remember the information that we are interested in or that is important to us. Our motives, attitudes, personality filters the information. We retain only that information which relevant and the rest of it gets washed out. This is
known as selective retention. We retain in our memory only that information which important and is in our interest.

- **Information Processing:** All consumers' analyze and process the information they receive. These are activities that a consumer engages in, while gathering, assimilating and evaluating information. Consumers assimilate and evaluate selective information and this reflects on their motives, attitudes and personality and self-concept. Same information can be evaluated in a different manner by different individuals.

**B. EXTERNAL ENVIRONMENTAL FACTORS AFFECTING CONSUMER BEHAVIOUR:**

- **Cultural Influences:** It is defined as a sum total of knowledge, beliefs, traditions, customs, art, moral law or any other habit acquired by people as members of the society. Our consumer behaviour that is the things we buy are influenced by our background or culture. Different emphasis is given by different cultures for the buying, use and disposing of products. People in south India have a certain style of consumption of food, clothing, savings, etc. This differs from the people in the North of India. Different cultures and habits are predominant in different parts of the world. Japanese have a different culture from that of USA, England or Arabian countries. Therefore, in consumer behaviour culture plays a very important part.

- **Sub-Cultural Influences:** Within a culture, there are many groups or segments of people with distinct customs, traditions and behaviour. In the Indian culture itself, we have many sub-cultures. The culture of Hindu and Muslim of south, north, east and west, Hindus of the South differ in culture from the Hindus of the North and so on. Products are designed to suit a target group of customers which have similar cultural backgrounds and are homogeneous in many respects.
❖ **Social Class**: By social class we refer to the group of people who share equal positions in society. Social class is defined by parameters like income, education, occupation, etc. Within a social class, people share the same values and beliefs and tend to purchase similar kinds of products.

❖ **Social Group Influences**: A group is a collection of individuals who share some consumer relationship, attitudes and have the same interest. Such groups are prevalent in societies. These groups could be primary where interaction takes place frequently and, consists of family groups. These groups have a lot of interaction amongst them and are well knit. Secondary groups are a collection of individuals where relationship is more formal and less personal in nature. These could be political groups, work group and study groups, service organisations. Other members of the group influences the behaviour of group. An individual can be member of various groups and can have varied influences by different members of groups in his consumption behaviour.

❖ **Family Influence**: The family is the most important of the primary group and is the strongest source of influence on consumer behaviour. The family tradition and customs are learnt by children and they imbibe many behavioural patterns from their family members, both consciously and unconsciously. These behaviour patterns become a part of children’s lives. In a joint family, many decisions are jointly made which also leave an impression on the members of the family.

These days the structure of the family is changing and people are going in more for nucleus families which consists of parents and dependent children.

❖ **Personal Influences**: Each individual processes the information received in different ways and evaluates the products in his own personal way. This is not influence by his family, social class, cultural heritage, etc. His own personality ultimately influences his decision.
personal reasons for likes, dislikes, price, convenience or status. Some individuals may lay greater emphasis on price, others on quality, still others on status, symbol, convenience of the product, etc. Personal influences go a long way in the purchase of a product.

❖ **Other Influences:** Consumers are also influenced by national or regional events. These leave permanent or temporary impressions on the mind of the consumer and affect his behaviour. In these events, products are advertised and sometimes the use of a product like drugs, etc. is discouraged.
### FIGURE 3.5: FACTORS INFLUENCING CONSUMER BEHAVIOUR CLASSIFICATION IN FOUR BROAD CATEGORIES

