

Determinants of Consumer Behavior towards Durable Goods

A case study of Home Appliances

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Abstract

Consumer behaviour in the real world often differs from that predicted by economics and policy. Drawing together evidence from behavioural economics and marketing, this project sought to explore consumer behaviour relating to the purchasing of environmentally-preferable products. Contrary to the belief of many economists, consumers very rarely weigh-up the full costs and benefits of their purchasing decisions. Instead, they are strongly influenced by emotional factors, the behaviour of other people, by habits, and by the use of mental short-cuts, which all help to speed up decision-making. Rather than being consistent, consumer preferences have also been shown to be inconsistent, changing over time and according to the situation and the way in which information is presented, the present study tried to map out the consumer behaviour towards durable goods procurement as the nourishment of economy enhance the purchasing power of the people not only in urban areas but peri-urban and rural areas so the present study would propel to understand the factors influence the consumer behaviour of the towards durable goods consumption, for the purpose of the study 100 samples were selected from kanchipuram district, the study found that socio, economic, cultural factors have strong influence on consumer behaviour towards durable goods procurement.

Introduction

Consumption is the soul and the purpose of all production. So Peter Drucker was apt in saying, 'it is the consumer who determines what the business is'. A consumer is one who does some physical activities and deliberates to take decisions concerning purchase and to dispose of on to evaluate products and services. Consumer behaviour reflects the totality of consumer's decisions with respect to acquisition, consumption and disposition of goods, services, time and idea by (human) decision making units (over time). It also includes whether, why, when, where, how, how much and how often and how long consumer will use or dispose of an offering. The markets are customer driven these days and the target of all marketing activities is consumers. To understand the consumers, are not easy jobs as his behaviour is mostly unique and unpredictable. This has made the firms to step into the shoes of the customers and understands from his point of view selection and purchase of products and services. There has been a number component which influences the consumer

to opt for the particular products which includes various forms of advertisement. The present study tried to map out the determinants of consumer behaviour to procure the durable goods in Kanchipuram district in order to understand the nuances in consumer behaviour in peri-urban areas.

Thematic description of Consumer

A consumer is anyone who typically engages in any one or all of the activities mentioned in the definition. Traditionally, consumers have been defined very strictly in terms of economic goods and services wherein a monetary exchange is involved. This concept, over a period of time, has been broadened. Some scholars also include goods and services where a monetary transaction is not involved and thus the users of the services of voluntary organizations are also thought of as consumers. This means that organizations such as UNICEF, CRY, or political groups can view their public as “consumers. The term consumer is used for both personal consumers and organizational consumers and represents two different kinds of consuming entities. The personal consumer buys goods and services for her or his personal use (such as cigarettes or haircut), or for household consumption (such as sugar, furniture, telephone service etc.), or for just one member of the family (such as a pair of shoes for the son), or a birthday present for a friend (such as a pen set). In all these instances, the goods are bought for final use, referred as “end users’ or “ultimate consumers. “The other category of consumer is the organizational consumer, which includes profit and not-for-profit organizations. Government agencies and institutions (such as local or state government, schools, hospitals etc.) buy products, equipment and services required for running these organizations. Manufacturing firms buy raw materials to produce and sell their own goods. They buy advertising services to communicate with their customers. Similarly, advertising service companies buy equipment to provide services they sell. Government agencies buy office products needed for everyday operations. The focus of this book is on studying behaviours of individual consumers, groups and organizations who buy products, services, ideas, or experiences etc. for personal, household, or organizational use to satisfy their needs. Anyone who regularly makes purchases from a store or a company is termed as “customer” of that store or the company.

Development of Consumer Behaviour arena

For a variety of reasons, the study of consumer behaviour has developed as an important and separate branch in marketing discipline. Scholars of marketing had observed that consumers did not always behave as suggested by economic theory. The size of the consumer market in all the developed and rapidly developing economies of the world was extensive. A huge population of consumers was spending large sums of money on goods and services. Besides this, consumer preferences were shifting and becoming highly diversified. Even in case of industrial markets, where the need for goods and services is generally more homogenous, buyers’ preferences were becoming diversified and they too were exhibiting less predictable purchase behaviour. Marketing researchers involved in studying the buying behaviour of consumers soon appreciated

