

# [Indian's consumer preferences](https://assignbuster.com/indians-consumer-preferences/)

Marketing research on Indian consumer’s preferences and purchase intentions for Ready to Eat (RTE) packaged food products India is the worlds second largest producer of food next to China and has the potential of being the biggest in the world. The total food production in India is likely to double in the next ten years and there is an opportunity for large investments in food processing technologies, skills, and equipment, especially in areas of Canning, Dairy and Ready- to-Eat (RTE) packaged food.

With changing lifestyle and demographics, there is a strong potential market demand for Ready- to-Eat (RTE) packaged food. The Indian packaged processed foods industry is estimated at US$ 10. 87 billion – US$ 13. 05 billion and is growing at a healthy 14-15 per cent over the past two-three years.

Our research intends to gain insights into the critical factors which guide consumer buying behavior towards ready to eat (RTE) packaged food products available in the market. Our aim is to analyze the relationship of social, demographics, psychographic, lifestyle and other influences with regards to purchase decision of consumer of ready to eat (RTE) packaged food. This will help existing firms in the business, as well as, the firms which are planning to enter the business, position their RTE packaged food products in a better way.

## Introduction

## Concept of RTE packaged food

Ready to Eat (RTE) packaged food products are generally sold through small retail outlets or large organized retailers in especially made sealed pouches. The sterilization process ensures the stability of the food in pouches, on the shelf and at room temperature. The application of sterilization technology completely destroys all potentially harmful micro-organisms, thereby making sure that the food product has a very long shelf life of over 12 months and need no refrigeration. When customer needs to eat, the food item pouch is either put in microwave oven to warm it or keep in heated water for a few minutes and then serve to eat. Such ready to eat meals have been especially given to soldiers in army of many countries who require carrying their rations while on war front or while located far away from their main unit.

## RTE packaged food in Indian context

On an average, Indians spend around 55 percent of their household budget on food. Historically, Indian consumers preferred freshness, low affordability and home cooked food. However, in the past few years there is trend observed of changing complexion of food consumption. There has been diversification of Indian diets away from food grains towards high-value processed products. Factors such as the increasing number of middleclass people due to rapid urbanization, rising per capita income, strengthening participation of women in urban jobs and impact of globalization have been largely responsible for this diet diversification in India.

The popularity of RTE packaged food products is on a rise. According to Tata Strategic Management Group (TSMG), the RTE packaged food market in India is currently worth Rs. 128Cr. and expected to further expand to Rs 2900 Cr. by 2015. The factors contributing to this growth would be changes like cold chain development, disintermediation, streamlining of taxation, economies of scale on the supply side, coupled with increasing disposable incomes, diminishing culinary skills and the rising need for convenience on the demand side. This calls for large investments in food processing technologies, skills and equipment by corporations in this business. However, before such huge investments, it is imperative for corporations to understand the kind of RTE food products preferred by consumers and then accordingly deploy their resources.

## Our Research Project

Consumers make purchase decisions on the basis of several criteria including brand, quality, price etc. These criteria with many other factors like social, demographics, psychographic, lifestyle, etc influence the purchase decision of consumer of ready to eat (RTE) packaged. With our research we are aiming to identify the critical factors that influence Indian consumers’ preferences and purchase intentions of Ready to Eat (RTE) packaged food products. This will be useful for both, existing firms in this business and the firms which are planning to enter the business, to gear up for the increasing demand of RTE packaged food products.

## Literature Review

Consumer decision- making styles in short, shopping styles like lifestyles, are a prominent area of interest in consumer behavior studies. Consumer choice processes vary according to the type of product involved, the timing and the people involved (Burns & Gentry, 1990: 520). Although brand decision-making represents a fair amount of deliberation during consumer decision making, it does not represent the whole consumer decision-making process (Harrel, 1990: 739). (Alet C Erasmus, Elizabeth Boshoff and GG Rousseau, 2001)

Consumers purchasing decisions take place over a period of time. The overall goal during this decision process is to evaluate various alternatives and choose the product that satisfies the consumer in an optimal way. Consumers get influenced by several major factors while they make their decisions. These factors can be grouped as social, cultural, psychological, and personal factors ( Kotler & Armstrong, 1997: 141). In addition, increase in the number and variety of goods, stores, and shopping malls, and the availability of multi component products and electronic purchasing capabilities have broadened the sphere for consumer choice and led to complicated decision making. (Hafstrom et al., 1992).