<table>
<thead>
<tr>
<th>Cultural</th>
<th>Social</th>
<th>Personal</th>
<th>Psychological</th>
</tr>
</thead>
<tbody>
<tr>
<td>Culture</td>
<td>Reference Group</td>
<td>Age and Life Cycle Stage</td>
<td>Motivation</td>
</tr>
<tr>
<td>Sub-culture</td>
<td>Family Role</td>
<td>Occupation</td>
<td>Perception</td>
</tr>
<tr>
<td>Social Class</td>
<td>Status</td>
<td>Economic Circumstances</td>
<td>Learning</td>
</tr>
<tr>
<td>Cultural is learned behaviour and pattern of living</td>
<td>Roles a person plays in a society, his status and affiliations with groups</td>
<td>Life Style</td>
<td>Beliefs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Personality</td>
<td>Attitudes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Self Concept</td>
<td></td>
</tr>
<tr>
<td>Culture is learned behaviour and pattern of living</td>
<td>Roles a person plays in a society, his status and affiliations with groups</td>
<td>Life cycle stage—Bachelor, married, Full nest I, II, III, Empty nest I, II, Solitary survivor</td>
<td>Buying characteristics are influenced by the above</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Buyer</td>
</tr>
</tbody>
</table>
In figure the broken lines indicate that these factors influence and in turn are influenced by each other. The various factors percolate from the external to the individual determinant, which finally influence the decision process.

External factors cannot affect the decision process directly but these are also instrumental and exert an influence on consumer behaviour.

Factors affecting consumers can also be studied by dividing the factors into group as shown below. This can be done under four broad headings, which can have sub headings as shown.

3.3 MODEL OF CONSUMER BEHAVIOUR:

We have already seen that there are many factors, which influence the decision- making of consumers. There are various consumer models, which help in the understanding of consumer behaviour. These are listed below.

1. Economic Model
2. Input, Process Output Model
3. Sociological Model
4. Model of family decision-making

A. ECONOMIC MODEL:

In this model, consumers follow the principle of maximum utility based on the law of diminishing marginal utility. The consumer wants to spend the minimum amount for maximising his gains.

Economic man model is based on:

- **Price effect:** Lesser the price of the product more will be the quantity purchased.
- **Substitution effect:** Lesser the price of the substitute product, lesser will be the utility of the original product bought.
- **Income effect:** When more income is earned or more money is available, more will be the quantity purchased.
This model, according to behavioural scientists, is not complete as it assumes the homogeneity of the market, similarity of buyer behaviour and concentrates only on the product or price. It ignores all the other aspects such as perception, motivation, learning, attitudes, personality and socio-cultural factors. It is important to have a multidisciplinary approach, as human beings are complex entities and are influenced by external and internal factors discussed in chapter 2. Thus, price is not the only factor influencing decision-making and the economic models according to scientists having shortcomings.

B. INPUT, PROCESS AND OUTPUT MODEL:

This is a simple model of consumer behaviour, in which the input for the customer in the firm’s marketing effort (the product, price, promotion and place) and the social environment. The social environment consists of the family, reference groups, culture, social class, etc. which influences the decision-making process. Both these factors together constitute the input in the mind of the consumer.

*Need Recognition:* When one is aware of a want, tension is created and one chooses a product to satisfy his needs. There is also a possibility that a
person may be aware of a product before its need is recognised. This is indicated by the arrows going both ways from the need to the product and vice-versa.

❖ **Product Awareness:** Product awareness can be had from advertisement or exposure to different types of media or by the social circle. The awareness and the need lead to the building of interest. In some cases, the interest may also breakdown and the decision process also stops or may get postponed for the time being.

❖ **Evaluation:** Evaluation may consist of getting more information about the product and comparing and contrasting it with other products. This can be done theoretically or by taking a trial. Once the evaluation is completed, the consumer's interest may either build up and he makes up his mind to buy or he may lose interest and the decision process may again stop or be postponed.

❖ **Intention:** Once there are intentions to purchase the product, the consumer goes ahead and acts or purchases the product. Once the product is purchased, it is used to fulfil the need and the more the product is used the more the consumer becomes aware of the positive and negative points of the product.

❖ **Post-purchase behaviour:** If, after the purchase and use of the product the customer is satisfied, he is happy and goes in for repeat purchases or recommends the same to his friends and acquaintances. If, however, the customer is dissatisfied, he discontinues further purchase of the product and builds a negative attitude towards it, which may be harmful to the company.

The post purchase behaviour is very important for the marketer and the company because it leads to proper feedback for improvement and maintaining the quality, features desired by the product. If the customer is
very happy with the purchase, he forms a good impression about the product and the company.

The consumer gets the input from the marketing effort of the firm (4 Ps') and the other stimuli. This input is processed in the mind (Black Box), which constitutes the characteristics of the buyer and the process of decision-making. Once the buyer has decided to buy then, he responds in terms of his choice of product, brand, dealer, timing and amount.

