

A Comparative Study on Consumer Behavior and Buying Propensity of Basic and Luxury Goods: The Law of Purchasing Behavior

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Abstract

In today's era of globalization and liberalization, with the aim of helping the marketers to decide the marketing landscape and also to make it easier for the government to levy taxes on various basic goods and luxury goods, the researcher conducted a comparative study on consumer behavior and buying propensity of basic and luxury goods in rural and urban areas, with special reference to Akola District period 2005-2015 has been selected as the topic.

Keywords: Buying propensity; Basic and Luxury goods law; law of purchasing behavior

1. INTRODUCTION

There are many people around us in society. But every person is found to be different from others in many respects like religion, caste, varna, fashion etc. If we study the nature of markets in the country, it is found that each market is different from other markets in terms of status, structure, formation, nature, competition, economic and social status of customers, their priority, status and power of sellers. All these factors inevitably affect the purchasing habits and purchasing behavior of both basic and luxury goods of rural and urban consumers. In one market, the trend of the customers at a particular time, the same trend and transaction will not be found in other markets. The researcher chose this subject for the study to get accurate answers to these and similar questions. A comparative study of consumer behavior in rural and urban areas and their propensity to purchase basic and luxury goods was chosen as the topic.

2. Review of the literature

A detailed review of the literature in this chapter provided results including empirical findings related to consumer skills, consumer trends, consumer attitudes, fashion apparel, consumer protection, fashion apparel use, and origin effects. The literature review found that both intrinsic and extrinsic cues can influence consumer decisions when evaluating brands or services for basic and luxury goods, which in turn translate into consumer attitudes toward the goods, and thereby influence their purchase intentions and behavior.

Today, the rich do not have a monopoly on luxury goods. The middle and upper middle classes also claimed luxury goods (Savitha & Sathyanarayan, January-June 2014, p. 86)- Luxury goods are those goods which are in high demand, which are of high quality and high price, the goods are currently referred to as luxury goods. (Chaudhuri & Majumdar, Volume 2006). proposed a structural analysis of specific developmental processes, which describes its evolution, nature, and character. Although the phenomenon was first formally recorded by Veblen, the practice of using specific items or spending money to compensate for one's achievements is not new. According to (Sheth, 1983), when buying a luxury product, there are two types of motives, functional and non-functional. (Roux & Floch, 1996) suggests that a luxury brand has a distinct sensory world at the inextricable intersection of ethics and aesthetics. The study also proved the role of corporate communication in enhancing brand recognition.

So far no research has been done in Maharashtra on the presented research topic. Therefore, the researcher has chosen Akola district for the study and based on that, the present research has been chosen for the study with a view to study the tendency of consumers towards buying basic and luxury goods in the state of Maharashtra.

3. Research Methodology

In the present case, the research method used for the study of the research topic is analyzed. It is necessary to make continuous efforts individually and collectively to prevent various problems that arise in the society today without knowing it. For that, research is being done on the presented topic. For the research of the presented topic, the researcher has decided the scope and limitation of the research process. Akola district is selected as the research area for the present research. The age limit of the customer for research has been fixed as minimum 18 years and maximum 75 years. The scope of the research is limited to the art of purchasing basic and luxury items. In the present research, information has been collected from rural and urban consumers through questionnaires.

In order to make the research easier for the researcher, the researcher has decided the research hypotheses and based on them, he has formulated the conclusion. Akola district was selected as the research area for the present research and 1000 i.e. 500 rural and 500 urban consumers of this district were studied. For the study of the present subject, the researcher divided the total village which is a rural settlement in Akola district into 7 talukas (groups). Then these villages were divided into 7 groups according to population. From these 7 groups, 50 villages have been selected for the study using random numbering method in simple random sampling method. The researcher surveyed a total of 64.71 sq. km of urban settlements in Akola district that the area is divided into 5 divisions with 71 wards. Then from those wards, urban consumers have been selected for the study as per random numbering method in simple random sampling method.

Family and working population of the village were considered as basis for selecting the sample. Also, care was taken to ensure that the sample selected would be comprehensive and representative, keeping in mind various factors such as the income of the customers, their family background, family size, caste, religion, gender, etc. But while selecting the units in the sample, it was completely dependent on the luck or fortune of each unit. Careful care was taken to ensure that there was no influence of researcher's preference or bias in selecting the sample. For the present research, the sample was selected by random numbering method in simple random sampling method and polynomial or multilevel sampling method in probability sampling method. The reason for choosing this method is that it is impartial and neutral and this method is straightforward. Comparatively, this approach is parsimonious, and it is less prone to error in sample selection. In short, this method is scientific and unbiased and is useful for accurate determination, so this method is adopted.

