

Comparative Analysis of Rural and Urban Indian Consumers' Attitude towards Foreign Products

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Abstract

India has been acknowledged as one of the most promising and fastest growing economy of the world. Besides urban and semi-urban areas, rural India has a huge potential. Many foreign brands are dominating particularly in consumer durable category. The purpose of the study is to understand the comparative attitudes of rural and urban Indian consumers towards the foreign products against Indian products. Both rural and urban consumers have rated foreign products very high as compared to domestic products. Rural consumers were found more impressed than their urban counterparts with foreign products in terms of maintenance services, technical advancement, prestige, durability, quality/performance, and wide choice of size and model. No significant differences were observed between rural and urban consumers in terms of 'good style and appearance'. Indian producers in the coming times are going to face a very strong threat from foreign brands, particularly in consumer durable category.

Keywords: Foreign brands, Consumer durables, Rural and Urban consumers, Attitude

1. Introduction

India is the world's 12th-largest consumer market. By 2025, it is projected to be ahead of Germany, the fifth largest, according to a recent McKinsey (2007) survey. The biggest strength of Indian markets lies in the size, not in individual spending. With the rise in income, over 291 million people will move from desperate poverty to a more sustainable life, and India's middle class will increase incredibly by over ten times from its current size of 50 million to 583 million people. Besides urban and semi-urban areas, rural India has a huge potential. Indian corporations have now recognized the importance of rural markets. It is evident from the efforts made by the companies like Coke, ITC (Indian Tobacco Company) and Hindustan Lever Limited. According to Rajan (2005), Coke, in India has doubled the number of outlets in rural areas from 80 000 in 2001 to 160 000 in 2003, and increased market penetration from 13 per cent to 25 per cent. ITC Limited and Hindustan Lever Limited (now Hindustan Unilever Limited) have initiated rural approach through strategic initiatives such as *e-choupals* and *Project Shakti*.

In case of white goods and automobiles, the differences between prices of national and foreign brands have been narrowed down. Majority of the companies have introduced number of services to induce the consumers. Bargaining power of consumers has increased tremendously than ever before due to intense competition. The phenomenal growth of media, availability of loans and lowering of interest rates have caused sudden rush for these products. Liberalization and opening up of the economy has exposed the middle class of the country to the quality products at the competitive prices. There is a huge flow of foreign brands into the Indian market. There have been major structural changes in the economy as a result of globalization. The competition has been intensified.

The state like Punjab gets a favorable ranking in terms of ownership of assets, consumer durables, two-wheelers, and cars in rural areas. In rural Punjab there are many families whose one or more family members have gone abroad. Their standard of living is even far better than many of the urban residents.

2. Literature Review

The gross domestic product (GDP) growth in India is hovering between 7-8 percent. India has been acknowledged as one of the most promising and fastest growing economy of the world. Today virtually all big MNCs are operating in India. LG and Samsung have burst into the consumer's mind space (Vedpuriswar, 2006). The greatest challenge that India faces is that it has yet to join the rank of developed countries. Also the other major challenge is pulling the

population out of poverty. India has remained a 'shortage' economy for the last few decades. Still wheat is imported from foreign nations.

Foreign brands such as Hyundai (South Korea), Daewoo (South Korea), General Motors (USA), Ford (USA) are threatening the Indian car manufacturers, whereas Sony (Japan), Samsung (South Korea), LG (South Korea) have penetrated deeply into Indian television sets market. Whirlpool (US) is dominating in the washing machine segment. The other foreign brands like Nike and Adidas are also expanding in the Indian market at a very rapid pace. The foods chains like McDonalds, Domino, Pizza Hut, KFC (Kentucky Fried Chicken) have made their presence felt on the Indian soil. However Indian brands particularly in categories like tea, chocolates, ice-creams and toothpastes have put up a brave front against foreign brands.

A large number of firms have taken the advantage of positive image of their country-of-origin and have helped the marketers favorably (Papadopoulos *et al*, 1993). Though national reputations for products vary from country-to-country, yet consumers tend to generalize their attitudes and opinions across products from a given country, based on their familiarity and background with the country (Kinra, 2006). It has also been found that sometimes emotional component dominates over the rational aspect while evaluating the products. Consumers develop the country image through familiarity with their products. The country images with the existing products can also be transferred to new or unfamiliar products (Agarwal and Sikri, 1996). Country image may represent the overall perception about the quality of products made in a particular country (Crawford and Garland, 1988). The country of manufacturing and product quality strongly affect consumer decision making in globally available product categories. The image of the country is created by the representative products, national features of the country, economic and political background, history and traditions. The studies in western countries have revealed that the consumers of these countries have a tendency to favor the domestically made products over foreign goods. Highly ethnocentric consumers prefer those overseas products that are manufactured in culturally similar countries. The country-of-origin acts as an extrinsic cue that assures quality and minimizes the risk of the consumers (Cordell, 1992). Some studies have found that the extent of ethnocentricity depends upon demographic variables such as age and educational level. Doob (1964) has observed personality traits like patriotism or nationalism may not necessarily mean hostility to foreign countries. Similarly world minded consumers does not necessarily have lack of love for their own country. Therefore, buying foreign goods may not necessarily affect their spirit of nationalism. Kaynak *et al* (2000) found in their study that Bangladeshi consumers overwhelmingly preferred imported products from western countries, though their perception differed across product class. Ettenson (1993) have observed that country-of-origin has differential effect and greater than the effect of brand name. The military and economic rivalry between China and Japan reduces Chinese consumers' willingness to buy a Japanese product (Klein *et al*, 1998). Bhuian (1997) observed in Saudi Arabia more positive attitude of the consumers towards the products from USA, Japan, Germany, Italy, UK and France.

