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Changes in Consumer Behavior and Their Implications on Marketers

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Objectives:

- To understand the changing behavior of consumers.
- To identify the factors affecting the consumer behavior of India.
- To identify changes in marketing strategies of marketers due to the changing behavior of consumers in India.
- To identify the future trends in consumer behavior.

Abstract : *India has the youngest population profile among the numerically significant countries - there are a lot of young people in different income segments and locations, who are influencing their parents' spending or spending their own money. The attitude of Indian consumers has undergone a major transformation over the last few years. The Indian consumer today wants to lead a life full of luxury and comfort. He wants to live in present and does not believe in savings for the future. Due to fast growth of the services sector per capita income of people of India is also increasing. The number of middle class is increasing due to another fact that people are fast shifting from agriculture to the services and industry sector where growth prospects are reasonably high as compared to the agriculture sector which is showing slow growth. The consumption pattern of a country depends on liberalization of economic policies, buying habits of the younger generation, financial independence at a young age, increase in number of nuclear families and increase in media exposure of the people.*

Key Words : *Consumerism, Liberalization, Economic Growth, Service Sector, Agricultural Sector, Rural Market.*

1. Introduction:

India has the youngest population profile among the numerically significant countries - there are a lot of young people in different income segments and locations, who are influencing their parents' spending or spending their own money.

Possibly the most challenging concept in the marketing is to deal with understanding the buyer behaviour. The attitude of Indian consumers has undergone a major transformation over the last few years. The Indian consumer today wants to lead a life full of luxury and comfort. He wants to live in present and does not believe in savings for the future. An important and recent development in India's consumerism is the emergence of the rural market for several basic consumer goods. The Indian middle class has provided a big boost to the consumer culture during the recent past and it is hoped that their buying behaviour will continue to change in the coming future. Due to fast growth of the services sector per capita income of people of India is also increasing. The number of middle class is increasing due to another fact that people are fast shifting from agriculture to the services and industry sector where growth prospects are reasonably high as compared to the agriculture sector which is showing slow growth.

The consumption pattern of a country depends on liberalization of economic policies, buying habits of the younger generation, financial independence at a young age, increase in number of

nuclear families and increase in media exposure of the people. The tastes and preferences of the current generation are changing rapidly. The current generation does not mind paying extra for better facilities and ambience. Another major factor that has led to increased consumerism is the growth of credit culture in India. The Indian consumer does not feel shy to purchase products on credit and pay tomorrow for what they use or buy today. This tendency has led to a tremendous increase in purchase of homes, cars, two-wheelers and consumer goods. The market for luxury products in India is also climbing at an astonishing rate as compared to a decade ago when it was almost negligible. The reason behind this is that the purchasing power of people of India is rising very steeply. The Indian consumer today is highly aware about the product, price, quality and the options available with him. The purchasing is done by keeping all these factors in mind. Today, price is not the only consideration as it was a few years back when prices played a major role in purchasing. Marketers are trying hard to capture this ever increasing Indian middle class as they form the bulk of Indian consumers.

2. Factors Affecting Consumer Behavior

Consumer behaviour is affected by a lot of variables, ranging from personal motivations, needs, attitudes and values, personality characteristics, socio-economic and cultural background, age, sex, professional status to social influences of various kinds exerted by family, friends, colleagues and society as a whole. The combinations of these various factors produce a different impact on each one of us as manifested in our different behavior as consumers. The various factors that affect buying behavior of in rural India are:

- 2.1.Environment of the consumer** - The environment or the surroundings, within which the consumer lives, has a very strong influence on the buyer behaviour, egs. Electrification, water supply affects demand for durables.
- 2.2.Geographic influences** - The geographic location in which the consumer is located also speaks about the thought process of the consumer. For instance, villages in South India accept technology quicker than in other parts of India. Thus, HMT sells more winding watches in the north while they sell more quartz watches down south.
- 2.3.Influence of occupation** – The land owners and service clan buy more of Category II and Category III durables than agricultural labourers/farmers.
- 2.4.Place of purchase** - (60% prefer HAATS due to better quality, variety & price) Companies need to assess the influence of retailers on both consumers at village shops and at haats.
- 2.5.Creative use of product** – Example- Godrej hair dye being used as a paint to colour horns of oxen, Washing machine being used for churning lassi. The study of product end provides indicators to the company on the need for education and also for new product ideas.

3. Cultural factors Influencing Consumer Behaviour:-

Today's consumers strictly follow their culture, tradition and values, as a result of which foreign companies were forced to give an Indian touch to them in order to succeed in India. McDonalds, MTV, Pepsi, Star TV, Coca Cola India and many more had to Indianise themselves to flourish in India.

