

## **A Study on the Purchase Behavior Exhibited by Customers in Kerala for Higher End Consumer Durables**

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### **Abstract**

Kerala ,with a population of 33 million which is about 2.74 % of the country's total and a State gross domestic produce which is slightly more than 1% of India's GDP, ranks 12 th in the list of state per capita GDPs on a national level,however the state consumes more than 28% of the nations basket of high value specialty goods. In terms of sales of higher end consumer durables Kerala outstrips its nearest neighbour Tamilnadu who incidentally ranks 6 th in the list of state GSDP and has a population which is double that of Kerala.

Kerala has always been the favorite market for high end cars ,mobile phones and consumer electronics. This study intends to compare the purchase patterns of higher end consumer durables in the states of Tamilnadu and Kerala and determine whether there is a marked difference in the purchase behavior of the two states which share a lot of cultural properties.

## **1. Introduction**

### **1.1 The Demography of Kerala as a Market for consumer goods**

Kerala as a state contributes to 2.75 % of India's population (32 million) and the GSDP of the state is about Rs 1,02,508 crores which is about 1 % of the National GDP of Usd 3.6 trillion.

In spite of these modest figures Kerala is way ahead in vital life statistics such as Literacy, infant and maternal mortality and life expectancy among others.The per capita income of the state is a healthy Rs 67,312 as compared with the national average of Rs 43,382(*Kerala economic review of the State planning board: 2011*).

Though the state is relatively backward in Industrial production and agriculture the per capita income in Kerala is higher than the national average due to the large number of Kerallite NRI's who number 3 million.

The break up of NRI's is as follows:

Middle East: 2.5 million

Other countries: 0.5 million

This group was responsible for an inward remittance of Rs 41,000 crores in 2012-2013 which forms 15.1 % of the total remittances by Indian NRIs for that year.

(Extract from the Report of the Department of Bureau of economics and statistics, Government of Kerala–December 2013.)

The following details were available from the Report on the Bureau of Economics and statistics-2013 regarding the rank of Kerala in terms of the Gross state domestic produce(GSDP).

Rank list of state per-capita GDP( Finance Ministry report-2013).

| Rank | State          | SGDP per capita(Rs) |
|------|----------------|---------------------|
| 1    | Delhi          | 135,814             |
| 2    | Goa            | 132,719             |
| 3    | Haryana        | 92,327              |
| 4    | Maharashtra    | 83,471              |
| 5    | Chandigarh     | 81,159              |
| 6    | Tamilnadu      | 72,993              |
| 7    | Sikkim         | 68,292              |
| 8    | Uttarkhand     | 67,473              |
| 9    | Gujarat        | 63,961              |
| 10   | Andhra Pradesh | 60,458              |
| 11   | Karnataka      | 59,763              |
| 12   | Kerala         | 59,179              |

It is thus clear that the State of Kerala occupies a relatively low position in terms of the State GDP of the nation.GSDP with a figure of Rs 59,179.00.However it should be noted that the inward remittances from the Non resident Kerallites amounted to Rs 41,000 crores in 2012-2013, which is almost 12 % of the states GDP.

Thus it is not a surprise that Kerala is a hot market for Ostentatious speciality goods such as luxury cars,LCD/HD Tvs, premium mobile-hand sets.

## 2. Research Methodology

### 2.1 Operational definitions for Higher end Consumer durable goods under study

Higher end cars- defined as Personal cars priced above Rs 15 lakhs (category P,D1 and D2).

(As classified by the Society of Indian Automobile association vide their declaration dated 2 nd April 2001,approved by the Ministry of Surface Transport and Finance ministry for the purpose of levy of taxes,also approved by the International Organisation of Motor Vehicle Manufacturers.)

Higher end Refrigerators- priced above Rs 75,000 (Double door Frost Free Type).

High definition TV sets- priced above Rs 75,000 .(Flat panel Smart TV).

Smart Mobile phones- priced above Rs 25,000.

(As classified by Kerala Electronics Traders and Industries Association. Accepted by all manufacturers and traders of of all brands currently sold in India.)

## **2.2. Research Hypothesis**

The following hypothesis was formulated:

“ There is a difference in the consumer behavior of purchase of higher end consumer durables between the customers of Kerala and Tamilnadu.”