3. Methodology

The study has been carried out in Ludhiana district of Punjab state (India) and adjacent rural areas of the city during November-December, 2007. Ludhiana is the most centrally located and populated district of the state with about 12 per cent population of the Punjab state reside in this district. One hundred households (fifty each from rural and urban area) were selected for study on the basis of convenience sampling. Rural area corresponds to villages of the district and urban area corresponds to those who live in Ludhiana city. The sample does not cover people of semi-urban areas of the district such as towns/sub-towns that come in Ludhiana district. All respondents had their total household income in the range of three to five lac (1 lac= 0.1 million) rupees per annum. This means that they belonged to the dominating middle class of the country. The households were asked to respond to a set of statements pertaining to eight variables in terms of their agreement to the statements (strongly agree, agree, indifferent, disagree, and strongly disagree). A five-point scale was later used to evaluate statements using 5 for strongly agree and 1 for strongly disagree. The study has been carried out with a view to understand the comparative attitudes of rural and urban consumers towards the foreign brands in terms of following aspects of the consumer durable products such as cars, televisions, refrigerators, washing machines, and microwave ovens:

- (1) Better Durability (Greater Life)
- (2) Technical Advancement
- (3) Wide Choice of Size and Model
- (4) Good Style and Appearance
- (5) More Prestige
- (6) Maintenance Services

(7) Better Quality/Performance

(8) Greater Value for Money

The consumers were asked to respond whether foreign brands are much better in these aspects than their domestic counterparts. z statistics has been employed to check the level of significance between the differences of mean values of scores.

4. Scope of study

The study has a tremendous scope. As the Indian markets have been opened up, many foreign companies are gearing up to penetrate into the Indian markets. Urban markets are already saturated with large variety of products and on the other side the potential in the rural India is increasing at a very rapid pace. The study will help the overseas marketers to take advantage of the favorable image that they maintain in both the segments. The study is also of great use for domestic producers in terms of thinking strategies to combat the effect of 'foreign made'. Further studies can be carried out by taking into account the demographic profiles of the consumers and the state of economic development of the foreign nations.

5. Limitations of the study

The study has few limitations. First limitation is that the sample size is too small to generalize the findings across the one of the most populous country like India. Second the image effects have not been associated to the demographic profiles of the consumers. Third the foreign countries have not been classified into categories such as highly industrialized or newly industrialized nations. In spite of the limitations, the study evokes thoughts that draw attention of the marketers, particularly belonging to foreign nations.

6. Analysis and Discussion

Overall importance given by both rural and urban consumers to the foreign products against Indian products has been summarized in Table 1. The data reveal that foreign products are far ahead than Indian products in the minds of the consumers in terms of style, appearance, prestige, wider choice and quality. Foreign products in comparison to Indian products have more positive image in the minds of rural consumers than urban consumers in terms of all the factors studied (Table 2). The differences between rural and urban consumers as regards to image of foreign vis-à-vis Indian products were found significant in all the factors studied except 'good style and appearance' of foreign brands. The difference was found non-significant in this factor. The differences were relatively less significant in case of factor – 'greater value for money' (Table 3).

The study reveals that both rural and urban consumers had given huge importance to foreign products over domestic products in terms of all the factors studied. Overall 'good style and appearance' was given the highest ranking. 'Prestige' and 'wide choice of size and model' were given second highest rating overall. 'Maintenance services' was given the lowest rating among all the factors studied. This is probably due to the outsourcing of maintenance services by the foreign firms with the local firms. Rural consumers had given the highest rating to 'prestige' whereas urban consumers had given the highest rating to 'good style and appearance'. Urban consumers being style conscious therefore, probably are relatively less concerned about durability and maintenance services. This is so because style keeps on changing with time. Rural consumers of Punjab state are very prosperous as compared to the rural consumers of the other states. With the increase in agricultural output and increase in support prices of the crops, the income of the rural consumer has increased considerably. Moreover, there are large number of people from the rural Punjab have migrated to developed nations like USA, Canada, Australia, UK, and Western Europe. Their family members residing in the rural areas tend to increase their status by demonstrating prestigious products. Also they are familiar with the foreign products through their family members living abroad who either advice them to buy a particular brand or buy/present them during their visits to India. Urban consumers in general give greater importance to style and appearance than other attributes. This is probably due to their tendencies to relate products with their personalities. Therefore, they prefer to seek these attributes in the foreign products than Indian products as these help them in displaying their novel and global look.

