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## Cautious Buying: Differences between Rural and Urban Households

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**Abstract** - Rural markets in India are blossoming. Very few studies have been carried out in rural India for understanding the behaviour of the rural consumer and then customizing the products in accordance to their needs. A comparative study has been carried out to understand how rural and urban consumers buying behavior differ with respect to different types of influences on their buying behavior. The study was based on the sample of 411 (204 from urban and 207 from rural areas) households across the state selected on the basis of non-probability convenience sampling. Three durable goods from three different product categories Television (entertainment product), Refrigerator (home appliance), and an Automobile (two-wheeler, motorcycle and car/jeep) have been selected for study. Overall there are significant differences between rural and urban consumers for all the select products.

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# Cautious Buying: Differences between Rural and Urban Households

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## I. INTRODUCTION

Eight good monsoons, doubling the minimum support price of primary crops by government of India, the growth of non-farm sector in the rural areas, and a fifty six per cent contribution to country's income are both the manifestation and testimony of the fact that rural India is blossoming. There are more graduates in rural areas as compared to urban areas. Many of these are employed in nearby urban areas and in this way they earn urban incomes and stay at their own homes in rural areas. Thus they have considerable consuming power (Kashyap, 2012).

In spite of tremendous potential in the rural areas, the marketers of national and international corporations have not been able to take full advantage of it probably because of their failure to understand distinctness of the rural consumer in terms of social, psychological and economic aspects. They are significantly different in terms of their lifestyle than their urban counterparts. Therefore, rural India should not be treated as an extension of urban India (Mano Raj and Selvaraj, 2007). Indian rural market is very complex. Very few studies have been carried out in rural India for understanding the behaviour of the rural consumer and then customizing the products in accordance to their needs. Poor literacy rate, seasonal demand for goods, lack of infrastructure (rail, road, communication etc.), traditional life, different dialects and languages, and

cautious buying are the obstacles for the marketers in promoting their products in the rural areas (Krishnamoorthy, 2000).

There is considerable amount of data on the urban consumers regarding who is the influencer, who is the buyer, how do they go and buy, how much money do they spend on their purchases, etc. On the rural front the efforts have started only recently and will take time to come out with substantial results. So the primary challenge is to understand the buyer and his behaviour.

## II. LITERATURE REVIEW

Consumers are adaptive decision makers. The consumers besides maximizing decision exactness and minimizing cognitive attempt are also concerned with minimizing negative feeling and maximizing their ease of justification. The decision makers first use less cognitively demanding strategies to eliminate unacceptable alternatives till they are left with few alternatives. Then they adopt highly cognitive decision making strategies to choose between the residual alternatives. In the changing decision, there is more than one decision and even within a single decision, there are multiple decisions. (Kim *et al*, 2002).

Durable purchases by and large are group decisions for the three reasons: one it involves the significant expenditure of the family; second the user may not necessarily be the one who actually pays for it; and third it is bought for the use of several members of the family. However, in certain cases, unilateral decisions for the buying of durable item are taken by one member of the household, but it is not common. These decisions are not taken frequently and the buyings of such items are generally irrevocable (Downham and Treasure, 1956).

Individuals tend to compete and compare with one another through wealth that determines supremacy and prestige. Modern society acknowledges status through the ownership of status products instead of traditional determinants such as personal, occupational, or family reputation. Thus the individuals display their social power through the possessions of material objects. The individuals who are price sensitive are more likely to be cautious buyers (Roberts and Jones, 2001). Mittal (1989) describes that some items are attitudinal, some hedonic, and others with no considerable effect on purchase decision involvement. He argued that essential products cause less purchase decision

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involvement than unessential luxury products. Zaichkowsky (1985) ascribes involvement as a person's perceived relevance of a product based on inbuilt needs, values and interests.