## **2.2 Objectives of the study**

### **2.2.1 Major Objective**

To determine whether the buying behavior of consumers of Kerala higher end consumer durables vary from that of the consumers of her neighbouring states(Tamilnadu).

### **2.2.2 Other objectives for further detailed study**

To determine the factors that may be responsible for such divergent consumer behavior.

To understand the long term effect of such consumer behavior on the health of the economy of Kerala.

## **2.3 Research Design**

The Research undertaken was of Descriptive nature. The research involved collection of data both Primary and secondary in nature. Use of schedules and questionnaires were undertaken for collection of the Primary data.

### **2.3.1 Sample selection**

The method of sampling used was Non-probabilistic quota sampling.

Undertook census of the state wide distributors of both Kerala and Tamilnadu for higher end cars, Refrigerators, smart Phones and Smart Televisions .

Undertook Census of the Regional offices of the manufacturers of higher end cars, Refrigerators, smart Phones and Smart Televisions in the states of Kerala and Tamilnadu.

Undertook fir dealer survey of 45 Dealers of Refrigerators, TV, and Mobile phones in Kerala and 35 Dealers of the same category in TamilNadu.

Collected secondary data for these durable products from Regional offices and Trade associations in Karnataka.\

## **2.5.0 Findings of the Study**

The study was based on a two pronged approach as far as analysis of data was concerned. The study reveals that there is a considerable difference in the way the consumers behave in Kerala and Tamilnadu while undertaking purchase of higher end

consumer durables. More than ten dealers per state were interviewed in Kerala and Tamilnadu and 45 dealers who were selling Smart TV's, Smart phones, and high end refrigerators were interviewed as well. The Data available from these sources were checked for goodness of fit and test of significance and the following

### **2.5.1 For higher End Passenger cars**

Break-up of Purchasers of premium cars.

Businessmen and Business houses: 65%

NRIs and returned NRIs : 25%

High net worth Professionals : 10%.

1. Except for the high net worth professionals there is a total preference for Diesel versions of the cars. almost 100% of the purchase is through auto-financing and the leading players are HDFC bank, ICICI bank, Axis bank. Reliance Money, and Kotak Mahindra.
2. Purchasers are novelty seekers. Prefer unique models and higher end models.
3. Not price sensitive as mostly bank financed. Very sensitive to operating and repair costs.
4. Not very attached to the vehicle as they are always seeking for replacements with newer models.
5. Not interested in major accessories which are permanent and expensive though durable.

### **2.5.2 Higher end Refrigerators, Televisions and Smart mobile phones.**

Break up of purchasers:

- 1) 72% : High- income salaried class.
- 2) 20 % : High net worth professionals .
- 3) 8% : Industrial/business purchases
- 4) 86% of the purchases are bank financed or backed by Credit card backed up EMI payments.
- 5) Nearly 65% of the sales are effected during the festive seasons.
- 6) High preference for unique and higher end models.
- 7) Exchange /trade in of old equipments very popular.
- 8) Validated the exploratory hypothesis using the primary data from the exploratory study undertaken in Kerala Tamilnadu by surveying Dealers and reetailers.
- 9) Independent value "t" tests were conducted for the comparison of primary data collected from Kerala and Tamilnadu.

Analysis of percentage was conducted on the secondary data collected for comparison of sales details between Kerala, Tamilnadu in relation to the national data.

On analysis of the primary data for sale of Cars by dealers in the state of Kerala, Tamilnadu, Independent sample T test at 95% confidence level gave a P value of 0.010 thus rendering the Null hypothesis non acceptable.

On analysis of the primary data for sale of Smart phones by dealers in the state of Kerala, Tamilnadu, Independent sample T test at 95% confidence level gave a P value of 0.023 thus rendering the Null hypothesis non acceptable.

On analysis of the primary data for sale of FF/DD refrigerators by dealers in the state of Kerala, Tamilnadu.,Independent sample T test at 95% confidence level gave a P value of 0.0323 thus rendering the Null hypothesis non acceptable.

On analysis of the primary data for sale of Flat Panel Flat TV by dealers in the state of Kerala, Tamilnadu, Independent sample T test at 95% confidence level gave a P value of 0.0090 thus rendering the Null hypothesis non acceptable.