Rural consumers have given the highest rating to all the factors studied than their urban counterparts in terms of superiority of foreign products over Indian products. This implies that rural consumers are more attracted to foreign products than urban consumers. The highest difference was observed in the feature 'better maintenance services' followed by 'technical advancement' of foreign products than Indian products. The 'prestige' of owning foreign brands, is the third ranked feature where differences between rural and urban consumers existed. However, no significant difference was observed between rural and urban consumers in terms of their rating to 'good style and appearance'. The difference in terms of 'greater value for money' was though significant but comparatively lesser than other factors that differed significantly among these groups. Urban consumers have rated 'better maintenance

services' whereas rural consumers rated 'greater value for money' lowest among all the factors. Though the affordability of the rural consumer has increased considerably, yet they probably find foreign products expensive and thus rated 'better value for money' lowest among all the factors studied. Therefore differences were not relatively much in terms of 'greater value for money'.

7. Managerial Implications

As the potential in rural India has tremendously increased, therefore both domestic and foreign products will try to invade into this segment. The foreign products may find the entry easier as they need not to spend much time and effort to overcome consumers' nationalistic attitudes. The rural consumers are already attracted to foreign products and they are very much familiar about the credibility of these products through their family members living abroad. These family members living abroad being the source of their money therefore, possess tremendous influential power on their family members living in India. On the other side the domestic manufacturers will have to put in stringent efforts to make a breakthrough in their attitude. The Indian firms that are currently competing with foreign firms and positioning their products on maintenance, technology, and prestige need to either revise their product positioning or strengthen themselves further in these aspects before entering into rural markets. The companies focusing on style and appearance will not find any difference between rural and urban consumers' attitudes towards foreign products against Indian brands. Thus any firm currently positioning on style and appearance in the urban market and willing to carry the same image in the rural market need not to change much of its marketing program.

Indian producers for the reason of remained protected over a longer time period neither offered many options to the Indian consumer nor cared about the intangible aspects associated with consumer durable products. Now with the increased income of both rural and urban consumer, the bargaining power of the consumer has increased. Therefore, they have become more style conscious, and seek prestige and variety in products. But it does not imply that there is no scope for improvement for the foreign players. They are still required to assure Indian consumers (both rural and urban) that they provide best value for money and offer excellent maintenance services than their domestic counterparts. This will help them to stay longer. On the other side, the domestic manufacturers may emphasize on improving maintenance services and providing better value for money to combat favorable image of foreign products. The increase in income of Indian consumer does not imply that they can throw money on any product. But Indian producers in the coming times are going to face a very strong threat from foreign brands, particularly in consumer durable category.

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Table 1. Overall Importance to Factors of Foreign Products vis-à-vis Indian Products

Factors	Mean	Standard Deviation
Better Durability	3.76	.767
Technically Advanced	3.96	.695
Wide Choice of Size and Model	4.28	.604
Good Style and Appearance	4.32	.649
More Prestige	4.28	.569
Better Maintenance Services	3.60	.603
Better Quality/Performance	4.14	.532
Greater Value for Money	3.70	.611

Table 2. Rural and Urban Consumers' Attitudes regarding Foreign Products vis-à-vis Indian Products

Factors	Rural		Urban	
	Mean	Standard Deviation	Mean	Standard Deviation
Better Durability	4.12	.718	3.40	.639
Technically Advanced	4.32	.471	3.60	.699
Wide Choice of Size and Model	4.48	.646	4.08	.488
Good Style and Appearance	4.44	.577	4.20	.699
More Prestige	4.56	.501	4.00	.495
Better Maintenance Services	3.92	.565	3.28	.453
Better Quality/Performance	4.32	.471	3.96	.532
Greater Value for Money	3.84	.618	3.56	.577

Table 3. Difference in Rural and Urban Consumers' Attitudes regarding Foreign Products vis-à-vis Indian Products

Factors	Difference in Mean Values	z Values
Better Durability	0.72	5.33**
Technically Advanced	0.72	6.10**
Wide Choice of Size and Model	0.40	3.51**
Good Style and Appearance	0.24	1.84
More Prestige	0.56	5.60**
Better Maintenance Services	0.64	6.40**
Better Quality/Performance	0.36	3.60**
Greater Value for Money	0.28	2.30*

** significant at both 0.01 and 0.05 significance levels

* significant at 0.05 significance levels only