the fact that though there were many similarities, consumers were not all alike. There were those who used products currently in vogue while many consumers did not like using “me too” types of products and showed a preference for highly differentiated products that they felt met their special needs and reflected their personalities and life styles. These findings led to the development of market segmentation concept, which required dividing the total heterogeneous but potential market into relatively smaller homogenous groups or segments for which they could design a specific marketing mix. They also used positioning techniques and developed promotional programmes to vary the image of their products, so that they were perceived as a better means to satisfying the specific needs of certain segments of consumers. Other important factors that contributed to the development of consumer behaviour as a marketing discipline include shorter product life cycles, increased environmental concerns, interest in consumer protection, growth of services marketing, opening up of international markets and the development of computers and sophisticated techniques of statistical analysis. Routine problems are those where the difference between actual and desired states is expected to be felt and would call for immediate solution. For instance, convenience goods of everyday use are associated with this category of problem recognition. Both routine and emergency problems stimulate purchases of goods and services with a minimum time lag between purchase and actual consumption. Emergency problems are possible but are unexpected and necessarily need immediate solutions. For example, say a consumer meets an accident while on his/her way to office, gets injured and the vehicle is badly damaged. In such an emergency, she/he needs a quick solution to reach a hospital’s emergency room. Consumer behaviour was a relatively new field of study during the second half of the 1960s without a history or research of its own. It is in fact a subset of human behaviour and it is often difficult to draw a distinct line between consumer-related behaviour and other aspects of human behaviour. The discipline of consumer behaviour has borrowed heavily from concepts developed in other disciplines of study such as psychology, sociology, social psychology, cultural anthropology and economics. The marketing concept was accepted and adopted by a large number of companies in the developed countries, particularly the United States and this provided an impetus to study the consumer behaviour. Companies had to engage in extensive marketing research to identify unsatisfied consumer needs. In this process, marketers learnt that consumers were highly complex as individuals and had very different psychological and social needs, quite apart from their survival needs. They also discovered that needs and priorities of different consumer segments differed significantly. They realised that to design products and develop suitable marketing strategies that would satisfy consumer needs, they had to first study consumers and the consumption related behaviour in depth. In this manner, market segmentation and marketing concept paved the way for the application of consumer behaviour principles to marketing strategy.

Syntheses of review of literature

There has been plethora of the studies pertains to determinants of consumer behaviour especially towards procurement of durable goods, advertisement is the prominent factors to procure the durables (Bhawani prasad and Kumari (1987) the customers attitude of replacement of automobiles indicate that “early” replacement buyers are more concerned with styling and image and less concerned with costs than “late” replacement buyers. Moreover, early replacements have higher income but lower levels of academic achievement and occupational status than late replacement (Bayus 2009) apart from the technical issues socio-cultural factors also influence the behaviour of the consumer various cultural and economic factors that affect women's decision making power: urban women, women in nuclear families, educated women, and working women generally have more decision making power than rural women, women in extended families, illiterate women, and unemployed women. in the same line Company or Brand Name, guarantee / warrantee, Price, and After Sales Service are the important factors in purchase of durables. While, sources of important information authorized dealers' shop, technical expert advice, role of TV as media and influence of friends, relatives and neighbors found important in purchase of durables by respondents (Hitesh D. Vyas and Bhavnagar 2010) A comparative study has been carried out to understand how rural and urban consumers buying behavior differ with respect to different types of influences on their buying behavior. The study was based on the sample of 411 (204 from urban and 207 from rural areas) households across the state selected on the basis of non-probability convenience sampling. Three durable goods from three different product categories Television (entertainment product), Refrigerator (home appliance), and an Automobile (two-wheeler, motorcycle and car/jeep) have been selected for study. Overall there are insignificant differences between rural and urban consumers for television and refrigerator. However there are considerable differences in case of automobiles (Jagwinder Singh 2012) even though there has been discrepancy between rural and urban consumption of durable goods in the earlier period but the increase in disposable income is due to the dual income of the nuclear families in the rural areas. Apart from the steady income gains, the financing options and several other hire purchase schemes are found to be major drivers in the Indian consumer industry (K.Malar Mathi 2012) in the new galobalized area Advertisements have great influence in purchasing decision of customers for particular brands. It is a ubiquitously accepted fact that advertisements can bestow special attributes upon a product or service that it may have lacked otherwise. The present study focuses on identifying the influence of advertisements on the consumer behavior and attitude with special reference to consumer durables (Naveen Rai 2013)

