

A Study on Buying Intentions of Rural Families towards durable goods

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ABSTRACT

The Indian rural market offers plethora of opportunities to durable product manufactures. This paper aims at an empirical research of rural customers in buying intentions of durable goods and particularly to determine the factors influencing the purchase of two wheelers. Underlying the research are a set of hypothesis that have been formulated to include determinants referring to social norms, perceived utility and information search. These hypotheses form the basis of this research and are empirically tested by means of structured equation modeling using PLS software. The results identify social norms as the strongest drivers of buying intentions for purchase of durable products in rural areas.

Keywords : Rural Marketing, Buying behaviour, Structured equation model

1. INTRODUCTION

The Indian rural market with its vast size and heterogeneous demographics offers lot of opportunities to marketers to boost their revenues and also counter 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 around 70% 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 annum adding more than one million new consumers every year.

Rural India accounts for around 50% of volume consumption of Fast Moving Consumers Goods (FMCG).

Industry observers estimate that urban households will grow by 4% while their rural counterparts will grow by 11% by 2009 -10 ,which further implies that if rural income rises by 1% 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.

2. NEED AND IMPORTANCE OF THE STUDY

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 behaviour is not only important for the producer but also for all the other members in the chain. The consumer buying behaviour model which is

**Table. 1 Penetration of consumer durables:
 (no of households owning)**

YEAR	1995-96	2001-02	2005-06	2009-10 (projected)
Cars	16.1	30.0	50.2	91.4
Motor Cycle	29.3	70.8	147.6	282.6
Color TV	72	145.6	213	314
Referegirtor	86.1	134	160.7	224.9
White Goods	149.4	247.1	319.1	451.7

Source : NCAER 2002 report

**Table 2 -RURAL DEMAND- CONSUMER
 DURABLES (% OF ALL INDIA)**

	1995-95	2001-02	2009-10 (prjctd)
Scooters	33.1	39.4	39.9
Motorcycles	47.3	39.8	48.3
Mopeds	52.7	58.2	57.7
Cars	2.1	8	10.9
Automotives	37.9	36	37.9
Televisions	54	54.5	44.2
White Goods	23.8	23.9	23.7
Fans	50	56.9	56.7

Source : NCAER 2002 report

been adopted in India are 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 intentions model for rural Indian environment. This report attempts to find out rural consumer buying intentions which will actually lead to actual purchase of products in rural markets of Tamil Nadu.

3. LITERATURE REVIEW

Literature and theory review

A number of studies have been undertaken to identify the impact of various demographic factors like income, occupation, age, etc on consumer buying behaviour but very few research have assessed the role played by various rural family members in the purchase of durable products.

The study by Robert T Green and Isabella C M Cunningham examines that Feminine role perception and family purchasing decisions. The study reveals that, the husband has traditionally been dominant

economic decision maker in the traditional families. The sample used by the study consisted of 257 randomly selected married women and where administered with a questionnaire. There where ten products used in the study which includes major appliances, furniture, groceries , vacation etc . The findings where purchase decisions related to groceries are wife dominated for liberal, moderates and conservatives while decisions relating to life insurance are husband dominated , finally housing decisions tend to be jointly made by all three groups.

In a study by Cynthia Webster's Study(1994) relating to the effects of Hispanics Ethnic Identification on Marital Roles in the Purchase Decision process the conclusions were drawn with regard to the traditional role specialization and purchase behaviour. Traditional role affects, which spouse has dominance with respect to specific products. The husband dominated in purchase decisions for product categories like automobiles, television and insurance. On the other hand the wife dominated in purchase decisions for products related to groceries, appliances and washing machine. The relative influence on a purchase decision is higher for a spouse who is highly involved in the purchase and desires that reflect his or her individual interests and preferences.

In a study by Ferber and Lee to find out husband-wife influence in family purchasing behavior, a new concept of a family financial officer(FFO), the family is found to be not homogenous in its financial and purchase behaviour. Further it was found that if the husband is FFO the couple is more to save on income and purchase less automobile products.

Wilkie's measured family influence in four stages 1) problem recognition 2) Search 3) Intention and 4) choice or purchase. His decision process measures the following

- a) Who was responsible for initial problem recognition?
- b) Who was responsible for acquiring

- information about purchase alternatives?
- c) Who made the final decision as to which alternative should be purchased?
- d) Who made the actual purchase of the product?