**2.6.0 Inferences:** The following inferences may be drawn from the findings of the study

On examining the sales of four independent product lines relating to consumer durable category it is evident that there is a significant difference in the purchasing pattern of higher end versions of these products with Kerala showing a significant dominance in the premium sector.

Tamilnadu with almost twice the population of Kerala and a considerably higher Gross State Per Capita income lags very much behind Kerala in the purchase of higher end consumer durable goods.

### 3. Tables

#### 3.1. Table 1:

Details of Higher-end car sales 2013-14.

**Table 2:** Details of Smart phones sales 2013-2014

| Details of Passenger car Sales for Year 2013-14 |           |           |        |           |
|---|-----------|-----------|--------|-----------|
| No. of Units                                    |           |           |        |           |
| Type  | Tamilnadu | Karnataka | Kerala | All India |
| P+D1+D2   | 12588     | 10200     | 14160  | 68064     |
| Others  | 440061    | 313276    | 160872 | 1718835   |
| Total   | 452649    | 323476    | 175032 | 1786899   |

**Table 2**

| No. of Units  |           |           |         |             |
|---------------|-----------|-----------|---------|-------------|
| Type          | Tamilnadu | Karnataka | Kerala  | All India   |
| Smart Phones  | 2285628   | 1503912   | 1446756 | 67,563,427  |
| Feature phone | 9198527   | 5942738   | 2164505 | 184,090,001 |
| Total         | 11484155  | 7446650   | 3611261 | 251653428   |

**Table 3**

| Details of High End Refrigerator sales for year 2013-2014 |           |           |        |           |
|---|-----------|-----------|--------|-----------|
| No. of Units  |           |           |        |           |
| Type  | Tamilnadu | Karnataka | Kerala | All India |
| Frost Free DD   | 869733    | 315685    | 400868 | 3588366   |
| Direct cool   | 2186524   | 940797    | 533748 | 10765097  |
| Total   | 3056257   | 1256482   | 934616 | 14353463  |

**Table 4**

| Details of High End Television sales for year 2013-14 |           |           |        |           |
|---|-----------|-----------|--------|-----------|
| No. of Units  |           |           |        |           |
| Type  | Tamilnadu | Karnataka | Kerala | All India |
| Smart-Panel TV  | 339282.09 | 200838    | 444890 | 3422342   |
| CRT   | 630095.31 | 445913.6  | 98653  | 9252999   |
| Total   | 969377.4  | 646251.6  | 538543 | 12675341  |

Table 6

| Percentage  |  |           |           |        |           |
|-------------|--|-----------|-----------|--------|-----------|
| Type        |  | Tamilnadu | Karnataka | Kerala | All India |
| Frost Free  |  | 28.46     | 25.12     | 42.86  | 25.00     |
| Direct cool |  | 71.54     | 74.88     | 57.14  | 75.00     |
| Total       |  | 100.00    | 100.00    | 100.00 | 100.00    |

Table 5

| Percentage     |  |           |           |        |           |
|----------------|--|-----------|-----------|--------|-----------|
| Type           |  | Tamilnadu | Karnataka | Kerala | All India |
| Smart Panel TV |  | 35.00     | 31.00     | 82.61  | 27.00     |
| CRT            |  | 65.00     | 69.00     | 17.39  | 73.00     |
| Total          |  | 100.00    | 100.00    | 100.00 | 100.00    |

Table: 8

| Percentage |  |           |           |        |           |
|------------|--|-----------|-----------|--------|-----------|
| Type       |  | Tamilnadu | Karnataka | Kerala | All India |
| P+D1+D2    |  | 2.78      | 3.15      | 8.09   | 3.81      |
| Others     |  | 97.22     | 96.85     | 91.91  | 96.19     |
| Total      |  | 100.00    | 100.00    | 100.00 | 100.00    |

Table 7

| No. of Units  |  |           |           |         |             |
|---------------|--|-----------|-----------|---------|-------------|
| Type          |  | Tamilnadu | Karnataka | Kerala  | All India   |
| Smart Phones  |  | 2285628   | 1508912   | 1446756 | 67,563,427  |
| Feature phone |  | 9198527   | 5942738   | 2164505 | 184,090,001 |
| Total         |  | 11484155  | 7446650   | 3611261 | 251653428   |

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