

A STUDY ON THE RURAL CONSUMER BUYING BEHAVIOUR IN BIHAR

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ABSTRACT

It is relatively easy to measure what rural consumers buy, where they buy from and how much they buy. Understanding why they buy is the most difficult in rural India and what factors induce them to buy. This study tries to find out the factors responsible for different buying behavior of the rural consumers and how these factors play an important role in the rural consumers buying decision making process. The factors such as family size, product packaging, age, culture, and advertising have an effect on consumers decision making process, where as price is associated to product. Rural consumers are fundamentally different from their urban counterparts. The lower levels of literacy and limited exposure to product and services are well-known, but there are also differences in consumption patterns with a direct impact on income levels and income flows, and a high level of inter-dependency affecting the dynamics of rural consumer behavior. All contribute to make rural consumer behavior dissimilar from the urban consumer. To understand this a survey was conducted and Analytical Hierarchy Process technique was applied to study the interaction of one factor over another. These factors are also prioritized to see the priority of one factor over another.

KEYWORDS: Attributes, Buying behavior, Culture, decision making, rural market.

INTRODUCTION

The national Sample Survey Organization (NSSO) defines rural markets as those areas with fewer than 5,000 residents, a population density less than 400 people per square kilometer and at least 75 percent of male working population employed as agriculturists. Bihar is a densely populated region, with no less than 1102 persons living per sq. km. The economy of Bihar grew at an annual rate of 11.36 percent during the period 2004-05 to 2010-11. This growth process can be termed as revival of a stagnant economy. The growth rate of the state economy in 2010-11 over 2009-10 was 14.8 percent. This was possible because there was substantial increase in public investment. Bihar economy has undergone some structural changes over the years. One of the prime reasons for this is the growth of rural market. Rural incomes have been growing at a faster pace over the past few years, helping to account for almost 40 percent of Bihar's total consumption of goods and services. Non-food expenditures are growing at an 8.2 percent annual compound rate. Rural households are purchasing a wide range of products—cars, mobile, flat-

screen televisions, DTH, bike, hair oil, toothpastes, shampoo, shaving cream, talcum powder — that until recently would have been beyond their reach. Some industrial sectors have seen surprising growth coming from rural consumers. As a result of globalization and liberalization the rural market of Bihar has seen tremendous growth. Like any market that has seen a demand and awareness boom, rural Bihar has been witnessing considerable rise in purchasing power. Rural consumers are buying more health, hygiene, personal grooming, packed foods products reflecting rise in prosperity. A change in consumption patterns and access to communication media have made rural market a vital part in the sales-growth of the companies especially with demand for many categories of products and services saturating in the urban markets. This spurt in rural consumption is what excites policy makers and business leaders alike. For every new opportunity for a villager to use his mobile phone to protect his crops, there is a knock-on opportunity for him to purchase a small refrigerator or a motorcycle. There is a growing realization that global investment and growth will increasingly come from rural populations, as their savings translate into consumption .The increase in rural purchasing power is reflected in many ways.It is relatively easy to measure what rural consumers buy, where they buy from and how much they buy. Understanding why they buy is the most difficult in rural India and what factors induce them to buy. Marketers have to study the consumer response to marketing stimuli regularly and look into the buyer's black box to adapt their marketing strategies to elicit the required response. The main focus of this study is to know the interaction and impact of various factors over one another and the degree of association with the rural consumer buying behavior. The factors considered for this study are price, family size, product packaging, age, culture, and advertising. Additionally this study will mainly address the issues relevant to how price, family size, product packaging, age, culture, and advertising affect consumer psychology and possible change in buying behavior. For this purpose AHP – Analytical Hierarchy Process; Which is a multi criteria decision making (MCDM) approach has been applied to identify the interaction of one factor over another. These factors are also prioritized to see the priority of one factor over another. AHP, developed by Satty in 1980 (Saaty, 1980), is an uncomplicated and realistic multi objective evaluation method widely used for multi object evaluation activities. It is intended for subjective evaluation of a set of alternatives based on multiple criteria prepared in a hierarchical arrangement. At the top level, the criteria are evaluated and at the lower levels, the alternatives are evaluated by each criterion. The evaluation is assessed independently for each level and sublevel subjectively. By creating a pair wise comparison matrix, a subjective evaluation for every pair of items is assessed (Dyer, 1990).

OBJECTIVES OF THIS PAPER

To understand the factors responsible for different buying behavior of the rural consumers.