The husband and wife within families were found to hold similar perceptions about their relative influence for a given phase of the decision process.

In Kashyap’s article on “Bharat Shining” he states that in an urban family the husband, the wife and even the Children are involved in the buying process, but in a village because of lack of mobility among women and having very little contact with the market, the purchase decisions are taken by the men. Further while an urban individual is free to take independent purchase decisions, community level decisions are common in villages because of strong structures, caste considerations and low literacy levels.

According to Gupta, Marketing Director, Videocon International every time a purchase is made there are two kinds of motives behind it 1) the rational and 2) the emotional . Ten years ago, if a family needed a refrigerator at home, it was the man of the house who did the SWOT analysis before purchasing the durables, his decision was rational and final. Almost as many years ago, the decision to buy a shampoo brand was definitely an emotional one. He says definitely there is a change in buying patterns of urban families as well as urban families.

Blackwell Miniard and Engel provide a useful framework for analyzing the consumer purchase process, which they split into seven decision stages: Need Recognition, Search for, Information , Pre-purchase Evaluation of Alternatives, Purchase, Consumption Post-Consumption Evaluation, Divestment

They argue that a consumer decision-making process consists of a series of steps, whilst individuals interact to influence the purchasing decision, within a buying center,

often a family household. During those steps consumers receive and use information in reaching decisions about what actions they will take, whether they will buy, and what they will buy. Blackwell, Miniard and Engel explain the process beginning with recognition of a need, want or desire for a holiday, and subsequently a conscious decision to take action.

Undoubtedly, one of the earliest contributions to understanding the consumer decision-making process was made by John Howard. For almost three decades he defined and refined three major types of problem solving attributed to the consumer purchasing process. Howard categorized these as extended, (EPS), limited (LPS) and routine (RPS) problem solving.

4. OBJECTIVES OF STUDY

The objective of the study is to test a hypothetical model on purchase intentions of durable goods with specific reference to the Tamil Nadu rural consumers.

5. RESEARCH DESIGN AND METHODOLOGY

Since the research aims at describing a particular phenomenon and the study is conclusive in nature , descriptive research is more appropriate for these objectives.

5.1 Sampling Technique: There are about 32 districts in Tamil Nadu, the places taken for the study are rural places in Coimbatore, Salem, Villupuram and Madurai. 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.

5.2 Sample size: 600 samples from four districts comprising of seventy villages in Tamil Nadu.

5.3 Data Sources

5.3.1 Secondary data: Secondary data is

collected from internet, research journals, newspaper articles, NCEAR reports and marketing white book 2006.

5.3.2 Primary data: Structured interview schedule was administered with the primary head of the family The various attributes included for the study are Demographic Characteristics Factors Influencing in purchase of durable goods Testing conceptual model of rural buying behaviour

The research instrument used for deriving rural buying behaviour model is a structured interview schedule with on a five

Table 3: Sample size distribution in four districts

Place of Study	Number of Samples taken for the study	Percentage
Coimbatore	172	28.7
Madurai	145	24.2
Salem	130	21.7
Villupuram	153	25.5
Total	600	100

point rating scale from Strongly agree to strongly disagree with the help of literature review from various journals, The constructs used for the study are:

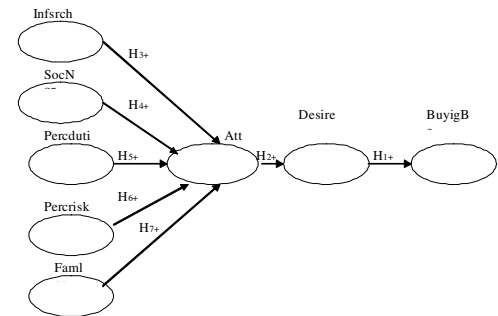
- 1) Buying Intentions, 2) Desire, 3) Attitude,
- 4) Information Search, 5) Perceived Utility,
- 6) Family Orientation, 7) Social Norms, 8) Perceived Risk

6. STATISTICAL TOOLS USED FOR ANALYSIS.

For testing the conceptual model statements containing likert's scales are used for the various constructs. The purification was done using Cronbach's alpha reliability coefficient and a sufficiently reliable scale was arrived. 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 are ascertained, the path model is 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.