The post purchase behaviour of being satisfied or dissatisfied is also important and is shown in the decision-making process.

C. SOCIOLOGICAL MODEL:

This is concerned with the society. A consumer is a apart of the society and he may be a member of many groups in a society. His buying behaviour is influenced by these groups. Primary groups of family friends and close associates exert a lot of influence on his buying. A consumer may be a member of a political party where his dress norms are different. As a member of an elite organisation, his dress requirements may be different, thus he has to buy things that conform to his lifestyles in different groups.
D. MODEL OF FAMILY DECISION-MAKING:

In a family decision-making, it is important to understand how the family members interact with each other in the context of their consumer decision-making. There are different consumption roles played by various members of the family. These roles are as follows:

❖ **Influencers:** The members who influence the purchase of the product by providing information to the family members. The son in a family may inform the members of a new fast food joint. He can influence the family members to visit the joint for food and entertainment.

❖ **Gatekeepers:** These members control the flow of information for a product or brand that, they favour and influence the family to buy the product of their choice. They provide the information favourable to themselves and, withhold information about other product, which they do not favour.

❖ **Deciders:** These are the people who have the power or money and authority to buy. They play a major role in deciding which product to buy.

❖ **Buyers:** Buyers are the people who actually buy. A mother buying ration for the house, father buying crayons for his children etc..

❖ **Preparers:** Those who prepare the product in the form in which, it is actually consumed. Mother preparing food by adding ingredients to the raw vegetable, frying egg for consumption and sewing clothes for the family, etc.

❖ **User:** User means that the person who actually uses or consumes the product. The product can be consumed individually or jointly by all members of the family. Use of car, refrigerator and TV by the family etc.

The roles that the family members play are different from product to product. Some products do not involve the influence of family members-vegetables bought by the housewife. She can play many roles of a decider, preparer as
well as the user. In limited problem solving or extensive problem solving there is usually a joint decision by family members.

The diagram shows the predisposition of various family members, which when influenced by other factors leads to joint or individual decisions. These factors are shown in the diagram and consist of social class, lifestyle and role orientation family lifecycle stage, perceived risk, product importance and time pressure.
FIGURE NO. 3.8: MODEL OF FAMILY DECISION MAKING
3.4 CONSUMER BEHAVIOUR IN DAIRY SEGMENT:

Buying behaviour of the consumer is influenced by various factors like personal, social and cultural. Depending upon the product the relative degree of influence of these factors varies.

Dairy products being edible products, their choice depends on the eating habits of the consumers which to a great extent depends upon the culture, religion, traditions, income, occupation, tastes and geographical factors.

For certain dairy products cultural factors like
- Values
- Geographical Region
- Social Class
- Religion

Personal factors like
- Age group
- Occupation
- Economic factors
- Life style

Social factors like
- Family
- Friends
- Reference Groups
- Coworkers
- Neighbours

Psychological factors like
- Motivation
- Perception
- Learning
- Attitudes

can also become crucial.
The influences of various factors on consumer behaviour towards the product categories under consideration have been discussed under the succeeding paragraphs

A. BUTTER SEGMENT:

Butter is the most heavily consumed dairy product in India, with large number of uses. It is used in chapathi, snacks, pizza, paratha, soup, cake and baked items as cooking medium in many a households and it is widely available. Hence the consumers can easily obtain it without much effort. Butter forms it’s a part of morning breakfast ritual in majority of the homes, where it is consumed in one way or the other. The frequency and volume used depends upon income, occupation, eating habits and regional factors. Maximum consumption of the butter has been observed in the northern, central and western part of India, where people prefer fried item like chapathi, snack, pizza, paratha, soup, cake and baked items. The consumption in southern region is comparatively lower because people prefer coconut oil as a cooking medium. Similarly higher consumption is observed among consumer from upper and upper middle class of the society. As compared to adults and children consume more butter heavily with growing children consume butter in large quantity. The choice of specific brand of the butter is decided either by availability or largely determinant by the house wife of the family. Advertisements and promotional campaigns also play a crucial role in building brand preferences. Consumers’ perception about branded butter also influences its consumption. If they feel that a particular brand provides better health and nutrition value they prefer it over other brands and also over unbranded butters. Similarly the consumption of a specific brand of the butter is influenced by the positive or negative attribute of the consumer towards it. They prefer a brand that suits their requirement and attributes they are looking for or in other words brand that offers the value of hard earned money. As most of the brand come for almost the same price, it does not play
much of a role in determining the choice of specific brands. Consumer behaviour is marked by habitual buying behaviour.

