

# **CHAPTER I**

## **INTRODUCTION**

## CHAPTER - I

### INTRODUCTION

Consumer goods are goods bought by consumers or by members of the public. Consumer goods are classified in to two categories (i) consumer durable and (ii) consumer non-durable i.e. (consumable). "Consumer durable good is a relatively expensive item bought by the public which can be used for several years."<sup>1</sup> Consumable good, "goods which are bought by members of the public and not by companies".<sup>2</sup>

The analysis of the consumer goods sector reveals a comprehensive idea of nature and level of marketing activity in any country. Consumer goods was a Rs. 2,400 crores market in 1960-61, it grew to Rs. 30,000 crores in 1989-90, it has now become a Rs. 50,000 crores market.

Growth of consumer durables <sup>3</sup>			
1970 - 1980	1981 - 1990	1995	1996
5 %	12.8 %	20 %	12 %

1996 has been a year of paradoxes for the whitegoods industry. On the one hand, offtakes slumped unexpectedly, dipping to 12% growth rate from previous year's boom (i.e. 1995) at 20%. Craig Ibsen, Vice President, Electrolux, shrugs off 1996 as mere hiccup : "Growth never comes in a straight line, 1996 is only an aberration." (Brand Equity - The Economic Times, 4-10 Dec. 1996).

Besides the jump, the consumer goods has also witnessed a great enlargement of the range of products on sale. A number of new products in durable as well as non-durable categories, which were non-existent in Indian market, have now become a part of the regular base. In addition, many of the older products acquired new strengths and new marketing dimensions. TV Sets, Audio Systems, VCR, Two Wheeler, Cars, Refrigerators, Vacuum Cleaners and other household appliances have been some most rapidly growing product groups of this period. Today, the consumer goods market of India includes practically all the products and services that are used by the "consumption communities" of the affluent world. Infact, the progression from traditional goods to sophisticated and modern goods has been the most striking

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1 A Ivanovic MBA edited by P.H. Collin, "Dictionary of Marketing", Universal Book Stall, New Delhi

2 A Ivanovic MBA edited by P.H. Collin, "Dictionary of Marketing", Universal Book Stall, New Delhi.

3 Ramaswamy V.S. and S. Nama Kumari (1995), "Marketing Management, Planning, Implementation and Control, The Indian Context", 2nd Edition, Macmillan India Limited, New Delhi.

development in consumer goods sector. This has resulted in a redefinition of the very concept of “essentials” and “non-essentials” and “luxuries”. What was considered a “luxury” by an average Indian a few years ago has in the new context become all “essentials”.

The total ownership of consumer durables among households in the lowest income category shows a sharp increase in virtually all products between 1989-90 to 1993-94. The majority of products of consumer durables are owned by 30 million households. Among consumables most are purchased by up to 90 million households. This translates in to a consuming population ranging between 168 million for durables and 504 million people for consumable.<sup>4</sup>

The ownership pattern of consumer durables can be understood from the following tables.

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<sup>4</sup> Business Today - 1996, Volume - 5 No.4

**Table 1.1**  
**Purchases of Durable Products - Total**

(Million)

Products	Unit	1985-86	1986-87	1987-88	1989-90	1992-93	1993-94
Bicycles	000	4700.00	5100.00	5600.00	5692.00	7077.74	8130.67
Mopeds	000	429.00	427.00	434.00	500.00	405.14	449.20
Scooters	000	480.00	622.00	567.00	718.00	729.86	840.25
Motorcycles	000	199.00	226.00	255.00	340.00	357.59	435.87
B&W TVs (S&R)	Million	1.40	1.90	2.50	4.00	3.39	3.90
Color TVs (S&R)	Million	0.60	0.90	1.10	1.20	0.83	1.28
Cassette Recorders	Million	1.30	2.40	2.12	3.43	5.45	5.88
Radios (Table)	Million	2.50	1.02	0.58	0.55	-	-
Radios (Portable)	Million	3.20	5.70	4.00	5.00	4.73	4.49
VCRs/VCPs	Million	0.08	0.14	0.27	0.42	0.13	0.15
Pressure Cookers	Million	2.20	2.40	2.40	3.10	3.39	3.26
Mixer/Grinders	Million	0.80	1.10	1.30	1.50	1.68	1.75
Refrigerators	Million	0.56	0.49	0.54	1.09	1.19	1.47
Washing Machines	Million	0.11	0.13	0.16	0.29	0.52	0.79
Electric Irons	Million	1.30	1.40	1.50	1.60	2.00	2.36
Ceiling Fans	Million	3.08	3.10	2.80	2.50	4.71	5.21
Table Fans	Million	1.70	1.40	1.50	1.30	2.26	2.74
Pedestal Fans	Million	0.03	0.02	0.02	0.03	-	-
Sewing Machines	Million	0.98	0.79	0.75	0.50	0.55	0.59
Mechanical Wrist Watches	Million	6.20	7.70	8.20	10.90	10.89	10.56
Quartz Wrist Watches	Million	2.50	3.50	4.60	7.30	7.85	8.02
Geysers/ (Storage)	000	-	-	-	76.82	84.18	249.23
Geysers (Instant)	000	-	-	-	120.90	168.45	126.39
Portable Generators	000	-	-	-	31.74	-	-

Source Indian Market Demographics

- Indicates figures not available

From the above table, we can say that the purchases of durable products have significantly gone up in 1993-94 as compared to 1985-86.