How these factors play an important role in buying decision

LITERATURE REVIEW

The ORG Survey (2011) indicated that the major items which accounted for about 45-50 percent of the rural market were washing soaps, cleaning materials, toiletries and food and beverage .But the survey also observed that the growth rate was very significant in certain items like cosmetics and toiletries over the period of five years. The growth rate observed in the case of cosmetics indicated that the rural women were not lagging behind their urban counterparts. It also mentions that many rural consumers in rural areas lack the prejudices that make their urban counterparts resistant to change. To some, consumer behavior is synonymous with marketing. Robertson and Kassarian (1991), for example, define consumer behavior as “the scientific study of consumer actions in the marketplace”. However, others view consumer behavior as independent of marketing or any particular discipline. Jacoby (1976), for example, defined consumer behavior as “the acquisition, consumption and disposition of goods, services, time and ideas by decision making units. Arndt (1976) suggested that consumer behavior encompasses the problems encountered by members of society in the acquisition and realization of their standard of living. They are keen to experiment with new products, new services and new process. The psychologists developed the hierarchy of effects model, which proposes that behavior is composed of three dimensions: cognitive, affective and behavioral (Lavidge and Steiner, 1961). The cognitive dimension involves developing awareness and knowledge, the affective component relates to developing feelings and attitudes, and the behavioral dimension involves development of conviction or intention and actual behavior, such as purchase decision making technique. (Lavidge and Steiner, 1961). In the marketing literature, individuals with a high need for cognition have been shown to process and evaluate advertising information more thoroughly than those with a low need for cognition. They tend to be influenced by message relevant thoughts rather than peripheral cues such endorse attractiveness (Haugtvedt and Petty, 1992), spokesperson credibility (Petty and Cacioppo, 1986), humour (Zhang, 1996) or the number of arguments presented (Cacioppo et al., 1983). In an extensive literature review of the subject, Cacioppo et al. (1996) found that individuals with a high need for cognition tended to process information more thoroughly and tended to engage in more extensive information search than those with a low need for cognition. This suggests that individuals with a high need for cognition might use a wide range of information sources, which reduces their relative preference for interpersonal sources. On the other hand, individuals with a low need for cognition are less motivated to gather and process extensive raw information and are more likely to accept already processed information given to them by trusted personal sources. Murray and Schlacter (1990) defined perceived risk as a multi dimensional construct. It represents consumers’ pre purchase uncertainty related to the type and degree of expected loss resulting from the purchase and the use of a product or service. Possible loss categories are financial loss, performance loss, psychological loss, social loss and convenience loss (Arndt, 1967b; Bansal and Voyer, 2000). Past research has consistently recognized perceived risk as a fundamental concept in consumer information search (Arndt, 1967b; Chaudhuri, 2000; Murray and Schlacter, 1990). Arndt, for example, found that ‘to cope with the hazards of buying, consumers tend to develop risk handling strategies. One such strategy would be to seek additional information from a number of sources’ (1967b: 303). Bansal and Voyer (2000) found a negative influence of product expertise on perceived risk, and a positive influence of perceived risk on word of mouth information actively sought.

UNDERSTANDING THE FACTORS FROM RURAL CONSUMER POINT OF VIEW

The State of Bihar with a geographical area of 94.2 thousand square km is divided by river Ganges into two parts, the north Bihar with an area of 53.3 thousand square km, and the south Bihar having an area of 40.9 thousand square km. The percentage of population employed in agricultural production system in Bihar is estimated to be 81%, which is much higher than the national average. As urbanization in the state is still very poor, nearly 90 per cent of the population lives in rural areas. Rural Bihar has undergone a rapid transformation in the last six years. Companies have responded by customizing products for rural consumers like smaller packs(Sachets),coinage pricing etc. Some companies such as HUL, ITC, Tata, Godrej, Eveready etc have innovated new communication and distribution channels. The development of infrastructure leading to better connectivity by road, by phone and access to mass media through television and increased electrification of households has opened up the rural markets for consumer durables. All of these factors have increased purchasing power and the demand for new products. Government focus on poverty alleviation and the rural population has led to significant spending on initiatives. The rural consumer of Bihar is evolving from the deficiency stricken, uneducated stereotypes of the ancient times with a fear of change and a disinclination to expend, to become more literate and value driven. Now let us understand the factors which influence the rural consumer.

CULTURE

Culture is one of the significant determinants of a person's behavior in rural area. As a child grows up in the rural atmosphere, he acquires a set of values, perception, preferences and behaviors through the family and other key association involved at each stage of his life. The time tested true behavior exhibited by a collective group is determined by culture. However the degree of impact that culture will have on behavior will depend on the narrowness of a culture or its merger with other cultures. The rural Bihar's culture is quite different from the urban areas. Rituals, festivals, harvesting seasons and inhibition to buy new things are some of the key features of rural consumers. Management researchers have traditionally used Hofstede's (1980, 1997) definition of culture, which equates culture to "the collective programming of the mind which distinguishes the members of one group or category of people from another"(Hofstede, 1997, p. 5). Culture influences behavior through its manifestations: values, heroes, rituals, and symbols (Hofstede, 1997). These are the forms in which culturally determined knowledge is stored and expressed. Thus, each cultural group possesses different cultural manifestation.