B. DAIRY WHITENER SEGMENT:

Dairy Whitener is substitute for natural milk which can be used in tea, coffee, beverage etc. or can be consumed in place of natural milk.

One major benefit that dairy whitener holds over natural milk is its large storage life. Another factor that has contributed to consumer’s inclination towards dairy whitener is availability in the area which scarcity of the natural milk.

Major factors that influence consumer behaviour towards dairy whitener include

- Income
- Occupation
- Reference Group
- Family Life Cycle Stage.

The consumer behaviour is marked by variety seeking behaviour. Consumption of dairy whitener is largely concentrated among people belonging to the upper income groups or among bachelors including students as well as service class who have a tight working schedule which does not permit them to purchase natural milk on the regular basis.

The perception of a specific brand of dairy whitener is largely influenced by its attributes and advertisement and sales promotion.

Similarly consumer attitude towards a specific brand influences the consumption volume to the brand. Friend, family and co-workers also influence the perception to great extent. The consumer is highly price sensitive and compares the major brands of the dairy whitener on the basis of price. If the consumers do not find any significant different in the product
attributes, he prefers buying the products which are relatively cheaper but branded.

In spite of the price being a crucial factor company image, advertisements and promotional campaigns play a major role in building the branded preferences in case of dairy whitener.

C. CHEESE SEGMENT:

The consumption of cheese is largely concentrated amongst higher income group and people in the metropolitan cities who have been exposed to cheese or cheese products and have developed a taste for it. Major factor influencing consumer behaviour are:

- Income
- Social Class
- Eating habits
- Taste

The middle class consumer is price sensitive and settles for even a satisfactory quality if it comes at considerable larger price differences.

Advertising and sales promotion also play crucial role in building brand preferences and influencing point of purchase decision.

The consumer behaviour is marked by variety seeking behaviour.

Purchasing pattern in case of consumers belonging to higher income group exposed to metropolitan life style and upper/upper middle strata of the society is quite frequent where as in case of upper middle/middle income groups who have not been exposed to the “wham-bam” life style the purchase frequency is lower or occasional. For the lower income group cheese is either a delicacy or it does not tingle their taste buds.
D. CONDENSED MILK SEGMENT:

Condensed milk is packaged sweetened milk which can be used for tea, coffee or as an ingredient in various dishes like kheer, milk cake, laddu and other sweets etc. The major factors which influence consumer behaviour in case of condensed milk are:

- Income
- Reference Group
- Social Class
- Taste
- Occasion

Consumer Behaviour is also influenced by advertisement and sales promotion and consumption can be increased by suggesting alternative usages of the product.

Consumer buying behaviour is highly influenced by the price of the product and consumers reflect variety seeking behaviour, if a new brand has significant price differences over the existence brands, considering little difference in quality.

Decision maker most of the time role of the buyer is played by house wife. The consumption also depends on the family size and taste preferences for sweet dishes.

The consumer buying patterns are generally irregular and they tend to buy more of it near a festival or special occasion.

Advertising and sales promotion play a crucial role in building brand preference as in case of other dairy products.
E. CHOCOLATE SEGMENT:

The consumption of chocolate is found maximum amongst children and teenagers. Major factors that influence consumer behaviour for chocolates includes:

- Age
- Family life cycle stage
- Income
- Occasion

The consumer behaviour is marked by variety seeking behaviour. Advertisement and sales promotion play a very important role in building brand preferences for specific brands of chocolates.

Chocolates are normally purchased either for personal consumption or for gifting it to somebody.