Thus the percentage of B&W TVs went up by 178.57% CTVs by 113.33%, Cassette-Recorders by 352.20%, Mixer/Grinder by 118.75%, Refrigerator by 162.5%, Washing Machine by 618.18%, Quartz Wrist Watches by 220.8%, Bicycles by 72.99%, Scooters by 75.05%, Mopeds by 4.70%, Radios (portable) by 40.31%, VCRs/VCPs by 87.5%, Pressure Cookers by 48.18%, Electric Irons by 81.53%, Tables Fans by 61.17%. Mechanical Wrist Watches by 70.32% while the purchase of Sewing Machines has decreased by 39.79%.

**Table 1.2**  
**Ownership of Durable Products – Total**

(Million)

Products	1985-86	1986-87	1987-88	1989-90	1992-93	1993-94
Bicycles	40.70	45.90	49.40	59.23	74.18	77.84
Mopeds	1.90	2.25	2.63	3.36	4.46	4.75
Scooters	2.70	3.30	3.90	5.17	7.31	8.05
Motorcycles	1.50	1.75	2.00	2.54	3.63	4.01
B&W TVs (S&R)	6.08	7.50	10.50	17.76	26.65	29.61
Color TVs (S&R)	1.50	2.40	3.60	5.70	8.58	9.87
Cassette Recorders	6.64	8.82	10.96	17.54	27.51	32.16
Radios (Table)	17.80	10.70	7.10	7.90	-	-
Radios (Portable)	20.80	30.08	37.90	45.90	60.43	63.56
VCRs/VCPs	0.17	0.31	0.63	1.41	1.93	2.10
Pressure Cookers	14.30	16.80	19.20	25.40	33.89	36.04
Mixer/Grinders	4.30	5.40	6.50	9.50	13.98	15.19
Refrigerators	3.34	3.80	4.30	6.40	9.64	10.93
Washing Machines	0.52	0.65	0.80	1.20	2.81	3.61
Electric Irons	9.30	10.70	12.10	15.37	21.04	22.83
Electric Stoves	0.72	0.83	0.91	-	-	-
Kerosene Stoves	24.60	27.57	29.87	-	-	-
Gas Stoves	8.20	9.80	11.44	-	-	-
Air Conditioners	0.13	0.15	0.18	-	-	-
Room Heaters (Blowers)	0.14	0.16	0.17	-	-	-
Room Heaters (Fire Rod)	0.36	0.42	0.48	-	-	-
Ceiling Fans	26.90	30.04	32.80	36.60	45.19	49.60
Table Fans	12.90	14.30	15.50	17.80	22.13	24.26
Pedestal Fans	0.26	0.28	0.29	0.30	-	-
Sewing Machines	12.03	12.50	12.70	13.30	14.68	15.04
Mechanical Wrist Watches	58.40	66.06	71.80	88.72	117.86	127.43
Quartz Wrist Watches	11.80	15.30	28.50	31.57	39.37	46.33
Geysers (Storage)	-	-	-	0.66	0.92	1.17
Geysers (Instant)	-	-	-	0.78	1.31	1.41
Portable Generators	-	-	-	0.17	-	-

Source Indian Market Demographics

‘-’ Indicates figures not available

From the above table, we can see Prominent increase by the ownership of the following consumer durables in 1993-94 as compared to 1985-86.

Ownership of Moped went up by 150%, Scooters by 198%, Motorcycles by 167.33%, B/W TVs by 387%, CTVs by 558%, Cassette-Recorders by 384.33%, Pressure Cookers by 152.02%, Mixer/Grinders by 253.25%, Refrigerators by 227.24%, Washing Machines by 594.23%, VCRs/VCPs by 1135.29%, Electric Irons by 145.48%, Quartz Wrist Watches by 292.62% and Mechanical Wrist Watches by 118.20%.

There is also increase in ownership of Bicycles by 91.25%, Ceiling Fans by 84.38%, Table Fans by 88.06% in 1993-94 as compared to 1985-86.

In order to look in to the future of consumption in India, it is necessary to study potential market for consumer durables. Information on how this market has been growing in total terms and for selected consumers durables is useful to help

understand it and to extract maximum benefits from it. It can also help to develop policies that will help both companies i.e. manufacturers and consumers.

In order to find out future consumption of selected consumer durables, we will have to establish consumption pattern and estimate the consumption of selected consumer durables. For this, we will have to seek information on households and their purchases classified by income, occupation, education, method of finance, their priority, repurchase etc.