One or more specific shopping styles dimensions may influence consumer-shopping choices, and these influences are relatively enduring (Sproles and Kendall, 1986). Broadly speaking, these are 3 types of approaches in studying consumer decision-making styles:

Psychographic/lifestyle approach, which identifies hundreds of characteristics related to consumer behaviour;

Consumer typology approach, which classifies consumers into several types;

Consumer characteristics approach, which focuses on different cognitive dimensions of consumer decision-making (Fan et al., 1998).

Since ready to eat packaged food has met a stiff resistance on health grounds, the decision maker in the family is also an important aspect. Prior research in this area has found that mothers make the purchasing decisions for monthly food expenditures of the family however, fathers carry out the act of purchasing. Promotional activities such as commercials, new product development efforts, packaging, pricing &distribution strategies all play a significant role in determining the person that makes the purchasing decision in the family (Elif Akagün Ergin, Handan Ã-zdemir, Bülent Ã-zsaçmacÄ±, 2005)

Sproles and Kendall (1986) developed a Consumer Style Inventory (CSI) based on the assumption that consumer decision-making behaviour can be explained by eight central decision-making dimensions that influence a consumer’s decision making behaviour. The eight decision-making style dimensions were: perfectionism/high-quality consciousness, brand consciousness, novelty consciousness, price/value consciousness, impulsive/careless shoppers, recreational and hedonistic shopping consciousness, confused by over-choice shoppers, and habitual and brand/store loyal shoppers. Despite the eight-dimensional structure being confirmed in the original study, there are indications that the eight-factor model does not hold good in real life.

## RTE Packaged food industry: Consumer behavior

Favorable nutrition information presented on a Nutrition Facts panel also led to more positive attitudes toward the product, nutrition, and purchase intentions and reduced perceived disease risk. The effects of the nutrition information on all dependent variables were more pronounced in the menu context than in the package context, even though the nutrient values were identical. (John C. Kozup, Elizabeth H. Creyer, & Scot Burton, 2003). Moreover, that social class is basically inferior to income as a correlate of buying behavior for the consumer packaged goods. Perhaps some types of packaged foods not covered in this study would have shown greater purchasing relationships with social class; e. g., frozen shrimp and other types of cocktail snacks. (Myers, Stanton and Haug, 1971)

These products tend to be criticized because:-

* They typically are high in fat and calorie contents
* The reduced time cost and nutritional content associated with these foods is specifically blamed for obesity
* Sometimes Genetically Modified Foods are used
* Sometimes an irradiation process is used
* If heat processing is used the vitamins are lost
* Preservatives are always used

## Packaged food: Indian market

In developing countries like India, the preferences of the consumers clearly indicate their priority for cleanliness/freshness of food products followed by price, quality, variety, packaging, and non-seasonal availability. The consumers’ preference of marketplace largely depends on the convenience in purchasing at the marketplace along with the availability of additional services, attraction for children, basic amenities and affordability (Jabir Ali, Sanjeev Kapoor, Janakiraman Moorthy, 2010)

Consumer demand for detailed information regarding content and nutrition of packaged food products is likely to increase due to booming organized retail sector in India. There is awareness about different types of information on the food labels displayed on packaged food products, however, usage of such information as one of the criteria while purchasing packaged food product is relatively low. Indian consumers assign very high importance to information about food ingredients and nutritional contents of the food. They also have very strong preference for brand and the taste of the product. This preference makes them purchase a packaged food item even though it may not meet their criteria of healthy food or may contain some harmful ingredients. Most lifestyle products such as breakfast cereals, readymade dressings etc. that would mostly be used by people who have relatively higher levels of income and education would pay more attention to various kinds of label information. Moreover, the awareness regarding label information is dependent on the consumer’s level of education, income and kind of occupation. (Sushil Kumar and Anuttera Pandit, 2005)

Additionally, researchers have also shown that as convenience becomes the goal for households, with an increase in the number of urban population, working women and income levels, RTE has become the fastest growing sub-segment in the packaged food category. However, in India home cooked food is the first choice. At the moment, regional and non-vegetarian cuisines are relatively under-serviced, with concentration on the vegetarian.