Different buyers seek different degrees of information before purchasing consumer durables and the increased information seeking activity is associated with longer decision times (Newman and Staelin, 1972). When a product is perceived as high involvement, consumers engage in a more active information search and generally consider a greater variety of alternatives in their decision-making. On the other hand, when a product is perceived as low involvement, consumers will perceive relatively less differentiation between alternatives (Lastovicka, 1979). Keil and Layton (1981) in their study on information seeking behaviour of Australian new family car buyers examined three dimensions of information seeking—a source of information dimension, a brand dimension and a time dimension. The source of information dimension can be further divide into retailer search, media search and interpersonal search. The cluster analysis classified consumers into three categories—high information seekers and selective information seekers. The low information seekers were found making purchases more quickly than selective and high information seekers. Search activity had been found to be positively related to least self-confidence, price, and educational level for all indices except retailer search.

Martinez *et al* (1998) carried out a study in Spain that classified the households in different categories as a function of moment in time at which they acquired various consumer durables such as refrigerator, washing machine, dishwasher, oven and vitroceramic-hob. The percentage for innovators was very low for all the products varying from 0.4 per cent for dishwasher and vitroceramic-hob to 1.7 per cent for refrigerators. Early adopters for products vitroceramic-hob, microwave oven and dishwasher were about 20 per cent whereas these were 7.3 per cent and 7.2 per cent for refrigerators and washing machine respectively. For vitroceramic-hob and dishwasher, the introduction was relatively slow, as these were adopted by early adopters after six years. However in next five years, these were adopted by early and late majority. The refrigerator and washing machine though had similar introduction, but had much slower diffusion. The laggards were not adopting refrigerator even after 24 years and washing machine after 31 years.

Cognitive innovativeness refers to the tendency to enjoy new experiences that stimulate the mind. They seek novel or challenging cerebral experiences and psychological activities, such as thinking, problem solving etc. Sensory innovativeness on the other hand is related to tendency to engage in stimulating activities that arouse senses. Sensory innovators tend to enjoy experiences (Luna and Gupta, 2001). All innovations are

not diffused at the same speed. The speed of diffusion not only depends upon the nature of the product but also on the characteristics of those whom it is directed for. Based on the moment of entry of the product into the household, the households can be classified. The behaviour of the households can be differentiated by taking into account the demographic and socio-economic characteristics of their members (Martinez *et al*, 1998).

Rogers (1983) classified the adopters into five categories – innovators, early adopters, early majority, late majority and laggards. Innovators and early adopters play an especially important role in the life-cycle of a new product. They are instrumental in promoting products through word-of-mouth communication to early and late majority. Schutte and Ciarlante (1998) found that Asian consumers are less prepared to take the social risk to try new products. Therefore, the innovation curve among Asians is, therefore, steeper and negatively skewed. The Asian consumers have smaller percentage of innovators and early adopters, and larger percentage of early and late majority. Asian consumers are initially reluctant to accept new products and once they accept, they switch brands very frequently. The demographic factors such as age, education, income, occupation and social class too influence the adoption of new products.

### III. METHODOLOGY ADOPTED

A comparative study has been carried out to in Punjab state (India) to understand how rural and urban consumers buying behavior differ with respect to different types of influences on their buying behavior. Three durable goods from three different product categories Television (entertainment product), Refrigerator (home appliance), and an Automobile (two-wheeler, motorcycle and car/jeep) have been selected for study. A sample of 411 (204 from urban and 207 from rural areas) households across the state have been selected on the basis of non-probability convenience sampling. The data about current ownership or likelihood of purchases in the next 24 months on the select durable goods (television, refrigerator and any type of automobile) were obtained. In case of additional purchase/replacement or their likelihood in near future about the select items, the respondents were asked to give their responses only to the latest/likely buying. All respondents had been found possessing at least one item of each select product. Ordinal scale (5 point) has been used for data analysis.

The study has been based on both primary as well as secondary data. In-depth interviews have been conducted to look into insights of the consumers' behaviour with the help of a pre-tested bilingual questionnaire that was served to the respondents to obtain important information as regards to the prime objectives of the study.