✓ The time has come to structure the Indian market according to consumption and not income. We can classify the country's consuming households on the basis of their ownership of consumer durables and consumption of non-durables. Similar level of incomes in different parts of the country do not represent similar levels of purchasing power. The goods and services which people buy as well as their prices vary a great deal around the country. That is why we prefer to conceptualize the structure of the market on the basis of consumption rather than merely incomes. The total ownership of consumer durables among households in the lowest category shows sharp increase in all products between 1980-90 and 1993-94. This holds considerable implications about changing aspirations for all companies looking at Indian market.

Mr. S.L. Rao, Director-General, NCAER observes, "that a market structured around consumption rather than income pattern will enable marketers to understand the real priority of their consumers buying decisions rather than assuming direct-correlation between income levels and demand for specific products."

Mr. Ravikant, Director (Marketing) LML says, "you must now understand when, by whom and why a product is being consumed - and forecast the future consumption of that product as well as related products accordingly".

### **Need and Importance**

#### **Social Economic Scene**

On the social scene, the emergence of a large middle class is perhaps the most significant of all developments from marketing point of view. The middle class is now emerging as the "consumption community" of the country. As the members of this class are better educated and exposed to the life styles of rich, their aspirations have been constantly growing. They often spend more than what they earn at any given point in time to cope with their new social image. Furniture, Fans, Stereo-Music-Systems, TVs, Electric Mixers/Grinders and other modern household appliances have also become essential items for this class.

#### **Socio Cultural Scene**

In addition to the economic factors, socio-cultural and life style factors have also contributed to the rise of middle class. The growth of urbanization is the first

among these factors. Second factor, the break-down of the joint family system and parallel rise of the nuclear family. Third factor, more and more women taking up employment. Fourth factor, domestic help becoming scarce and costly.

These and other similar factors have brought about a new life style among the middle class. They now required several time saving and labour saving conveniences. The increased income now coming from husband and employed wife for example, has made it possible for the family to buy a variety of such conveniences. That a totally new life style has resulted in an explosion in the consumer durable goods market is easily discernible by any observer of the Indian marketing scene.

#### Freedom from Time and Human Energy Consuming Household Chores

It can be seen that these appliances are mostly sold on the basis of

- i) Save time
- ii) Make your jobs easy
- iii) Enjoy the new life style, and,
- iv) High utility value

These blend with life style profile of neo-middle-class woman - whether working woman or housewife. Just as the changes in life styles have exercised their impact on the consumer durables scene, the development of product front have, in their turn, left an equal impact on the life style of Indian middle class.

#### Consumer Durables Market in India

##### Entertainment Electronics

Entertainment electronics is perhaps the most striking example of the high growth in consumer durables in recent years. The first big spurt materialised between mid-seventies and mid-eighties, during this period sale of entertainment electronics has registered a ten-fold increase i.e. from Rs. 103 crs. to Rs. 1045 crs. The trend continued in nineties. The combined market of TVs, VCRs and Audio Systems was Rs. 2500 crs. in 1993-94. World majors like Sony, Akai, Matsushita, Daewoo have all strengthened their presence in the electronic entertainment industry in India<sup>5</sup>.

	Production							
	(in lakhs)				Annual Rate of Growth			ROG (%)
	'93	'94	'95	'96	'94	'95	'96	
B&W TV	41.0	52.0	59.0	60.0	26.8	13.5	1.7	13.5
Color TV	10.7	13.3	18.5	24.0	24.3	39.1	29.7	30.9
VCRS/VCP	6.0	1.0	0.9	4.4	-83.3	-10.0	388.9	-9.8

Source - Business standard Data India March 1998 ROG - Rate of Growth

5 Source : Ramaswamy V.S. and S. Nama Kumari (1995), "Marketing Management, Planning, Implementation and Control, The Indian Context", 2nd Edition, Macmillan India Limited, New Delhi

From the table, it becomes evident that in B&W TVs annual rate of growth has lowered down to 1.7% in 1996 from 26.8% in 1994. While in CTVs and VCRs/VCPs it has been increased to 29.7% in 1996 from 24.3% in 1994 and 388.9% in 1996 from -83.3% in 1994 respectively.

#### **Refrigerators**

By the beginning of nineties, Refrigerators, constituted a Rs. 1200 crs. business in India. The industries of Refrigerators in the country increased from 2.8 lakh units in 1980 to 14 lakh units in 1990, and at a compound annual growth rate of 16%. New players like Videocon and BPL entered the market, existing players introduced new models, they also went in for expansion. Most importantly four international companies i.e. GE appliances, Whirlpool, Matsushita and Sanyo started competing in the Indian Refrigerator market. Another giant Swedish Electrolux also started competing in Indian Market.

#### **Washing Machines**

Washing Machines have become an essential fixture in Indian middle class homes in the nineties, just as Mixers and Refrigerators. Today there are nearly 20 brands of Washing Machine in the market with a new investment of over Rs. 250 crs., the Indian Washing Machine industry is entering a highly competitive phase. IFB, Sumeet, Intron, Onida and TVS (Whirlpool) are out to catch up with the market leaders Videocon and BPL.

#### **Other Durables**

Besides Refrigerators, Washing Machines, the durable boom of the nineties also embraced products like Microwave Ovens, Air Coolers, Air Conditioners, Vacuum Cleaners. In Vacuum Cleaners e.g. besides the well established Eureka Forbes, a number of new players became active by early nineties. BPL Sanyo became a leading player.