## Methodology

## Question Raised in the Industry

What factors should be considered while formulating a strategy for resource deployment and investments for tapping the rising demand of RTE packaged food products

## Formulation of Research Questions

What are the factors that influence Indian consumer’s preferences and purchase intentions for Ready to Eat (RTE) packaged food products

## Suggest Hypotheses

There are social, demographics, psychographic, lifestyle and personal characteristics that influence consumer’s purchase decision regarding of ready to eat (RTE) packaged

## Literature Review

Factors influencing consumers’ decision making

Consumer behavior and RTE packaged food industry

Indian packaged food industry

## Secondary data collection

Articles and Journals

## Qualitative Research

Please refer to annexure section for Focus Group Discussions of customers

## Questionnaire Design

Please refer to annexure section to find the questionnaire used

## Sampling process and sample size

Convenient Sampling; Sample size of 142

## Acquire Data

E-mails for getting questionnaire filled

Phone calls for interviewing

Interviewing/ getting questionnaire filled in person

## Data Analysis

Regression

Multivariate techniques (Factor Analysis, Cluster Analysis)

## Data Interpretation

## Hypothesis Support

## Recommendations and Future Research

## Analysis and Result

We considered the following analytical techniques studied in the course to analyze the survey data.

## Regression Analysis:

To identify the factors which determine the purchase decisions of the customer, we decided to use the variables from the following questions

Where do you consume packaged food the most?

Preferred point of purchase for RTE packaged food?

Which phase of the week do you buy RTE packaged food?

Personal Information

For the dependent variable, we needed a variable which can represent the customer’s satisfaction. Hence, we created a new variable using Factor Analysis. All the independent variables are nominal variables. So, dummy variables were created for the attributes of the variables and the regression model was built. Most of these variables were dropped by the software while computing the regression model. As the model did not explain most of the variance, it was not used to arrive at the final recommendations.

## Model Summary

Model

R

R Square

Adjusted R Square

1

. 233a

. 054

. 041

2

. 379b

. 143

. 119

a. Predictors: (Constant), Q8\_3\_d

b. Predictors: (Constant), Q8\_3\_d, Q8\_1\_d

## Factor Analysis:

Dependent variable for the regression was created using the variable from the following questions

How often do you buy RTE packaged food?

What is the quantity purchased on an average?

What is the amount spent on an average?

How likely are you to recommend RTE packaged food to others?

## Cluster Analysis:

Cluster analysis is widely used in market research when working with multivariate data from surveys and test panels. Market researchers use cluster analysis to partition the general population of consumers into market segments and to better understand the relationships between different groups of consumers/potential customers.

Segmenting the market and determining target markets

Product positioning

New product development

Selecting test markets

Analysis of the survey data

As a follow up from the FGD, and also based on our group’s understanding, we expected to find 3 major clusters in the population

1) Frequent users, use it for convenience and are indifferent about recommending

2) Frequent users, use for price and would strongly recommend

3) Infrequent users, use for other reasons, not sure about recommending

But, Univariate analysis of the data showed that ‘ Convenience’ and ‘ Taste’ are the major factors for consideration of RTE products.

Q6\_1: Please rank (1 to 5; 1 being most preferred) the following parameters that influence your decision, as an individual, on choice of RTE packaged food products you purchase? (Table for Rank 1)

## Inferences from Multi-variate Techniques

Going forward, RTE processed food product companies should be aware of the before mentioned 3 clusters of customers

Price Sensitive, Influenced by Adverts., High Spenders

Taste Sensitive, Influenced by friends, Do not recommend to others, Convenience not that important

Highly Convenience focused, Influenced by friends, Recommend to friends, Spend the least amount

These clusters should be taken into account while

Market targeting strategies

New product development

## Limitations

Data collection was the main part of the whole process where our group faced limitations.

As the market for RTE products is not that developed in India, reaching out to the intended audience was difficult, especially in the city of Calicut. Online survey was used as the means of data collection under the assumption that most of the intended audience lives in metros (working bachelors/busy working couples).

As the survey was sent to the respondents through the friends of the group members, there is a bias in the respondent population. Online survey also presents the problem of missing variables/random answers.

To correct these limitations, the survey should be conducted in the supermarkets/retail outlets in the metro cities. People actually purchasing the RTE products should be targeted and the responses should be checked for completeness and authenticity (Random filling of survey)

## Future Research

In our research, we have identified three clusters of the population

Price Sensitive, Influenced by Adverts., High Spenders

Taste Sensitive, Influenced by friends, Do not recommend to others, Convenience not that important

Highly Convenience focused, Influenced by friends, Recommend to friends, Spend the least amount

To make marketing strategies for these specific groups, we need to know the size of these groups. As the sample size in our study was relatively small, for future research we suggest another study to be made in the same direction. It can have the following features

Larger sample size

Questions about specific products and brands

More focused on the groups identified in our study