

# A Study on Buying Behaviour of Rural Families with the Purchase of Durable goods in Tamil Nadu

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## DISSERTATION ABSTRACT

The Indian rural market with its vast size and heterogeneous demographics offers lot of opportunities to marketers to boost their revenues and also counters the saturation they are facing in the urban areas of the country. Two-thirds of India's population lives in rural areas and almost half of the national income is generated here. Nearly 70 per cent of the country's one billion plus population lives in over 6,00,000 villages.

India has as many as 47,000 haats (congregation markets) compared to 35,000 supermarkets in the US. In the recent years, the country has witnessed a demand and awareness boom in rural India with rising purchasing power and change in consumption and lifestyle patterns triggered by significant media penetration. According to National Council for Applied Economic Research (NCAER) study, there are as many 'middle income and above' households in the rural areas in 2006-07. There are almost twice as many "lower middle income" households in rural areas. The purchasing power of rural India is on the rise and it has been observed to grow at 3.4 per cent per annum adding more than one million new consumers every year. Rural India accounts for around 50 per cent of volume consumption of Fast Moving Consumers Goods (FMCG).

Industry observers estimate that urban households will grow by 4 per cent while their rural counterparts will grow by 11 per cent by 2009-10, which further implies that if rural income rises by 1 per cent then, the spending power of consumers will increase by approximately Rs.10,000 cr. But then, although rural India has a huge potential, there are very few brands that have made significant inroads into this market and have effectively tapped it for what it is worth particularly the rural segments. Most products eventually end up in private households even though they will pass through a number of steps on their way from producer to end user. Producers and traders form vertical chains or networks, called value chains, at the end of which are the consumer. Understanding rural consumer behavior is not only important for the producer but also for all the other members in the chain. The consumer buying behavior model which is being adopted in India is retrieved from American environment which is tested there and will not be suitable for adopting in Indian rural environment as the rural markets here are so diverse, heterogeneous and has so much of dimensions eventually a complex situation. Therefore, there is a crucial need to identify a consumer buying behavior model for rural Indian environment.

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A non probability purposive sampling was adopted in selecting rural Socio economic classification R1, R2, R3 household for the survey as these segments would have purchased atleast two of the four goods taken for the study or have an intention to purchase these durable goods in the future . A total of 600 samples were selected from four districts comprising of seventy villages in Tamil Nadu.

Structured interview schedule was administered with the primary head of the family. The various attributes included for the study were

- Demographic Characteristics
- Components of buying decision to measure
- Who initiated or influenced the buying of consumer durable product?
  - Husband
  - Wife
  - Children or any other member in house dominated
- Sources of Information for decision making
- Factors Influencing in purchase of durable goods
- Testing conceptual model of rural buying behavior

The research instrument used for deriving rural buying behavior model was a structured interview schedule with a five point rating scale from strongly agree to strongly disagree with the help of literature review from various journals. The constructs used for the study were:

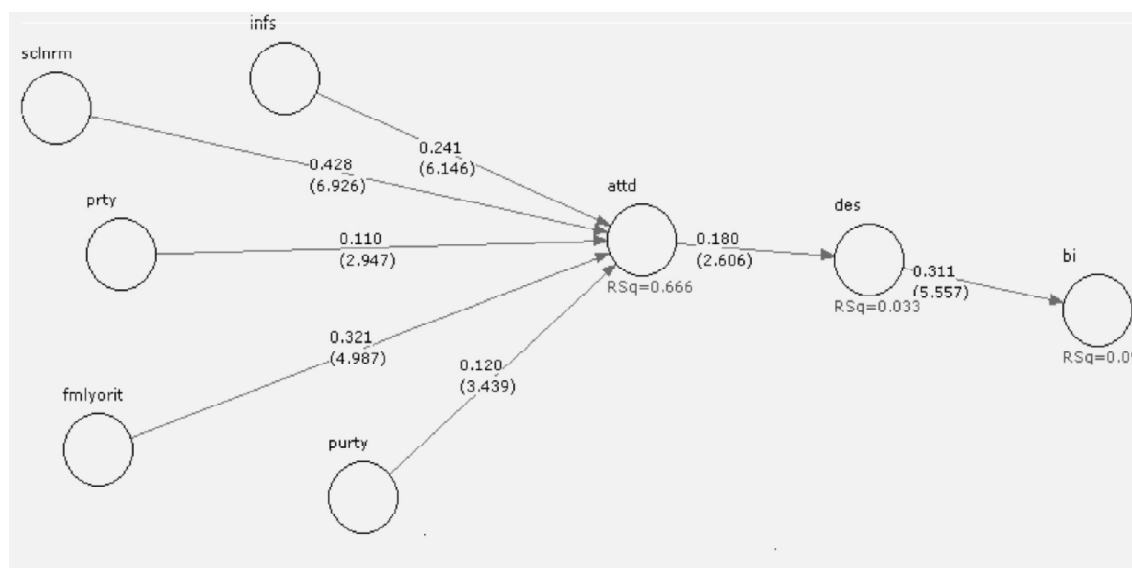
Buying behavior, Desire, Attitude, Information Search, Perceived Utility, Family Orientation, Social Norms, and Perceived Risk