#### **Cars**

The Passenger Car industry of India is on a path of growth and technological change. The liberalization of the nineties, the Passenger Car industry has been going through a much more significant phase of change. World giants like General Motors, Mercedes, Toyota, Honda, Mitsubishi have worked out tie-ups with local Passenger Car firms and because of that today country is being flooded with a variety of models of Passenger Car e.g. Telco tied up with Benz and Honda, DCM Toyota with Daewoo and Eicher with Volkswagen. While 80's witnessed a revolution in the Two Wheeler industry, the 90's are poised to witness a major change in the Passenger Car industry.



During 1997-98 Car sales increased by 5.2 percent. However, this growth was much lower than that achieved during 1993-94 to 1996-97. Despite heavy discounts and interest - free loan facilities, Car sales failed to pickup as per expected.

In 1996-97, Maruti Udyog with a 80.3 percent share, Hindustan Motors 6.3 percent, Daewoo Motors with 4.1 percent and Mahindra Automobile 2.5 percent made up the Car market.

Production												
	(Unit : Nos.)						Annual Sale of Growth (%)					ROG (%)
	'92-'93	'93-'94	'94-'95	'95-'96	'96-'97	'97-'98	'93-'94	'94-'95	'95-'96	'96-'97	'97-'98	
Cars	163100	209695	264368	348240	404040	333371	28.6	26.1	31.7	16.0	-0.1	25.5
Sales												
Cars	164819	210672	264803	345340	411305	343268	27.8	25.7	30.4	19.1	5.2	25.7

Source Business Standard Data India Volume II, issue I, March 1998 ROG : Rate to Growth

## Two Wheelers

Two Wheelers account for almost 80% of the total automobile output and within the Two Wheeler industry, Scooters form a chunk of 50%. India's Two Wheeler industry is now second largest in the world. The production of Two Wheelers in the country was over 18 lakhs units in 1993-94. In the Motorcycle segment, Honda, Escorts, Bajaj auto and TVS Suzuki are the major players. In the moped segment Kinetic Engineering and Bajaj Auto are the market leaders. In Scooter segment the leading players are Bajaj Auto, LML and Kinetic Honda, with Bajaj holding over-whelming share of the market.

During 1997-98, output of Two Wheelers increased by 1.1 percent i.e. 25.19 lakh nos., where as sales increased by 2.7 percent i.e. 25.09 lakh nos. Negative growth was seen in the sale of Scooters and Mopeds. However, the Motorcycle segment defied the downtrend to report a growth of 15 percent. The composition of the Two Wheeler segment shows that in 1992-93, Scooters accounted for 47%, Motorcycles 25% and Mopeds 28% of the total sales. In 1996-97, these percentages stood at 44, 33 and 23 respectively (Business Standard, Data India, Vol. II, Issue I, March 1998).

In 1996-97, in the Two Wheeler segment, Bajaj Auto leads with a share of 36.6 percent followed by TVS Suzuki 17.3 percent, LML 9.3 percent, Hero Honda 9.1 percent and Escorts 8 percent.<sup>6</sup>

<sup>6</sup> Ramaswamy V.S. and S. Nama Kumari (1995), "Marketing Management, Planning, Implementation and Control, The Indian Context", 2nd Edition, Macmillan India Limited, New Delhi.

The following table shows purchase of durable products, region wise.

**Table 1.3**  
Purchases of Durable Products-Regional Share

(Percent)					
Products	Regions				
	Year	North	South	East	West
Bicycles	1985-86	31	16	40	13
	1986-87	38	14	36	12
	1987-88	31	23	33	13
	1989-90	31	23	32	13
	1992-93	35	20	29	16
	1993-94	35	20	29	16
Mopeds	1985-86	23	32	15	30
	1986-87	26	30	15	29
	1987-88	27	27	19	17
	1989-90	25	42	7	26
	1992-93	27	42	4	27
	1993-94	19	47	5	26
Scooters	1985-86	34	22	17	27
	1986-87	37	20	15	28
	1987-88	35	23	17	25
	1989-90	42	20	11	27
	1992-93	48	19	9	24
	1993-94	46	18	9	27
Motorcycles	1985-86	40	22	12	26
	1986-87	31	17	13	39
	1987-88	25	30	18	27
	1989-90	31	23	17	29
	1992-93	29	26	16	29
	1993-94	25	30	10	35
B&W TVs (S&R)	1985-86	33	18	15	34
	1986-87	28	25	20	27
	1987-88	29	31	17	23
	1989-90	30	30	21	19
	1992-93	35	24	23	18
	1993-94	24	38	17	21

(Percent)