Price also considerably influences the choice or buying behaviour as students/teenagers and children have limited amount of money to spend. Friend and family members may also influence the buying decisions.
3.5 INDIAN CONSUMERS

A. EMERGING PANORAMA OF THE INDIAN MARKET:

- The Demographic Picture: The changing demographic structure of the Indian market is shown in table, which is self-explanatory from the point of view of realizing the gigantic size of the Indian market. Notwithstanding the vast opportunities of having nine hundred million people in 1996, marketers are generally keen to know more: about who they are. Where do they shop? What products/services do they consume? How did the market respond to any specific new brand launch? In other words, they are keen to understand the macrostructure of the Indian market and the behaviour of its target consumers in as much detail as is possible.

**TABLE NO.: 3.1**

**THE DEMOGRAPHIC PICTURE**

<table>
<thead>
<tr>
<th>Year</th>
<th>Population (Million)</th>
<th>Decennial rate Of growth (%)</th>
<th>Sex ratio (per 1000 Males)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951</td>
<td>361</td>
<td>1.25</td>
<td>946</td>
</tr>
<tr>
<td>1961</td>
<td>439</td>
<td>1.96</td>
<td>941</td>
</tr>
<tr>
<td>1971</td>
<td>548</td>
<td>2.20</td>
<td>930</td>
</tr>
<tr>
<td>1981</td>
<td>684</td>
<td>2.25</td>
<td>933</td>
</tr>
<tr>
<td>1991</td>
<td>844</td>
<td>2.11</td>
<td>929</td>
</tr>
<tr>
<td>2000</td>
<td>1007</td>
<td>1.74</td>
<td>929</td>
</tr>
<tr>
<td>2001</td>
<td>1030</td>
<td>2.23</td>
<td>933</td>
</tr>
</tbody>
</table>

Source: Census 2001
CENSUS YEAR-2001

❖ Total population of India = 103 Crore
❖ Population Density = 324/Km²
❖ Population of Male = 531,277,078
❖ Population of female = 495,738,169
❖ Major Literacy Rate

Kerala: 90.92%
Mizoram: 88.49%

❖ The Growing Size of the Urban Market: The Indian market is conventionally divided into urban and rural categories. Table shows the historical change in urban size and density of population. Broadly speaking more than a quarter of the market is now living in urban area. By nature, urban markets are easily accessible and have associated challenges or characteristics of urban location. All these have definite implication for a market.

TABLE NO.: 3.2

URBANIZATION AND POPULATION DENSITY

<table>
<thead>
<tr>
<th>Year</th>
<th>Urbanization (%)</th>
<th>Density/Km²</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951</td>
<td>17.3</td>
<td>117</td>
</tr>
<tr>
<td>1961</td>
<td>18.0</td>
<td>142</td>
</tr>
<tr>
<td>1971</td>
<td>19.9</td>
<td>177</td>
</tr>
<tr>
<td>1981</td>
<td>23.7</td>
<td>261</td>
</tr>
<tr>
<td>1991</td>
<td>25.7</td>
<td>267</td>
</tr>
<tr>
<td>2001</td>
<td>NA</td>
<td>324</td>
</tr>
</tbody>
</table>

Source: Census 2001
More literate buyers: Table shows the changing literacy rate in India. Today overall literacy has gone up to 65% literacy among males as high as 75.85% and females 54.16%. Interestingly, this figure among the age group of 20-40 year is significantly higher than the national average and two-thirds of the women in this age group in the urban areas are literate. For marketers, increase in the number of literate consumers has its advantages.

**TABLE NO.: 3.3**

**LITERACY RATE IN INDIA (1951-2001)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Person(%)</th>
<th>Male(%)</th>
<th>Females(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951</td>
<td>18.33</td>
<td>27.16</td>
<td>8.86</td>
</tr>
<tr>
<td>1961</td>
<td>28.31</td>
<td>40.40</td>
<td>15.34</td>
</tr>
<tr>
<td>1971</td>
<td>34.45</td>
<td>45.95</td>
<td>21.97</td>
</tr>
<tr>
<td>1981</td>
<td>45.56</td>
<td>56.37</td>
<td>27.75</td>
</tr>
<tr>
<td>1991</td>
<td>52.11</td>
<td>63.86</td>
<td>39.42</td>
</tr>
<tr>
<td>2001</td>
<td>6.5</td>
<td>78.00</td>
<td>54.00</td>
</tr>
</tbody>
</table>