Cultural factors exert the broadest and deepest influence on consumer behaviour. The marketer needs to understand the role played by the buyer's culture. Culture is the most basic element that shapes a person's wants and behaviour. In India, there are so many different cultures, which only goes on to make the marketer's job tougher. Some of the few cultural factors that influence buyer behaviour are:

3.1.Product (colour, size, design, and shape)

There are many examples that support this point. For example, the Tata Sumo, which was launched in rural India in a white colour, was not well accepted. But however, when the same Sumo was re-launched as Spacio (a different name) and in a bright yellow colour, with a larger seating capacity and ability to transport good, the acceptance was higher.

Another good example would be Philips audio systems. Urban India looks at technology with the viewpoint of „the smaller the better. However, in rural India, the viewpoint is totally opposite. That is the main reason for the large acceptance of big audio systems. Thus Philips makes audio systems, which are big in size and get accepted in rural India by their sheer size.

3.2.Social practices

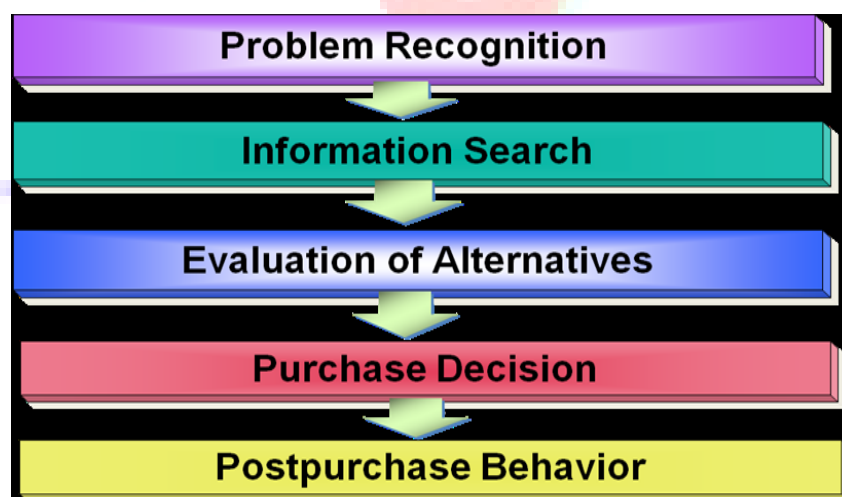
There are so many different cultures, and each culture exhibits different social practices. For example, in a few villages they have common bath areas. Villagers used to buy one Lifebuoy cake and cut it into smaller bars. This helped lifebuoy to introduce smaller 75-gram soap bars, which could be used individually.

3.3.Decision-Making By Male Head

The male in Indian culture has always been given the designation of key decision maker. For example, the Mukhiya's opinion (Head of the village), in most cases, is shared with the rest of the village. Even in a house the male head is the final decision maker. In rural areas, this trend is very prominent.

3.4. Changes In Saving And Investment Patterns: From Gold, Land, to Tractors, VCR's, LCD TV's etc.

4. Consumer's Decision Making Process



5. Different Segments Of Indian Market

5.1.The Socialites :

Socialites belong to the upper class. They prefer to shop in specialty stores, go to clubs on weekends, and spend a good amount on luxury goods. They are always looking for something different. They go for high value, exclusive products. Socialites are also very branding conscious and would go only for the best known in the market.

5.2.The Conservatives

The Conservatives belong to the middle class. The conservative segment is the reflection of the true Indian culture. They are traditional in their outlook, cautious in their approach towards purchase; spend more time with family than in partying and focus more on savings than spending. Slow in decision making, they seek a lot of information before making any purchase. They look for durability and functionality but at the same time is also image conscious.

5.3.The Working Women

The working woman segment is the one, which has seen a tremendous growth in the late nineties. This segment has opened the floodgates for the Indian retailers. The working woman today has grown out of her long-standing image of being the homemaker. Today, she is rubbing shoulders with men, proving herself to be equally good, if not better. Working women have their own mind in decision to purchase the products that appeal to them.

5.4.Youth Segments

The rise of generation next has been written about with unbridled optimism and enthusiasm, based on the coming of age of liberalization children. They are global in their worldwide view and have been exposed to enormous information unlike their parents, raised amidst a consumption-friendly and consumption encouraging social discourse. They are expected to be at the forefront of creating a new, modern, west-embracing consumer society, as well as yield the demographic dividend that will drive economic growth.