Products	Regions				
	Year	North	South	East	West
Color TVs (S&R)	1985-86	13	31	12	44
	1986-87	9	39	8	44
	1987-88	11	48	6	35
	1989-90	16	45	9	30
	1992-93	14	45	8	33
	1993-94	17	41	11	31
Cassette Recorders	1985-86	21	30	22	27
	1986-87	23	28	23	26
	1987-88	27	29	19	25
	1989-90	27	32	16	25
	1992-93	22	35	17	26
	1993-94	24	33	19	24
Radios (Table)	1985-86	26	21	32	21
	1986-87	33	21	30	16
	1987-88	21	32	27	20
	1989-90	33	21	31	15
Radios (Portable)	1985-86	25	21	39	15
	1986-87	29	20	38	13
	1987-88	21	22	43	14
	1989-90	32	22	31	15
	1992-93	33	25	22	20
	1993-94	32	26	23	19
VCRs/VCPs	1985-86	29	23	3	45
	1986-87	33	21	4	42
	1987-88	30	30	5	35
	1989-90	30	34	8	28
	1992-93	27	32	11	28
	1993-94	29	36	12	23
Pressure Cookers	1985-86	31	17	21	31
	1986-87	36	16	23	25
	1987-88	31	16	25	28
	1989-90	33	19	26	22
	1992-93	35	21	23	21
	1993-94	36	18	24	22

(Percent)

Products	Regions				
	Year	North	South	East	West
Mixer/Grinders	1985-86	13	42	2	43
	1986-87	12	43	4	41
	1987-88	11	43	6	40
	1989-90	12	44	7	37
	1992-93	14	40	7	39
	1993-94	14	40	8	38
Refrigerators	1985-86	31	21	10	38
	1986-87	26	19	12	43
	1987-88	22	26	13	39
	1989-90	25	26	13	36
	1992-93	27	27	12	34
	1993-94	26	28	13	33
Washing Machines	1985-86	44	34	8	19
	1986-87	41	31	9	19
	1987-88	44	25	8	23
	1989-90	39	23	8	30
	1992-93	36	28	9	27
	1993-94	35	27	12	26
Electric Fans	1985-86	23	32	16	29
	1986-87	22	35	19	24
	1987-88	16	31	31	22
	1989-90	20	32	28	20
	1992-93	21	34	20	25
	1993-94	22	35	20	23
Electric Stoves	1985-86	8	79	11	2
	1986-87	12	67	15	6
	1987-88	14	58	22	6
Kerosene Stoves	1985-86	25	29	20	26
	1986-87	28	30	22	20
	1987-88	18	24	37	21
Gas Stoves	1985-86	19	40	5	36
	1986-87	33	23	11	33
	1987-88	38	20	10	32
Air Conditioners	1985-86	NE	NE	NE	NE
	1986-87	27	13	12	48
	1987-88	26	8	15	51

(Percent)

Products	Regions				
	Year	North	South	East	West
Room Heaters (Blowers)	1985-86	83	8	0	9
	1986-87	85	1	7	7
	1987-88	52	1	37	10
Room Heaters (Fire Rod)	1985-86	96	1	3	0
	1986-87	74	0	16	10
	1987-88	64	0	16	20
Ceiling Fans	1985-86	22	32	16	30
	1986-87	22	36	11	31
	1987-88	18	37	18	27
	1989-90	23	38	12	27
	1992-93	27	36	10	27
	1993-94	26	35	11	28
Table Fans	1985-86	26	29	21	24
	1986-87	38	28	12	22
	1987-88	29	28	18	25
	1989-90	35	27	16	22
	1992-93	37	26	13	24
	1993-94	36	25	15	24
Pedestal Fans	1985-86	28	22	12	38
	1986-87	27	10	7	56
	1987-88	29	15	8	48
	1989-90	21	8	12	19
Sewing Machines	1985-86	38	18	15	29
	1986-87	38	23	13	26
	1987-88	30	25	21	24
	1989-90	51	16	10	23
	1992-93	43	24	11	22
	1993-94	43	24	11	22
Mechanical Wrist Watches	1985-86	31	18	33	18
	1986-87	36	18	32	14
	1987-88	28	22	35	15
	1989-90	32	24	30	14
	1992-93	55	14	17	14
	1993-94	41	20	26	13

(Percent)					
Products	Regions				
	Year	North	South	East	West
Quartz Wrist Watches	1985-86	21	25	20	34
	1986-87	26	19	22	33
	1987-88	27	26	17	30
	1989-90	31	28	19	22
	1992-93	27	31	15	27
	1993-94	26	31	15	28
Geysers (Storage)	1985-86	59	16	5	20
	1986-87	60	16	7	18
	1987-88	55	19	9	17
Geysers (Instant)	1985-86	24	17	4	55
	1986-87	21	21	8	50
	1987-88	5	19	11	65
Portable Generators	1989-90	18	13	61	8

Source Indian Market Demographics

### **Regional Share**

#### **Bicycles**

From the table we can see that purchases of Bicycle has increased 4% in North, 4% in South, and 3% in the West. While it has gone down by 11% in East in 1993-94 as compared to 1985-86.

#### **Mopeds**

Purchase of Mopeds in 1993-94 has gone down by 4% as compared to 1985-86 in North, by 10% in East and by 1% in West. While it has gone up by 15% in South.