Objectives of the study

➤ To investigate the various socio-economic variables on the consumer behaviour towards purchasing durable goods

Data source and methodology

The present study was carried out in Kanchipuram District, with a purpose to investigate consumer behaviour towards purchasing consumer durables and the impact of various sources on decision making of the consumer. The study was conducted in Kanchipuram . 100 Sample was collected with. To measure consumer behaviour standard questionnaire was used. Later the data was coded and fed into computers using SPSS (Statistical Package for Social Sciences) as software for data analysis. The collected data was processed and analyzed with the help of SPSS package; Descriptive Analysis, Multi nominal Regression were used for proving the hypothesis and predicting the basis of analysis.

Analysis

Logistic regression analysis was used to identify the relationships between dependent variable (Consumer behaviour towards durable goods) and independent variables (Persuasion of family members, relatives, advertisement, price, income, and peer group pressure, availability of loans, festival discount, and occasions in home). The logistic regression model is shown as the following form:

$$\ln(p/1-p) = \beta_0 + \beta_i X_i$$

Where p = the probability of resource substitution behavior; $(p/1-p)$ = odds of resource substitution behavior; β_0 = constant; X_i = vector of independent variables; β_i = parameter estimate for the i th independent variable. The logistic regression is powerful in its ability to estimate the individual effects of continuous or categorical independent variables on categorical dependent variables (Wright 1995).

The multinomial logistic regression model used is generally effective where the dependent variable is composed of a polytomous category having multiple choices. The basic concept was generalized from binary logistic regression (Aldrich & Nelson 1984, Hosmer & Lemeshow 2000). In a multinomial logistic regression model, the estimates for the parameter can be identified compared to a baseline category (Long, 1997). In this study, having no willingness to substitute was specified as the baseline category. The multinomial logistic regression model with a baseline category would be expressed as follows:

$$\text{Log}(\pi_i / \pi_I) = \alpha_i + \beta_i x, i = 1, \dots, I-1.$$

The logistic model uses the baseline-category logits with a predictor x . This multinomial logistic regression model can be a useful tool for modeling where the dependent variable is a discrete set of more than two choices (Agresti, 1996). The multinomial logistic regression model used in this study estimates the effect of the individual variables on the consumer behaviour on durable goods in kanchipuram district.

Results

Significant portion of respondents were (73.2%) were male. About 18 percent of the respondents said their annual household income was 5 lakhs or above per annum, and 47.4 percent reported an annual household income between 3 to 5 lakhs. Most Consumers (58%) were between the ages of 31 and 50. Most (90.3%) indicated a willingness to participate to enhance the consumption of durable goods. Only 10.2 percent of the customer interviewed reported that there was no specific aspiration to purchase durable goods rather it is a routine procedure. Most respondents (89.8%) said that there was strong influence of family members to take decision. In more detail, 48.7 percent of the respondents revealed peer group and relatives had more influence; 16.2 percent said salary. Most respondents (59%) also reported there were advertisements and festival bonus which enhance the disposable income thereby persuade the respondents to procure durable goods

.The most frequently identified substitutable consumer activities were salary hike(40.1%), advertisement(32.6%), discount sales (20.3%), peer group pressure (11.0%). The final model specification of was statistically significant ($\chi^2 = 85.817$; $p < 0.0001$). From the results of the multinomial logistic regression analysis in the model, salary, prices and peer group pressure positively influence the consumer behaviour towards procuring durable goods in kanchipuram district and discount sales, relatives were less positively influence the consumer behaviour in the study area.