Source: Census 2001

The Market opportunity by conventional measure of income distribution: Table shows the changing pattern of income distribution in India in 1985-86 vis-à-vis 1987-88, 1990-91. It evidently shows a gradual sign of prosperity. However, the time has come to classify Indian market according to consumption instead of disposable income.
CHANGING PATTERN OF INCOME DISTRIBUTION
(\% OF POPULATION)

<table>
<thead>
<tr>
<th>Income Group</th>
<th>1985-86</th>
<th>1987-88</th>
<th>1990-91</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower</td>
<td>65</td>
<td>61</td>
<td>56</td>
</tr>
<tr>
<td>Middle</td>
<td>25</td>
<td>28</td>
<td>31</td>
</tr>
<tr>
<td>High</td>
<td>10</td>
<td>11</td>
<td>13</td>
</tr>
</tbody>
</table>

THE SOCIO-ECONOMIC PYRAMID OF THE INDIAN POPULATION

A
12\% Graduates
White collared
Workers & professionals

B
15.2\% Typically SSC qualified
about 40\% Graduates-occupation
clerk/ Shopkeepers

C
21\% Skilled workers, clerk, salespersons etc

D
23.4\% same as about Occupation profit with SSC

E
28.4\% Unskilled Labour

Source: A&M, October 1998
### Figure No.: 3.10

**The Penetration of Product in India**

<table>
<thead>
<tr>
<th>Number of Households</th>
<th>Household/Family Durables Owned</th>
<th>Fast Moving Consumer Goods Purchased</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upto 15</td>
<td>❖ Refrigerators ❖ Audio system ❖ Scooters ❖ Motorcycles ❖ Colour TV ❖ Passenger Car</td>
<td>❖ Premium Quality Cosmetics /Toiletries</td>
</tr>
<tr>
<td>16 To 35 Million</td>
<td>❖ Sewing Machines ❖ Black / White TV ❖ Mixer / Grinders ❖ Electric irons ❖ Mopeds</td>
<td>❖ Shampoos ❖ Hair Oil ❖ Soft Drinks</td>
</tr>
<tr>
<td>36 To 65 Million</td>
<td>❖ Electrical Fans</td>
<td>❖ Dairy Products ❖ Packaged biscuits ❖ Vanaspati ❖ Tooth Paste</td>
</tr>
<tr>
<td>65 To 95 Million</td>
<td>❖ Bicycles ❖ Transistor radios ❖ Mechanical Wristwatch</td>
<td>❖ Electric bulbs ❖ PVC footwear ❖ Washing Powder /detergent ❖ Talcum Powder</td>
</tr>
<tr>
<td>Over 95 Million</td>
<td>Limited amount of unbranded local made durables</td>
<td>❖ Washing cake / toilet shop ❖ Unbranded cooking oil ❖ Tea ❖ Edible grocery commodities</td>
</tr>
</tbody>
</table>
The Urban and Rural Market: The urban and rural markets are described as under in Table.

TABLE NO.: 3.5

**STATEWISE COMPARATIVE PICTURE OF THE POPULATION**

<table>
<thead>
<tr>
<th>STATE</th>
<th>POPULATION (In Million)</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uttar Pradesh</td>
<td>138.8</td>
<td>16.44</td>
</tr>
<tr>
<td>Bihar</td>
<td>86.3</td>
<td>10.23</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>78.7</td>
<td>9.33</td>
</tr>
<tr>
<td>West Bengal</td>
<td>68.00</td>
<td>8.08</td>
</tr>
<tr>
<td>Andhra Pradesh</td>
<td>66.3</td>
<td>7.86</td>
</tr>
<tr>
<td>Madhya Pradesh</td>
<td>66.1</td>
<td>7.84</td>
</tr>
<tr>
<td>Tamilnadu</td>
<td>55.6</td>
<td>6.59</td>
</tr>
<tr>
<td>Karnataka</td>
<td>44.9</td>
<td>5.31</td>
</tr>
<tr>
<td>Rajasthan</td>
<td>43.9</td>
<td>5.20</td>
</tr>
<tr>
<td>Gujarat</td>
<td>41.2</td>
<td>4.88</td>
</tr>
<tr>
<td>Orissa</td>
<td>31.5</td>
<td>3.73</td>
</tr>
<tr>
<td>Kerala</td>
<td>29.0</td>
<td>3.44</td>
</tr>
<tr>
<td>Assam</td>
<td>22.3</td>
<td>2.64</td>
</tr>
<tr>
<td>Punjab</td>
<td>20.2</td>
<td>2.39</td>
</tr>
<tr>
<td>Haryana</td>
<td>16.3</td>
<td>1.93</td>
</tr>
<tr>
<td>Delhi</td>
<td>9.4</td>
<td>1.11</td>
</tr>
<tr>
<td>Jammu and Kashmir</td>
<td>7.7</td>
<td>0.91</td>
</tr>
<tr>
<td>Himachal Pradesh</td>
<td>6.1</td>
<td>0.61</td>
</tr>
<tr>
<td>Tripura</td>
<td>3.7</td>
<td>0.32</td>
</tr>
<tr>
<td>Others</td>
<td>8.6</td>
<td>1.16</td>
</tr>
</tbody>
</table>