#### **Scooters**

Purchases of Scooters have gone up by 12% in 1993-94 as compared to 1983-84 in North. While it has decreased by 4% in South and by 8% in East. In West there is no change as far as purchases are concerned.

#### **Motorcycles**

In North, the purchases have reduced by 15% in 1993-94 as compared to 1985-86. It has gone down by 2% in East. While it has gone up by 8% in south and by 9% in West.

### **B/W TVs**

The purchases of B/W TVs have gone down by 9% in North and by 13% in West in 1993-94 as compared to 1985-86. While it has increased by 20% in South and by 2% in East.

### **CTVs**

The purchases of CTVs have gone up by 4% in North, by 10% in South in 1993-94 as compared to 1985-86. While it has gone down by 1% in East and by 13% in West.

### **Cassette Recorders**

In 1993-94 as compared to 1985-86, the purchases in North and South have increased by 3% each. While it has decreased by 3% each in East and West.

### **Radio Portable**

Purchases have risen by 7% in North, 5% in South and 4% in West in 1993-94 as compared to 1985-86. While it has gone down by 16% in East.

### **VCRs/VCPs**

Purchases have increased in South and East by 13% and 9% respectively in 1993-94 as compared to 1985-86. It has gone down by 22% in West, while it has remained at the same level in North.

### **Pressure Cookers**

In North, South and East, purchases have increased by 5%, 1%, and 3% respectively in 1993-94 as compared to 1985-86. While it has gone down by 9% in West.

### **Mixer/Grinder**

The purchases have gone up in North and East by 1% and 6% respectively in 1993-94 as compared to 1985-86. While it has gone down in South and West by 2% and 7% respectively.

### **Refrigerators**

Purchases have increased by 7% and 3% respectively in South and East in 1993-94 as compared to 1985-86. While it has gone down by 5% each in North and West.

### **Washing Machines**

Purchases have gone up by 4% and 7% in East and West respectively in 1993-94 as compared to 1985-86. But it has gone down by 9% and 7% in North and South respectively.

### Electric Irons

Purchases have decreased by 1% and 6% in North and West respectively in 1993-94 as compared to 1985-86. While it has gone up by 3% and 4% in South and East respectively.

### Ceiling Fans

In North and South, the purchases of ceiling fans have risen by 4% and 3% respectively in 1993-94 as compared to 1985-86. But it has gone down by 5% and 2% in East and West respectively.

### Table Fans

Purchases have gone up in North by 10% in 1993-94 as compared to 1985-86. But it has gone down by 4% and 6% in South and East respectively. While in West it has remained at the same level.

### Sewing Machines

In North and South, the purchases have gone up by 5% and 6% respectively in 1993-94 as compared to 1985-86. While it has gone down by 4% and 7% in East and West respectively.

### Mechanical Wrist Watches

Purchases have gone up by 10% and 2% in North and South respectively, while it has gone down by 7% and 5% in East and West respectively in 1993-94 as compared to 1985-86.

### Quartz Wrist Watches

Purchases have risen by 5% and 6% in North and South respectively, while it has declined by 5% and 6% in East and West respectively, in 1993-94 as compared to 1985-86.

Another striking fact is the dominance of North in purchase of many consumer durables like Scooters, Washing Machines etc, if we compare 1993-94 purchases of durable products among different regions. The life style in North appears to be more amenable to purchasing of consumer durables than other regions. The next in purchase is West followed by South, which comes ahead for products like Mopeds, CTVs, Cassette Recorders, Mixer/Grinders, Electric Irons and Ceiling fans, not very high in capital investment but products offering convenience, comfort and entertainment.



## Rationale of the Study

The motivation for studying consumer durables arose because (i) consumer purchases of durables are often outlays of choice that are not inevitably necessary, not habitual and made on the spur of the moment compared to expenditure on most fast moving products that are habitual and almost contractual in nature.<sup>7</sup> Thus a study of consumer durables would provide an understanding of discretionary consumption behaviour. (ii) Consumer durables have grown in importance as an item of consumer expenditure world wide.<sup>8</sup> Thus consumer durables constitute an important product category. However, there is very limited amount of research in context of durables. As Myers et al (1980) observed, “we know the least about the most important products that the consumers buy”.<sup>9</sup> In view of the growth in the volume of production and the constant proliferation of a variety of new consumer durables world wide<sup>10</sup> and also in India, demographic/socio-economic research in the context of durables would provide useful inputs in to marketing decisions pertaining to new product development, future projection and overall marketing strategic planning. However, from the point of view of research in marketing in India, Bhandari (1987) pointed out the urgent need for the research in the area of consumer classification and segmentation and its relationship with demographic/socio-economic and psychological factors influencing consumer behaviour to enable the development of sound approaches to market segmentation and to facilitate a better understanding of consumer behaviour in India.<sup>11</sup>

✓ In the last decade, and particularly in the last seven years, there has been an outstanding performance in the consumer durables industry in India from both points i.e. volume and variety of products. Moreover, consumer expenditure on durables is expected to grow in the near future according to Market Information Survey of Households (MISH) Carried out by the National Council of Applied Economic Research. (Bhatty, 1987)

GE Capital India, a subsidiary of GE Capital of USA, a unit of General Electric Group and one of the largest financial service companies in the world with assets exceeding \$ 200 billion, has setup two consumer finance companies in India, (i) in collaboration with Godrej and (ii) with HDFC. This new venture finances all types

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7 Bhatty, I.Z. (1987), “Trends in Consumption Behaviour in India and Projection of Consumption Expenditure for 2000 A.D.”, New Delhi : NCAER, p. 71.