6. The New Indian Consumer Market Structure

There are five types of consumer groups based on what they consume and created a framework:

6.1. The Rich: - The rich who have most of the luxury goods like cars, PCs, air conditioners and are generally the consumers of premium products.

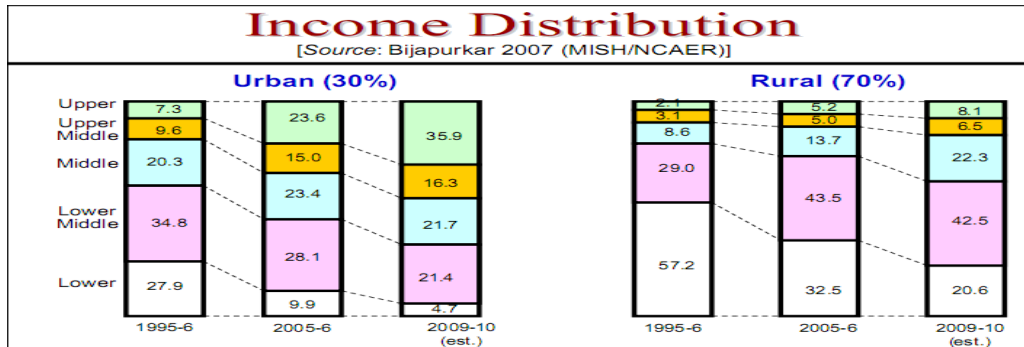
6.2. The Consuming Class: - Consumers which have 70 percent of the „utility“ durables like two wheeler, refrigerators, washing machines and the bulk of regular FMCGs.

6.3. The Climbers: - Consumers which have at least one major durable in their homes – either a mixer or a sewing machine or perhaps a television set. They are main consumer of population segment consumer goods.

6.4.The Aspirants: - Consumers who are just entering consumption and have the very basics Goods like a watch, a bicycle, a radio, or a table fan.

6.5.The Destitute: - Consumers who own and consume practically nothing, living as they do from hand to mouth.

7. Income Distribution Of Indian Population In Rural And Urban Areas



According to a report released by the Commerce Department, outlays of televisions, computers, video and telephone equipment grew by 1.8% in the first six months of 2010, compared to the first half of pre-recession 2007. In comparison, during the same time periods, sales of appliances decreased by 3.6% and that of furniture declined by a whopping 11%, indicating that consumer trends are shifting. The report also indicated that overall consumer spending remained flat in June from the previous month and U.S. personal savings as a percentage of disposable income rose 6.4% from a month earlier.

This data indicates that consumers are unsure of the overall health of the economy and are stashing away extra cash for a rainy day, but are still willing to splurge on a new iPhone, Blu-ray video player, computer or flat screen television. Additionally, it illustrates changes in consumer trends: people are staying home more often and bringing entertainment in-house and, regardless of economic health, consumers want the newest and best gadgets on the market.

8. Rural consumer of India

Rural Consumers majorly look into the value that the product offers. They associate value with the Benefits that the product offers, its availability, and its Cost. When talking of benefits, they look at the features of the product as well as the Packaging and attractiveness, availability, whether or not the products are available at Retail Shops and Haats, cost, whether or not the product is reasonably priced.

8.1.The Differences in Buyer Behavior

| Rural | Urban |
|---------------------------------------------------------------------------------------|-----------------------------------------|
| Conservative | Innovative |
| Values, aspirations, need – traditional and based on culture, social customs, beliefs | Follow trends (including international) |
| Eldest male member KDM | Varies |
| Collective sanction | Unheard of |

9. Today's Consumer

The Indian consumers of today are unique in the following aspects:

- I.** Indian consumers have become value sensitive and are not much price sensitive as was the case earlier. If they feel that a particular product offers them more value and its price is high, even then they are willing to buy the product.
- II.** The Indian consumers strictly follow their culture, tradition and values, as a result of which foreign companies were forced to give an Indian touch to them in order to succeed in India. McDonalds, MTV, Pepsi, Star TV, Coca Cola India and many more had to Indianise themselves to flourish in India. Karva Chauth is celebrated with more zeal and enthusiasm than the Valentine Day.
- III.** The Indian consumer of today gives preference to features of a product rather than its brand name. The trend that higher segment consumers only buy the top brands has also come to an end.
- IV.** Even after liberalization Indian companies and brands are doing very well. It is clearly evident from the fact that despite many foreign brands being sold in India, Raymond is still India's largest textile company and Haldiram is doing well despite the presence of McDonalds and Pizza Hut.
- V.** The consumers today are not confined to a single brand and prefer change rather than sticking to the same brand. Not often do we see any home with cars of the same brand or household products of the same brand.
- VI.** The use of credit card for shopping is a new emerging trend in India. Also consumers are availing credit or loan from banks and other financial institutions to fulfil their needs and wants.
- VII.** The Indian consumers have shown another major change in their buying behaviour. They just don't want availability of products; they also want better experience, services and ambience. This has led to the growth of shopping malls where a shopping, entertainment and better facility is all available under one roof.
- VIII.** The rural Indian consumers are also showing signs of change. They have all the modern amenities at their home and their standard of living is fast improving. The rural households have earned huge money due to price rise in real estate. They are also shifting towards industrial and services sector; hence their purchasing power is increasing. It is reflected in their living standard and possession of all electronic gadgets and luxury cars.
- IX.** There is a stiff competition in the Indian market today and it has become a buyer's market from seller's market. Customers are the ultimate beneficiary of the fierce competition in the market. Competition has reduced prices to a great extent and has forced the manufacturer to maintain product quality to sustain in the highly competitive market.

10. Change At A Glance

Many remarkable changes have taken place in Indian consumer buying behaviour over the last five years. Some of them are:

- I.** Television penetration rose to 50% of total population in 2005 as compared to 35% in 2000.
- II.** Refrigerator penetration rose to 12% in 2005 as compared to 9.4% in 2000.
- III.** 12% of total population had telephone connections in 2005 as compared to 6.5% in 2000.

- IV. Average age of home owners has come down to 28-30 years in 2005 as compared to 40 years in 2000.
- V. Number of mobile users in India is 130 million and number of internet users is 40 million.
- VI. Credit card penetration has grown to 10 times between 2001 and 2005.
- VII. Indian consumers now prefer multiplexes as compared to traditional cinema halls, although multiplexes are costlier than traditional cinema halls.
- VIII. The tastes and preferences of consumers are changing. Consumers today prefer luxury products like expensive watches, sun glasses, mobile phones, antique jewellery, etc.
- IX. Consumers are shifting focus towards LCD and plasma TV from normal TV, laptop from PC, luxurious cars from small cars.
- X. Consumers now want better hospitality and this has led to the growth of tourism and hotel industry.
- XI. Customers of today also want better housing facilities. Due to this lot of builders and construction companies are blossoming and making good money and customers are receiving what they want.

11. Trendy Life Style

The current urban middle and upper class Indian consumer buying behaviour to a large extent has western influence. There is an increase in positive attitude towards western trends. The Indian consumer has become much more open-minded and experimental in his/her perspective. There is now an exponential growth of western trend reaching the Indian consumer by way of the media and Indians working abroad. Foreign brands have gained wide consumer acceptance in India, they include items such as:

- Beverages
- Packed food, Ready to eat food , Pre-cooked food, Canned food
- Personal care products
- Audio/video products
- Garment and apparel
- Footwear, Sportswear
- Toys and gift items

12. Change In Marketing Strategies Of Companies With Change In Consumer Buying Behaviour

With change in consumer buying behavior the companies also made necessary changes in their marketing strategies. The changes include:

- I. Launching of premium products by companies to fulfill requirements of high class consumers.
- II. Since purchasing power of rural India has increased, the companies have started shifting their focus towards rural India to capture untapped rural market. This has reaped huge benefits for companies like in cases of PepsiCo, Coca Cola India and other FMCG companies.
- III. Companies not only aim to sell their products but also aim to provide better after sales services to its consumers. For example companies have provisions to send their technicians to repair the cars struck at highways or other outer locations due to technical failure or in case of a mishap. This improves the company's credibility and helps to build its customer base.