The Likert's scales used for the various constructs were purified using Cronbach's alpha reliability coefficient and a sufficiently reliable scale was arrived at. Next the validity of the constructs was tested using PLS Path modeling method, which is a non parametric method and does not make any assumptions about the distribution of the data collected. After the validity of the scales used were ascertained, the path model was checked using bootstrapping procedure available in all PLS modeling software. The analysis was conducted using Visual PLS software due to its ease of handling and features available. The other statistical techniques used were chi square to find out the association between the product purchased and the different roles played (initiator, influencer, and buyer) by the family members. Oneway anova was used to find the significant differences between the R1, R2 and R3 and purchase pattern. Factor analysis was used to find the factors influencing the rural customers in purchase of durable goods.

To effectively frame marketing strategies, it is important to understand the consumer behavior. It is that behavior that guides and directs the entire set of activates that constitute the marketing programme. Consumer behavior is extremely complex to study and understand despite the most precise procedures for mapping and prediction. It is all because of illiteracy and scattered area in rural India. In the high involvement products such as consumer durables, there is marked disparity in consumer behavior, decisions are swayed by opinion leaders and apart from this, a lot of thought process goes in family when the durable product value is higher. There is a whole gamut of influences that affect overall consumer behavior in rural India. Influences like social customs, traditions, family orientations, rainfall and caste determine behavior

in everyday life. Occasions like festival, melas play an important role in buying behavior. Even though the main benefits that rural customers will seek when buying are quality, value for money and promotions provided by dealers or manufacturers the purchase is also due to so

many hidden variables and that can differ from region to region too. Usually the usage of the product is moderate but has a strong loyalty status over the brands purchased and used before. The tested research model is presented in Figure 1.



**Figure 1: Tested Research Model**

The desire towards purchase of durable goods strongly determines (0.311) the behavioral intentions which will lead to actual purchase of durable goods ie “Buying Behavior” (H1). The positive attitude towards the durable goods influences the desire, this relationship appears to be moderate (H2). The model generated also suggests that attitude is influenced by information search for purchase of durable goods (H3). The model generated also suggests that the attitude is strongly influenced by social norms (H4) with a total effect of 0.43, as in rural areas social norms play a crucial role in purchase of durable goods. The positive relationship between “perceived utility” and “attitude towards purchase of durable goods” (H5) is confirmed as well as there seems to be a positive relationship between with a less

perceived risk there seems to be a positive relationship in attitude (H6), both the perceived constructs have a moderate effect with the attitude in purchase of durable goods. “Family Orientation” has a strong positive relationship with “attitude” (H7). The findings of the study are consolidated below

- Rural families are usually composed of large sized and are characterized by strong family bonds between members and thus given importance to any kind of high valued products. There seems to be a strong influence of family members in the purchase of durable goods. The chief wage earner has been identified as the chief decision maker for most of the durable goods

supported and influenced by the other family members. The decision making process for the purchase of durable goods is elaborate as there are many members views are being considered including the opinion leaders before making a final purchase.

- The criteria in selecting the durable goods are price of the product, dealer reputation and their advertisement in local papers, special discount and gifts given by the local dealers, brand name, warranty given to the product and the operational ease. The factors have high loadings which are grouped by factor analysis.
- The information sources that are being used by consumers are the sources they get through a person like opinion leaders, friends, neighbors, relatives, past experience and through their son or daughter where they bring lot of information to household because of their urban counterparts. The free color television given by the government and channels provide commercial sources like advertisement and sales promotional offers. The aggressive rural advertisement campaign through

various forms of traditional media like puppets shows, street plays influence the customers in purchase decision as these are sponsored directly by the companies in promoting a brand. The nearby rural trustworthy retailer provides lot of sources in final decision making. It was observed in this study that these sources strongly influence the rural customers in decision making.

- When framing a marketing plan for rural areas it is the rural family that should be considered and not the individual as units, which is mostly done in urban areas.
  - (i) The knowledge of family influences is often very important for developing appropriate marketing strategies.
  - ii) Long term influence of the family purchasing patterns on children's behavior. Parents teach children both directly and through observation, why, how, when, where and what to purchase
  - iii) Identifying the different sources will lead to find out the most significant way in reaching the rural areas.
  - iv) The rural buying behavior model prescribed will focus on formulating a separate rural marketing strategy for consumer durable manufactures.