8 Freedman, Deborah S. (1970). “The Role of Consumption of Modern Durables in Economic Development”. Economic Development and Cultural Change, Oct, 25-48.

9 Myers, John G., William F. Massy and Stephen A. Greyser (1980), “Marketing Research and Knowledge Development : An Assessment for Marketing Management”, Engelwood Cliffs Prentice Hall Inc.

10 Berry, Leonard (1979), “The Time-Buying Consumer”, JMR, 55, 4, 58-69.

11 Bhandari, Labdhi R. (1987). “Research on Marketing in India : A Survey”, Paper presented at the national symposium on management research at I.I.M., A’bad

of consumer durables. The GE's second consumer finance joint venture with HDFC is named 'Countrywide' consumer financial services which handles personal finance of consumer's buying consumer goods like TV, Refrigerator, Washing Machine, air conditioner and Car. This has provoked the idea that how consumer durables market in totality we have to think, and study. We are trying to provide a stepping stone over which the future study can be based.

With economic reforms and liberalization, marketing will promote India's economic development with increased momentum. With the growth of the society, demand for consumer goods will certainly increase. The new policies and measures have resulted in to significant development that a high degree of encouragement has become available to consumer goods. In the earlier years, the Govt. laid greater emphasis on basic and heavy industries, now consumer goods have gained their due importance. In order to capture the high demand for consumer goods, MNC's have entered in to many areas like Cars, computers, white goods, power and telecom.

Generally, marketing in any economy activates the production-consumption chain. Actually it makes production happen, it also generates profits, and when profits are ploughed back in to additional production, the cycle continues with increased vigour. Marketing also takes a whole nation to higher levels of consumption by inducing individuals to consume more. With growth in income, money is supposed to analyse corresponding increase in marginal rate of saving and marginal rate of consumption.

At a point of time,  $\text{Income} - \text{Saving} = \text{Consumption}$ , for all consumers. This consumer expenditure is divided in to two parts.

- i) Expenditure on consumer durable goods.
- ii) Expenditure on non-consumer durable goods.

Households consumption of essential commodities of a given small and steady family size would certainly remain stable, assuming that rate of inflation has remained stable i.e. expenditure on essential commodities would remain stable.

Now if a society is more savings oriented than entire consumer market demand has to be supplemented by well developed financial sector.

If one looks at the growth of Indian economy for the last 50 years, one might have observed that in terms of rate of savings, Indian economy ranks very high compared to other countries. It is one of the first five countries in the world. Looking to high saving rate and the supply of more and more variety of consumer durables in the market, which is an outcome of economy liberalization, poses a serious challenge for this industry in terms of creating market. This development has exposed the weaknesses of companies who were till now in a near monopoly situation, with customers at their mercy in all matters. for priority to quality and availability. Now,

the companies will face a challenge on all these products. Because of the growth and liberalization, awareness and the need for all consumer durables have been generated in the minds of consumer i.e. households.

That is to say that willingness to pay is already increasing for consumer durables in our country. But the ability to pay has to be supplemented through policy. The growth of banks, co-operative banks, NBFC ultimately reflects their roles in financing consumer durables purchases.

Our development process and policy has posed two fundamental problems.

- i) Households because of the high interest rate offered by different institution and financial assets are induced to save more.
- ii) The cost of lending so far as financing of consumer durables are concerned is reasonably high.

Because of these two reasons, most of the households try to postpone their buying of consumer durables.

Another important factor is 'energy cost' namely petrol and electricity, which also comparatively very high like other countries in the world.

Now looking to these problems, one must try and analyse the demand for consumer durables by considering a larger canvas of all consumer durables in the analysis. Our endeavor is very simple and we want to establish one fact that consumers give priority to their demand for consumer durables and also for their repurchase decisions. So one can say that at a given point of time and also over a period of time, all households become potential buyers for all consumer durables. Marketers of these consumer durables are under wrong impression that they are catering different segments of markets.

One must stress a point here that a marketer needs to know relationships of different consumer durables and also the priorities of consumer durables.

As a marketer, one must make a serious attempt to convince the consumer to put his/her product in his priority list at the upper level. We are going to conduct a consumer survey and try to analyse the emanating data pattern, keeping in view the households dilemma namely, high saving rate, high cost of consumer credit and high energy cost.

One can summarize the rationale of the study by saying that, we are going to analyse households buying behaviour in terms of consumer durables.

## **Objectives**

This study has the following objectives.