PRODUCT PACKAGING

Packaging plays a major role in the product offering for rural markets as it is related with affordability, the ability to identify, ease to users and the appeal of the product. Packaging at the primary level involves protecting the product, whereas at the secondary level, it adds to the aesthetics and sales appeal of the product. Packaging for rural markets needs a special focus because of various troubles like poor transport system, difficulties of safe storage due to poor cold storage and insufficient power supply in the rural areas of Bihar. Over the years packaging materials have undergone a great deal of change. Tetra packs has become omnipresent. The use of tetra packs has ensured longer shelf life even in the absence of refrigeration. The majority of

FMCG products like shampoos, tea, confectionaries, detergents etc have plastic packaging. Rural consumers appreciate bright colors. Lifebuoy is identified as red soap. Other examples include Dabur Lal Dant manjan, Eveready red battery, Brooke Bond red Label tea etc. Distinct lettering, use of local languages on the pack and images or symbols that convey the product benefit influence consumer perception about the brand. The social and cultural differences in rural areas of Bihar demand packaging variations for products. Consumers recognize and remember brands by colors, visuals or numbers like Godrej No.1 soap, 555 detergent bar, Ghari detergent, cycle agarbatti etc.

PRICE

It is the amount of money a consumer must pay to obtain the right to use a product (Hawkins, Best and Coney 2001). The right price influences the quantities of various products or services that the rural consumers will buy. Marketers often erroneously perceive price as their only bludgeon when targeting rural consumers. In reality rural consumers are driven by value for money and not price alone. Different development schemes by the state and central government has increased the flow of money in Bihar. It means an increase in their purchasing power of the rural buyer. Rural consumers still do not perceive the premium value of brands. They are happy to deal with products especially consumer durables which offer basic functions. High priced products with difficult to handle features is generally not liked by rural consumers. Gillette Guard was launched to provide high quality shave at an affordable price for men in the rural areas. Rural consumers generally compare a products price to a reference price considered reasonable for a certain type of product. The reference price is based on either the memory of past prices or on the price of other products on the same shelf or the same product line. Based on the reference price the consumer judges whether prices are too high, too low or on target. Rural consumers are deeply involved in the purchase of agricultural products and wedding items. Here price plays an important role, but not at the cost of quality.

FAMILY SIZE

Rural consumer behavior is also influenced by family size and structure. As the family size increases so does the consumption of products. In such a case, the demand for family pack or the economy refill pack increases. Likewise large families have more bread earners which mean higher family income and thus more consumption of products. This often leads to multi brand consumption of a product category among different family members. Rural Bihar is gradually moving from the large joint family system to the individualized joint family system (families staying together but using separate kitchens). This is ensuing in greater demands, particularly for consumer durables, as every new family unit living separately needs soaps, shampoo, hair oil refrigerator, pressure cooker, TV, DTH etc.

AGE

The purchase of products and their forms are influenced by age. Like urban areas this is highly visible in case of rural areas. For instance in the age group of twenty to forty the consumption of motorcycle, mobile, readymade clothes is more as compared to a person above sixty. For example, in rural area, young adults exhibit a marked preference for mobile handsets with the latest features and technology whereas elders are content with second hand mobiles with simple and basic features. The Greenpeace “Oorja Kranti” Yatra in Bihar sensitized key opinion leaders and stakeholders on the benefits of decentralized renewable energy.

ADVERTISING

Low literacy level, poor media reach and exposure and the huge and diverse rural audience characterized by variations in language, culture and lifestyle poses multiple challenges for communicating with the rural audience. For rural consumers the message has to be simple and logical. The use of education with entertainment and slice of life appeals gets more acceptances. Dabur has used Bhojpuri film star Ravi kishan, to endorse its chyawanprash with consumers, dealers and stockiest in Bihar. The FM radio station has truly matured radio as a medium of rural communication. Television is the fastest growing and most popular mass medium in rural areas. Conventional outdoor media includes wall paintings which is a widespread form of advertising in rural Bihar. Wall paintings are important as they remind rural people constantly of the brand name and logos, in addition to highlighting the key brand promise. Haats(weekly market) held across Bihar also provides marketers with great opportunity to communicate their message to a large audience who gather at a single point week after week.