### H<sub>1</sub> Rural and urban consumers' differ in terms of their cautiousness towards buying.

The hypotheses have been constructed on the basis of literature reviewed and the observations of the researcher. The p-values have been calculated for all the variables / statements and on comparing with central value (3 representing indifference to the statement) their significance has been checked at 95% confidence level. Similarly p-values have also been calculated to observe the significance (95% confidence level) of differences between the responses of rural and urban consumers.

Discriminant analysis has also been carried out to observe the differences between rural and urban consumers. Two-way ANOVA (Analysis of Variance) has been applied to test the independent effects and the interaction effects of habitat (rural or urban) and income, and habitat and select durables.

## IV. LIMITATIONS OF THE STUDY

The sample size is too small to generalize the findings. Moreover only three products (only one product from three categories) have been selected.

However there are large number of consumer durables such as washing machines, water purifiers, air conditioners, generator sets, and kitchen appliances etc. There is again a variety of items within a product category and they carry different utilities at different values for different strata of consumers. Also only those households have been considered for study that had either all the three items or they were likely to buy in near future. There are many households which may have not any one or more of these select items and they were also not likely to buy in near future. Some households had possessed some of the select durables for a long time. The consumers' considerations since then might have changed and the behaviour particularly as regards to the influences within the household might be different as compared to the time of acquisition of that durable. Therefore, the likely buying of next 24 months has been made the part of the study to minimize the impact of this limitation.

## V. DATA ANALYSIS

### a) Television

Table T 1 : Cautious Buying (Mean Values)

S. No.	Variables	U	p (1 t) U	R	p (1 t) R	U-R	p (2 t)
X 1	Buying without much planning.	3.29	0.0001	2.55	<0.0001	0.75	<0.0001
X 2	Consideration of its importance of to one's life.	3.80	<0.0001	3.94	<0.0001	-0.14	0.0937
X 3	Careful search for the model of your choice.	3.60	<0.0001	4.22	<0.0001	-0.62	<0.0001
X 4	Thinking before buying would not make much difference in your long run expectations.	3.34	<0.0001	2.69	<0.0001	0.66	<0.0001
X 5	Carefully watching of amount spent.	3.22	0.0036	4.04	<0.0001	-0.82	<0.0001
X 6	Not to buy a new unfamiliar product till others use.	3.14	0.0399	3.89	<0.0001	-0.75	<0.0001
X 7	Not to buy a new unfamiliar, if well known are available.	3.48	<0.0001	4.09	<0.0001	-0.62	<0.0001
X 8	Desire to try a new product on learning of the same.	3.85	<0.0001	3.05	0.2345	0.79	<0.0001

U = Mean Urban, R = Mean Rural, p (1 t) = p value one tailed, and p (2 t) = p value two tailed.

In terms of cautious buying (X1 to X8), the urban consumers did not plan much before buying their television sets (X1) whereas; the rural consumers planned before the buying of the same. Both the groups of consumers had significantly considered the importance of the television set to their life (X2) and they had carefully searched the models the television sets (X3). On comparing with urban consumers, the rural consumers had been found significantly more careful in terms of searching the models of the television sets.

Urban consumers had belief that thinking before buying the television set would not make any

difference to their long term expectations of the product (X4), whereas; the rural consumers did not think so. Both urban and rural consumers had tendencies to carefully watch the amount to be spent on the television set (X5), not to buy unfamiliar brand till others use the same (X6) or when well-known brands are available (X7).