1. To analyse buying behaviour of consumers with respect to consumer durables.
2. To estimate the potential demand for various consumer durables in Baroda city.
3. To analyse the effectiveness of various media in creating demand for branded products.
4. To analyse consumer preferences for various branded consumer durables.
5. To analyse the role played by non-banking financial intermediaries in financing the demand for consumer durables.

## **Research Methodology**

### **Sample Plan**

Stratified Random Sampling was used in order to analyse selected consumer durables market of Baroda city.

The sample size of this study is 300 households of Baroda city. The households are divided on the basis of occupation in to three categories, namely

- i) Services class
- ii) Professional class
- and iii) Business class.

All categories have been given equal weightage. Respondents selected from each above mentioned classes are equal i.e. 100 from each class.

### **Data Source**

In order to analyse the selected consumer durables market of Baroda city, both sources i.e. primary source as well as secondary source have been used.

*Primary Source* :- Data are collected from total 300 households for this study, i.e. Respondents.

*Secondary Source* :- Data are also presented in this study from journal, magazines, news-papers and various books on marketing.

### **Research Approach**

Data from 300 households have been collected through questionnaire.

### **Research Tool**

A structured questionnaire is prepared in order to collect information. The questionnaire deals with major four areas, as follow,

- 1) Personal information like, name, address, age, occupation, size of the family, educational qualifications, total no. of earning members, total monthly income, education of family members, own house, rental house, age of family members and LIC & Medical (health) insurance of family members.
- 2) Products i.e. selected consumer durables, how many of these consumers or respondents already possess ? For what durables they have desire to purchase ? Whether they would be buying in near future ? Whether they plan to repurchase or replace some of the selected consumer durables in near future ? What important features of the products they consider ?
- 3) Time for purchase of these products. Who are influencers ? Who are actual decision takers in order to buy those products ? How much time respondent spend in pre-purchase activities ? From where they get

information for products ? How they prefer to buy these products and why ?

- 4) Type of buying i.e. cash buying or credit buying or both. If it is a credit buying then what are the sources from where they would like to obtain money ? This part will tell us the important role of banks, non-banking financial companies and co-operative banks in purchase of consumer durables.

### Statistical Methods

For analysis purpose, the following methods have been applied.

- i) Mean analysis
- ii) Chi-square test, and,
- iii) Frequency distribution

### Definitions

Definitions of classificatory variables used in this study are as follows,

#### Region

Data are presented only for Baroda City. Baroda Rural is not included in the study.

#### Household

A household is defined as a person or a group of persons, related by blood, marriage or adoption, sharing the same kitchen.

#### Educational Qualification

*Undergraduate* :- Those who are not graduate.

*Graduate* :- All basic or bachelor degree holders.

*Postgraduate and above* :- All master degree holders and further higher degree holders.

#### Number of Earners

Households are classified in to two classes depending upon the number of earners i.e. (i) up to two and (ii) three or more.

#### Income Groups

Household income includes the income of all members of household and from all sources. The following income-groups have been used.

- i) < 10,000 p.m.
- ii) 10,000 - 19,999 p.m.
- iii) 20,000 - 29,999 p.m.
- iv) 30,000 p.m. & above

### Occupation

*Service Class* :- i.e. Salary earner, which includes govt., semi-govt. and private organisations' employees.

*Professional Class* :- Technically qualified persons such as doctors, chartered accountants, lawyers, consultants, architects, who are self employed.

*Businessmen* :- All trading and manufacturing people.

### Mode of Finance

Purchase/acquisitions of durable goods are classified under cash down, hire purchase, loan, gift and on credit Card.

### **Consumer Credit**

Consumer buying behaviour is also influenced by the availability or absence of credit to the consumer. Generally consumer needs exceed the resources available to satisfy them. In such situations the consumer is forced to postpone his purchases till the time resources are available. However, a consumer will be tempted to buy products if these are offered to him on credit. Such consumer credit is a facility offered by the marketer to postpone payment of products purchased to some future date. If credit facility is available to a consumer, there is a tendency to buy more currently.

It would be interesting to analyse the role played by non-banking financial intermediaries in financing the demand for consumer durables.

In the market, consumers get credit finance in order to buy consumer durables

- from
- i) Nationalized Banks.
  - ii) Non-Banking Financial Companies e.g. Country Wide, Anagram Finance, etc. and
  - iii) Co-operative Banks.

In this study, an attempt is made to findout which financial institution plays more important role in financing the demand of consumer durables. It would be very interesting to findout that whether consumers prefer Banks or NBFC for their financial requirements. They are facilitating consumer in removing income constraint for the purchase of consumer durable.



### **Hypothesis to be Tested**

1. Higher the income of a household, lower will be the number of consumer durables possessed by the households.
2. Smaller the size of the family, higher will be the number of consumer durables possessed by the households.
3. Respondents' possession of consumer durables differ significantly in terms of their educational qualification.
4. Different occupation of respondents namely service, business and profession do not matter so long as their possession of consumer durables are concerned.
5. Consumers have a specific time for the purchase of consumer durables.
6. Consumers always buy consumer durables through credit facilities.
7. Consumers do not get consumer durable in the form of a gift.
8. There is no underlying order of acquisition for large set of heterogeneous durables.