METHODOLOGY

Analytical Hierarchy Process is used to know the factors that have impact on the rural consumer buying behavior with respect to rural Bihar. The selection methodology is based on the characteristics of the problem. The consumer judges the significance of each criterion in pair wise comparisons. A survey of 300 persons which included both male and female was conducted in the rural areas of Bihar to know the effect of these factors on buying behavior. On the basis of participants’ response a matrix was formulated and AHP technique was utilized. For this reason all six factors i.e. price, family size, product packaging, age, culture, and advertising have been prioritized by assigning them a specific number after receiving the feedback from survey. The result of AHP is a prioritized ranking or weighting of each decision by intermediate levels. Finally the selection choices are arranged at the last level of the hierarchy.

FACTORS FOR STUDY

1. Price
2. Family size
3. Product packaging
4. Age
5. Culture
6. Advertising

TABLE 1: Consumer Preferences and surveyed matrix.

| | Price | Family size | Product packaging | Age | Culture | Advertising |
|-------------------|-------|-------------|-------------------|-----|---------|-------------|
| Price | 1 | 1/5 | 1/7 | 1/4 | 1/3 | 2 |
| Family Size | 5 | 1 | 3 | 2 | 2 | 7 |
| Product Packaging | 7 | 1/3 | 1 | 4 | 1/2 | 6 |
| Age | 4 | 1/2 | 1/4 | 1 | 2 | 6 |
| Culture | 3 | 1/2 | 2 | 1/2 | 1 | 5 |
| Advertising | 1/2 | 1/7 | 1/6 | 1/5 | 1/5 | 1 |

RESULTS

The results from figures below reveal that that the surveyed individuals preferred the family size as the most influencing factor for buying behavior while the advertisement was rated at the lowest. Further the figures indicate that product packaging with score of 0.238 is the second most influential factor, culture with score of 0.188 is the third most influential factor, age with score of 0.133 is the fourth most influential factor, and advertisement with score of 0.066 is the fifth most influential factor affecting the buying behavior respectively. The remaining factor price with lowest score of 0.054 is associated with product.

TABLE 2: The Saaty Rating Scale

| Preference weights/ level of importance | Definitions | Explanation |
|--|------------------------------------|--|
| 1 | Equally preferred | Two activities contribute equally to the objective |
| 3 | Moderately preferred | Experience & judgment slightly favor one activity over another |
| 5 | Strongly preferred | Experience & judgment slightly favor one activity over another |
| 7 | Very strongly preferred | An activity is strongly favored over another and its dominance demonstrated in practice |
| 9 | Extremely preferred | The evidence favoring one activity over another is of the highest degree possible of affirmation |
| 2,4,6,8 | Intermediate preferred | Used to represent compromise between the preferences listed above |
| Reciprocals | Reciprocals for inverse comparison | |

Synthesis with respect to Objective: rural consumer behavior

Overall Inconsistency = .21

| | |
|-------------------|------|
| Price | .054 |
| Family size | .321 |
| Product Packaging | .238 |
| Age | .133 |
| Culture | .188 |
| Advertising | .066 |

FIGURE 1: Prioritization of factors influencing buying behavior

| Rural consumer buying behavior | |
|---|------|
| Priorities with respect to : Objective : Prioritization of factors influencing rural consumer buying behavior | |
| 1. Family Size | .327 |
| 2. Product Packaging | .236 |
| 3. Culture | .188 |
| 4. Age | .133 |
| 5. Advertisement | .066 |
| 6. Price | .052 |

FIGURE 2 : Prioritization of factors influencing buying behavior in prioritized manner

CONCLUSION

The findings suggest that for rural consumers the consumption pattern is very much influenced by family size and structure. After arriving at the choice set in the evaluation stage of the buyer decision process, all the selected brands are acceptable to the rural consumer. However in this situation the final choice is guided by the perceived risk associated with the product as well as by the key influencers like opinion leaders, family and friends. Perceived risk is high among rural consumers as they find it difficult to gather and process relevant information. Due to this reason they make a collective decision. Marketers need to address the perceived risk of rural buyers by showcasing the experience of users and ensuring service delivery close to the consumer's doorstep. Quality and value are vital for the success of a new product as they bring improvement to consumer lives in terms of productivity. For products that generate the perception of providing comfort or improving the quality of everyday life, the price is not questioned and the role played by additional features is not significant in influencing choice. The rural consumer also depends upon observed source like exhibitions and road shows because they provide an opportunity to evaluate the product personally and absorb relevant information at their own relaxed pace. Marketers need to focus on plummeting the information search time by inducing product trials and successfully reaching out to the consumer through ideal information channels. Marketers also need to understand the product specific evaluation process from primary research to mapping the succession of their brand from consideration set to choice set. This deal with the product deficiencies in relation to competition and improves its chances of selection during evaluation. Customer satisfaction is the key to building a profitable and sustainable relationship with rural customers.

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