Results of Multinomial regression

Variables	Coefficient	S.E.	Wald	Df	Sig.	Exp(B)
Consumer behaviour	2.433	85.215	1.581	1	0.005	0.106
Persuasion of family members	0.942	5.462	0.970	1	0.002	2.076
Relatives	1.816	1.557	2.781	1	0.001	1.370
Advertisement	2.701	4.672	3.627	1	0.003	0.202
Price	2.282	3.867	2.715	1	0.074	0.010
Income	2.540	7.741	1.180	1	0.068	1.473
Peer group pressure	0.062	0.031	1.880	1	0.003	1.015
Availability of loans	0.016	0.009	2.347	1	0.002	0.966
Festival discount	0.010	0.007	1.090	1	0.136	0.941
Occasions in home	0.136	1.464	1.596	1	0.005	1.520

Discussion

Multinomial Logistic regression analysis revealed clear pattern of presence grids for each explanatory variable involved in model. Enter method was applied for all nine variables, the variables which were strongly correlated ($P > 0.6$), Based on quality of information, nine variables were utilized to develop a better model fit and also for development of final equation for character farming, The -2 Log Likelihood value and Nagelkerke R^2 were 71.29 and 0.519 respectively, indicating improvement of model fit with inclusion of the above variables and a combined effect of the variables in predicting probability of occurrence. Hosmer and Lemeshow goodness-of-fit test indicated that the obtained model did not differ significantly from null model or expected fit ($\chi^2 = 6.511$, $p = 0.21$). Overall correct prediction rate of the model was 74.2%. Prediction rate for true positives (presence - 1) was 80.2 and it was 58.5% for true negatives (not present -0). The best cut-off level that optimized sensitivity and specificity was at 0.5 .Final analysis at this cut-off point had ten explanatory variables were used to develop final equation,. The explanatory variables used in the final equation collectively accounted for 82% for the explained variables for character framing ($R^2=0.829$)

To better understand consumer behaviour to procure the durable goods, this study used predictors such as specialization, socio-demographic, and constraint variables. Among them, recreation specialization was expected to be an important factor to affect recreationists' future behavior in outdoor recreation research as well as management issues. As such, this study examined the relationship between consumer behavior and three kinds of recreation specialization dimensions, which were divided into behavioral (behavior), cognitive (skill/knowledge), and affective (commitment).As shown in this study, resource substitutability by consumers can be measured by the level of a willingness to substitute the attitude and operation. Results showed all the variables hover the positive effectiveness on the consumption of durable goods was around 90 percent and that only 10 percent of the variables were not effectively influenced the consumption practice of durable goods. The result was consistent, which showed that if the determining factors could influence the aspiration to opt durable goods, most of the consumers (70%) were not willing to substitute other attitude. Since there have been only a few previous studies dealing with resource substitutability in consumption pattern, However, we know that many studies regarding substitution have been concentrated on recreationists' willingness to substitute under some hypothetical condition (substitutability) rather than actual behavioral change in their resources or activities. The multinomial logistic regression model provided sufficient evidence that consumer attitude was closely associated with an individual's willingness to enhance the consumption which means that Persuasion of family members, relatives, advertisement, price, income, peer group pressure, availability of loans, festival discount, occasions in home influence the consumer behavior of the respondents in the studied area.

The multinomial logistic regression using a classification method for the dependent variable would provide a more satisfactory solution compared to other analysis techniques because it not only requires strict assumptions, but enables a direct interpretation of the relationship between independent variables and the dependent variable.

Conclusion

The examination of the consumer behaviour on procurement of durable goods in Kanchipuram district, as the economy grows which unleash the Per capita income of the individuals, escalation of income and the aspirations of the individuals triggered by the various peer group pressure and the advertisement together influence the consumer choice to procure the durable goods, as the procuring potentiality and the aspiration to procure have enhanced the consumption of durable goods, the study unearth the intensity of the various socio, economic and psychological factors on consumer behaviour to procure durable goods, it is also noteworthy that the influence of peer group and other pecuniary factors influence the consumer to procure durable goods in the semi-urban areas as well, This study as pre-research for future research will help various stakeholders (e.g., national or regional agencies, market researchers, product developers, and other related groups) and researchers understand consumer behavior. Additionally, the results of this study suggested that consumer specialization level (behavioral, cognitive, and affective) is closely related to their future behavior pattern, such as recreation substitutability, consumption pattern enhance the overall sales which ultimately results in overall development in the economy, in the changing context in the utilization of home appliances is imperative and useful to the housewives as well as working women, it reduce the tension pressure of the individual and enable them to lead sophisticated life on the other hand purchasing power is also an prominent factor influence the consumers, however, the demonstration effect and group behaviour had significant influence on consumer behaviour towards procurement of durable goods.

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