The urban and rural market can be further classified into various categories and their population break-up is shown in Table.

TABLE NO.: 3.6

**PROFIT OF THE URBAN MARKET**

<table>
<thead>
<tr>
<th>MARKET</th>
<th>POPULATION</th>
<th>SIZE (In Million)</th>
<th>PERCENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class I</td>
<td>More Than 100,000</td>
<td>123.8</td>
<td>15.6</td>
</tr>
<tr>
<td>Class II</td>
<td>50,000-100,000</td>
<td>24.0</td>
<td>3.0</td>
</tr>
<tr>
<td>Class III</td>
<td>20,000-50,000</td>
<td>29.6</td>
<td>3.7</td>
</tr>
<tr>
<td>Class IV</td>
<td>10,000-20,000</td>
<td>19.5</td>
<td>2.5</td>
</tr>
<tr>
<td>Class V</td>
<td>5,000-10,000</td>
<td>7.4</td>
<td>0.1</td>
</tr>
</tbody>
</table>
**TABLE NO.: 3.7**

**PROFILE OF THE RURAL MARKET***

<table>
<thead>
<tr>
<th>POPULATION SIZE</th>
<th>NO. OF VILLAGES</th>
<th>VILLAGES (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;200</td>
<td>120.1</td>
<td>2.4</td>
</tr>
<tr>
<td>200-499</td>
<td>150.7</td>
<td>10.1</td>
</tr>
<tr>
<td>500-999</td>
<td>135.9</td>
<td>19.1</td>
</tr>
<tr>
<td>1000-1999</td>
<td>94.5</td>
<td>25.9</td>
</tr>
<tr>
<td>2000-4999</td>
<td>46.9</td>
<td>27.1</td>
</tr>
<tr>
<td>5000-9999</td>
<td>7.2</td>
<td>9.3</td>
</tr>
<tr>
<td>10,000 and above</td>
<td>1.8</td>
<td>6.1</td>
</tr>
</tbody>
</table>

*As per the 1991 census, the total rural population was 641 million.

To gather the distribution task involved for a consumer product, size of different urban market and geographic composition of rural markets are shown in Table below:

**TABLE NO.: 3.8**

**URBAN MARKET AND POPULATION SIZE**

<table>
<thead>
<tr>
<th>MARKET</th>
<th>POPULATION (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 Metros</td>
<td>19</td>
</tr>
<tr>
<td>Next 25 towns</td>
<td>17</td>
</tr>
<tr>
<td>Next 100 towns</td>
<td>17</td>
</tr>
<tr>
<td>Next 500 towns</td>
<td>20</td>
</tr>
<tr>
<td>Remaining urban settlements</td>
<td>27</td>
</tr>
</tbody>
</table>

**TABLE NO.: 3.9**

**ZONEWISE COMPOSITION OF RURAL MARKET**

<table>
<thead>
<tr>
<th>Zone</th>
<th>Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>East</td>
<td>21.5</td>
</tr>
<tr>
<td>South</td>
<td>27.0</td>
</tr>
<tr>
<td>West</td>
<td>23.5</td>
</tr>
<tr>
<td>North</td>
<td>28.0</td>
</tr>
</tbody>
</table>