The primary approach for the present research consisted of creating an interview schedule for consumers and including research questions. The main objective of preparing the interview schedule was to enable the researcher to meet the actual respondents and observe their situation from time to time. Due to this observation, the truthfulness of the information provided by them while filling the interview schedule can be verified. In addition to the primary method of research, secondary methods were used for the collection of facts, including public documents, records, figures, clippings of information published in newspapers, reports of various departments and committees, journals, various references, books and websites etc. to analyze the presented research, the researcher used simple criteria as well as general objective and specific objective tables. Statistical techniques were used in the research to draw conclusions and test hypotheses. In order to draw conclusions in the research, the hypothesis was verified by taking the correlation, mean and Chi-Square. The presented research is divided into five chapters. For the present research, the researcher has used the research method used for the study of the research topic.

4. Analysis and interpretation of data

Based on the research presented, theories of basic and luxury goods purchasing behavior can be formulated. The theory of buying behavior for basic goods and luxuries seems to be familiar to us. If you observe when and how much people buy goods in the market, you will find that when a person's income increases, he spends less on basic goods and spends more on luxury goods.

On the contrary, whenever a man cannot fulfill his basic needs, he gives up luxury goods. In short, income and purchase of basic goods and purchase of luxury goods are dependent on each other. Man always tries to satisfy his basic needs first. Once they are satisfied or fulfilled, then he is motivated to buy luxury goods. Therefore, it is said that there is an inverse relationship between people's income and purchasing propensity for basic goods, while there is an inverse relationship between purchasing propensity for luxury goods and people's income. In short, the demand for goods that satisfy our basic needs is less elastic or rigid in the market, while the demand for goods that satisfy our needs for comfort and luxury is elastic. Example Sorghum, rice, wheat, salt, dal, etc. fulfill our basic needs. So even if their price increases, you have to buy those items. So their demand is stiff, while items like cents, lipsticks, heavy clothes etc. satisfy our luxury needs. So if their price increases, their demand decreases, i.e. demand is elastic. Also, the demand for goods of habits is less elastic or rigid. We are accustomed to some things. So we are using them goods are neither necessities nor comforts and luxuries. E.g. Even if the prices of cigarettes, tapkir, panpatti, mawa, ghot, bidi, tobacco, ganja etc. increase, they do not reduce their purchase due to habit. Cigarette prices have almost tripled in the past few years. However, amateurs do not seem to have given up smoking. Hence demand for habit goods is less elastic or inelastic. The presented theory is based on the theory of economics and psychology.

1. Theory of Diminishing Marginal Utility
2. Theory of Demand
3. Theory of marginal utility
4. Law of indifference curve
5. Maslow's Hierarchy of Needs Theory

The present theory is based on the rule etc. This rule is as follows....

Other conditions being equal, when income is low a person cannot satisfy basic needs, so he foregoes luxury goods, on the other hand when income increases, he spends the excess income on buying luxury goods after purchasing basic goods, and as income increases as the expenditure on the purchase of basic goods decreases and the expenditure on luxury goods increases, This can be called the law of purchasing behavior.

The theory of buying tendency can be stated from the daily experience of the above buying behavior. This is said to be the case initially, other things being constant. From this, in order for this theory to be true, i.e., certain things must remain in place. What should remain are the assumptions of the theory of procurement. They can be stated as follows.