7. PROPOSED MODEL FOR RURAL BUYING BEHAVIOR



BuyigB = Buying Intentions	Fishbein and Ajzen(1972)
Desire = Desire	Fishbein and Ajzen(1972)
Att = Attitude	Shimp and Kavas (1984)
Infsrch = Information Search	Ramesh Kumar,Nitya,Madhurja(2007)
SocN = Social Norms	Shimp and Kavas (1984)
Percduti = Perceived utility	Hans, et al (2005)
Percrisk = Perceived Risk	Hans, et al (2005)
Faml = Family	Ramesh, Kumar,Nitya,Madhurja(2007)

Hypothesis for the above conceptual model are

- H1: The more positive attitude towards durable goods the more the desire in purchasing durable goods
- H2: The more positive desire in durable goods the more the behavioral intentions in purchasing durable goods
- H3: The more positive subjective perception of social norms the more positive attitude towards durable goods
- H4: The higher the perceived utility of durable goods the more positive attitude towards durable goods
- H5: The lower the perceived risk of durable goods the more positive attitude towards durable goods
- H6: The better the family orientation in decision the more positive attitude towards purchase of durable goods
- H7: The higher the information search for purchase of durable goods the positive attitude towards in buying the durable goods.

8. RESEARCH FINDINGS:

As shown in above table 4 most of the sample respondents were male member as they are they are the primary earner for the

entire family. Most of them are in age group of 33 to 40 years with secondary school education. Around 46 percentage of them are farmers with an income of Rs 5000 to Rs 10000 per month.

R1 – landlord exposed to Urban environment and posses more than 10 acres of land for agricultural and non agricultural purpose. They also have the durables like tractors, two wheeler, TV, Music System, Cell Phone, Refrigerator and Washing Machine.

R2- Rich Farmers with about 5 acres of land may not be educated but wants children to be educated, they mostly posses the durable goods.

R3- Moderate landholding with 2 5 acres of land, with lot of aspiration to buy new durable goods but wait for a good harvest.

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 Behaviour” (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

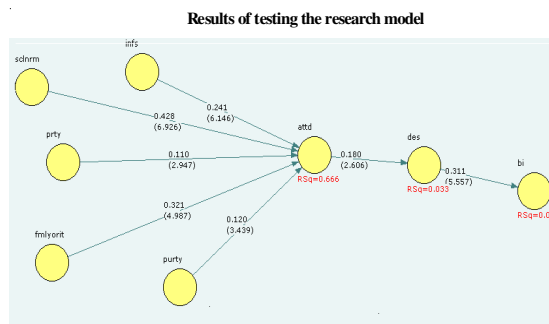
Table 4 : Profile of the respondents

Demographic Characteristics		Frequency	Percentage
Gender:	Male	533	88.2
	Female	76	11.2
Age:	18-25	37	6.2
	26-32	108	18.0
	33-40	159	26.5
	41-48	143	23.8
	49-56	113	18.8
	57-64	40	6.7
Education:	Illiterate	22	3.7
	School up to 4std	29	4.8
	School 5-9 std	78	13.0
	SSC/HSC	353	58.8
	Graduate	109	18.2
	Post Graduate	9	1.5
Occupation:	Land Cultivators(farmer)	278	46.3
	Agri. and non agri labourers	67	11.2
	Salary earners(teachers and govt staff)	64	10.7
	Artisans	7	1.2
	Petty shop keepers	26	4.3
	Allied Agri Farmers(Poultry and goat rearing)	22	3.7
	Agri Businessman	136	22.7
Monthly Income:	Less than Rs 5000	108	18.0
	5001 – 10000	236	39.3
	10001-15000	142	23.7
	15001-20000	79	13.2
	20001-25000	16	2.7
	25000 and above	19	3.2

Table 4 :
Profile of the respondents based on Rural Socio Economic Classification

Socio Economic Classification	Frequency	Percentage
R1	80	13.3
R2	163	27.2
R3	357	59.5

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)



9. CONCLUSION

1) 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

a 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.

2) 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 a high loadings which is grouped by factor analysis.

3) The empirical results prove the validity of the Theory of Reasoned Action for research in rural areas. The results also imply that social norms and family orientation have a strong influence on positive attitude in durable goods decision making. The study also shows that perceived utility and perceived risk has a moderate influence in creating a positive attitude, though its significant. The model proposes a direct influence of cultural values in purchase of durable products and thus provides new avenues for creating constructs in rural behaviours.

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