- IV. Companies design their products on the basis of market segmentation so that they have products to suit every pocket and requirement.
- V. Due to sharp growth in the communication sector, companies are providing many schemes and plans to attract customers. For example mobile service providers provide lifetime option and free calls to other mobile users under a specific plan of the company.
- VI. Due to fierce competition in the electronics market and people's willingness to purchase hi-tech products the rates of LCD and plasma TVs have been slashed by 25%-30%. Through this strategy electronic companies received very good response from the consumers in the recent past and were able to build a considerable market for their products.
- VII. Indian consumers have developed a liking for foreign tours and holidays. This has led to development of many travel agencies that provide a planned foreign tour at a reasonable price. What is even more interesting is that the customer does not have to pay the amount in lump sum; instead, he has the facility to make the payment in monthly instalments according to his convenience.
- VIII. Consumers of India have developed a tendency to save travel time. For such consumers low fare carriers are available that provide air travel facility at a very affordable price.
- IX. Consumers of India want better housing facilities. The construction companies are fulfilling this requirement of consumers by providing them luxurious houses, exquisite interiors, round the clock water and electricity supply, full time security, club house, gymnasium, etc. within the premises.
- X. Indian consumers are increasingly becoming aware of the importance of health and hygiene. Hence companies are making products to suit their health like low calorie, low fat food. As far as hygiene is concerned companies have fully mechanized their plants to maintain hygiene and pack the food in such a way that it remains fresh for longer period of time and does not lose its nutritive value before consumption.
- XI. The need for internet is fast growing. To fulfil this need of consumers, mobile manufacturing companies are providing internet access facility on mobile phones. This has revolutionized the communication sector and provided a means of communication that was never ever in anybody's dreams till a few years back.
- XII. Indian consumer's liking for credit is also increasing rapidly. Hence many financial institutions have come into existence in India and are flourishing. Banks have also become liberal in their loan and credit policies.

12.1. Online Marketing

Currently, the products Indian consumers are buying through online are greeting cards, clothes, CDs/VCDs/DVDs, cassettes, books, magazines, medicine and educational material. The popular online shops in India include:

- www.Snapdeal.com
- www.flipcart.com
- www.ebay.in
- www.shopping.rediff.com
- www.reliablegreetings.com
- www.shopping.expomarkets.com

13. Celebrity Influence

This is an important tool which is able to influence Indian consumer buying behaviour. In India, celebrities are being increasingly used in marketing communication by marketers to lend personality to their products. Their activities and movements are being closely watched and

imitated. What they endorse sell like hot cakes. Indians always love their heroes and heroines. Consumers like advertisements more if they are admirers of the celebrities in the advertisements. When a consumer likes the celebrity in the advertisement, he or she is more likely to accept what the celebrity says about the advertised product and therefore will develop more positive feelings toward the advertisement and the brand itself. Famous celebrities are able to attract attention and retain attention by their mere presence in the advertisements.

14. Eco-friendly Products

The environmental awareness in India has started affecting marketing of products based upon their eco-friendliness. In general, Indian consumers are likely to buy environmentally responsible products and packs. The future key for marketing could be to select more ethical and ecological responsible products and packaging, which is also convenient for consumers, thus, balancing environmental concerns with commercial considerations. Consumers in India are taking lead in prompting manufacturers to adopt technologies to produce eco-friendly products.

15. Future Trends Of Consumer Behavior:-

Some emerging future trends of buying behavior of Indian consumers are:

- 1) The new generation will prefer brands that are launched during their growing up years. They will not prefer brands that are very old in the market. This will make it easier for new brands to cement their place in the market and run successfully.
- 2) The new generation will possess more risk taking capability and their previous generations. They will be willing to try out new careers, new ideas and new ways of doing things.
- 3) Indian consumers will be more logical in their thinking and foreign brands will not only be considered as the standard of quality. Each brand, be it Indian or foreign, will be judged on its merit.
- 4) The middle and lower class consumers' buying behaviour will change and they may behave as if they are rich.
- 5) The contribution of women in decision making will increase with growing number of nuclear families, educated women and working women. The number of middle class working women will rise sharply. This will lead to introduction of women oriented products that may range from insurance products to vocational education.
- 6) Tomorrow's consumer will focus more on technology and credit purchase.
- 7) Number of nuclear families will increase.
- 8) Health care will become very important in the coming years.

Conclusion:

Indian consumers' buying behaviour and their attitude have changed drastically in the recent past. With changing economic situation of India, it's not that only the rich people are spending more and more but in fact it's the great Indian middle class that's thrown caution to the winds and enjoying themselves like never before and are on a spending juggernaut. Brand India is riding high. It's a new mindset at play. Living for the day is the new motto. This translates into spending on a new home, a new car, the latest digital camera, appliances for the kitchen, home decor etc. The change is drastic compared to a generation back where saving for a rainy day was the usual practice. There was a clear line drawn between necessities, which could be counted on the fingertips of one hand, and luxuries. Loans were not forthcoming. Never borrow, never lend was the favourite theme. Banks and credit card companies are vying with each other in offering

loans to customers. The face of changing India is reflected as Airlines, hotels, FMCG companies, auto giants, retail chains, mobile phone companies are all reworking strategies and slashing prices to reach the low-end consumer in rural areas.

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