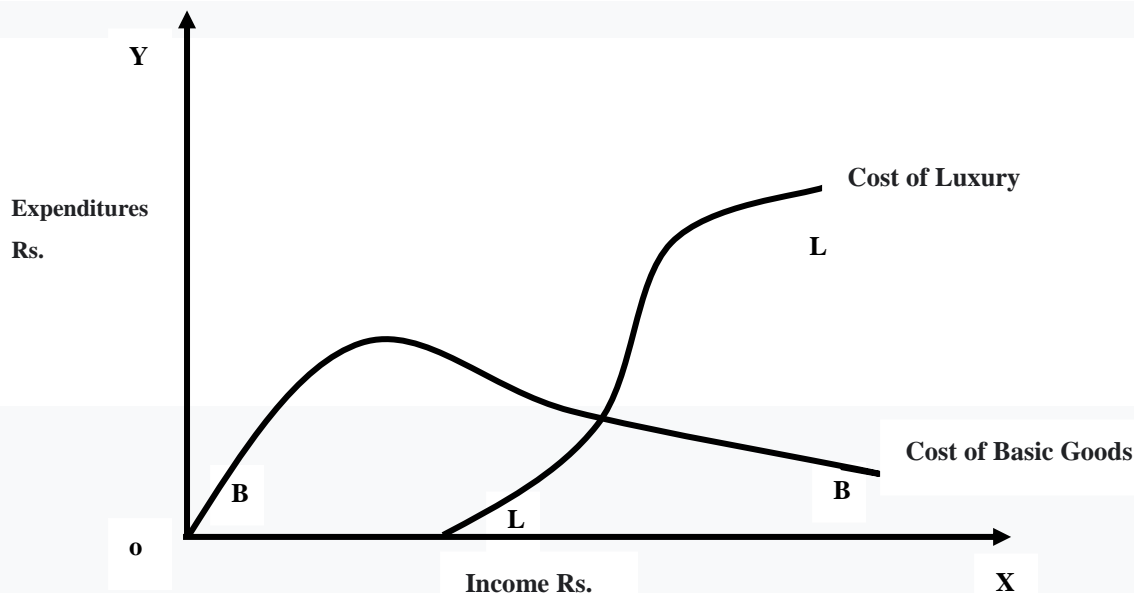


Figure 4.1 Diagram showing buying trend behavior

It is clear from the above diagram that the consumer income is shown on the a-axis and the consumer expenditure is shown on the a-axis. The B-B curve shows the cost of basic goods and the L-L curve shows the cost of luxury goods. Even when there is no income, one has to spend on basic things, but when income is low, one cannot meet the basic needs. So instead of giving up luxury goods, when income increases, after buying basic goods, he spends the extra income on buying luxury goods, and as income increases, expenditure on basic goods decreases and expenditure on luxury goods increases.

Hypotheses of theory

1. Wish there was a change in income
2. Population should be constant.
3. There should be religious and social change.
4. There should be a change in economic status, social status, social customs, fashion and lifestyle.
5. If there is an epidemic situation, it should be done.
6. Government policies should be maintained.
7. There should be modernization and change in technology.
8. Should there be a change in the price of the item.

Only if these factors are stable will the theory of buying behavior be confirmed.

5. Finding :

Propensity to purchase basic and luxury goods are influenced by spending attitude.

1. **Fairly high degree of co-rrrelation between rural consumer Income & total Expenditure on basic goods.**
2. **Fairly high degree of co-rrrelation between urban consumer Income & Total Expenditure on basic goods.**
3. **Fairly high degree of co-rrrelation between rural consumer Income & total Expenditure on Luxuries Goods.**
4. **Very high degree of co-rrrelation between urban consumer Income & total Expenditure on Luxuries Goods.**

If you observe when and how much people buy goods in the market, you will find that when a person's income increases, he spends less on basic goods and spends more on luxury goods. On the contrary, whenever a man cannot fulfill his basic needs, he gives up luxury goods. In short, income and purchase of basic goods and purchase of luxury goods are dependent on each other. In short, income and purchase of basic goods and purchase of luxury goods are dependent on each other. Man always tries to satisfy his basic needs first. Once they are satisfied or fulfilled, then he is motivated to buy luxury goods. Therefore, it is said that there is an inverse relationship between people's income and purchasing propensity for basic goods, while there is an inverse relationship between purchasing propensity for luxury goods and people's income. Also, if a person's attitude is spendthrift, he is motivated to buy luxury goods rather than spending on basic goods. That is, when income is low, a person cannot meet basic needs, so he gives up luxury goods, on the other hand, when income increases, he spends the extra income after purchasing basic goods on purchasing luxury goods, and as income increases, on the purchase of basic goods. Spending decreases and spending on luxuries increases, this can be called the law of buying behavior. But there is an exception to this human spending attitude.

6. CONCLUSION

On the contrary, whenever a man cannot fulfill his basic needs, he gives up luxury goods. In short, income and purchase of basic goods and purchase of luxury goods are dependent on each other. Man always tries to satisfy his basic needs first. Once they are satisfied or fulfilled, then he is motivated to buy luxury goods. Therefore, it is said that there is an inverse relationship between people's income and purchasing propensity for basic goods, while there is an inverse relationship between purchasing propensity for luxury goods and people's income.

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