Table T 1.1: Cautious Buying (F ratio)

S. No.	Variables	R/U (df =1)	F ratio IG (df =4)	R/U*IG (df =4)
X 1	Buying without much planning.	33.157*	1.728	0.556
X 2	Consideration of its importance of to one's life.	0.949	0.482	1.323
X 3	Careful search for the model of your choice.	26.846*	0.792	0.348
X 4	Thinking before buying would not make much difference in your long run expectations.	20.305*	0.812	0.322
X 5	Carefully watching of amount spent.	37.643*	2.406*	1.200
X 6	Not to buy a new unfamiliar product till others use.	45.858*	0.989	3.437*
X 7	Not to buy a new unfamiliar, if well known are available.	33.496*	0.232	0.636
X 8	Desire to try a new product on learning of the same.	40.598*	0.059	0.541

R/U = Rural-Urban, IG = Income Group, and R/U\*IG= Two-way interaction between R/U and IG.

The rural consumers had given significantly greater consideration to these variables than the urban consumers. Urban consumers had a significant while the rural consumers had a moderate desire to try a new model of television set on learning about it (X8). There had been significant differences between the behaviours of rural and urban consumers groups for all the select variables except X2 (Table T 1).

Two-way ANOVA reveals no interaction between income and habitat of consumers for all other select variables except variable X6, where there had been

significant interaction. No differences could be observed among different income groups for all other select variables except X5. There had been significant differences between rural and urban consumers for all other select variables except X2 with the highest F value for X6 (Table T 1.1).

The structure matrix of the discriminant analysis had revealed X5 as the most discriminating variable followed by X8. The classification results revealed that 81% of original groups and 80% of cross-validated groups have been correctly classified (Table T 1.2).

Table T 1.2 : Cautious Buying (Discriminant Analysis)

S. No.	Variables	Standardized Canonical Discriminant Function Coefficients	Unstandardized Canonical Discriminant Function Coefficients	Structure Matrix
1	X 1	0.416	0.381	X 5 -0.516
2	X 2	-0.028	-0.034	X 8 0.462
3	X 3	-0.080	-0.090	X 6 -0.430
4	X 4	0.358	0.321	X 3 -0.397
5	X 5	-0.307	-0.340	X 1 0.388
6	X 6	-0.402	-0.406	X 7 -0.367
7	X 7	-0.271	-0.285	X 4 0.334
8	X 8	0.550	0.564	X 2 -0.094
Constant		0.198		

#### b) Refrigerator

In terms of cautious buying (X1 to X8), the urban consumers did not plan much before buying their refrigerators (X1) whereas; the rural consumers significantly planned before the buying of the same. Both the groups of consumers had significantly considered the importance of the refrigerator to their life (X2) and they had carefully searched the models of their

choice (X3). The rural consumers had given greater considerations to the variables X2 and X3 than their urban counterparts. Urban consumers had belief that thinking before buying the refrigerator would not make any difference to their long term expectations of the product (X4), whereas; the rural consumers did not think so.

Table R 1: Cautious Buying (Mean Values)

S. No.	Variables	U	p (1 t)	R	p (1 t)	U-R	p (2 t)
		U		R			
X 1	Buying without much planning.	3.26	0.0005	2.35	<0.0001	0.91	<0.0001
X 2	Consideration of its importance of to one's life.	3.91	<0.0001	4.25	<0.0001	-0.34	<0.0001



X 3	Careful search for the model of your choice.	3.63	<0.0001	4.31	<0.0001	-0.69	<0.0001
X 4	Thinking before buying would not make much difference in your long run expectations.	3.29	0.0001	2.57	<0.0001	0.72	<0.0001
X 5	Carefully watching of amount spent.	3.18	0.0121	4.08	<0.0001	-0.90	<0.0001
X 6	Not to buy a new unfamiliar product till others use.	3.17	0.0198	4.00	<0.0001	-0.83	<0.0001
X 7	Not to buy a new unfamiliar, if well known are available.	3.55	<0.0001	4.21	<0.0001	-0.66	<0.0001
X 8	Desire to try a new product on learning of the same.	3.85	<0.0001	3.05	0.2345	0.79	<0.0001

*U = Mean Urban, R = Mean Rural,  $p(1t) = p$  value one tailed, and  $p(2t) = p$  value two tailed.*

*Table R 1.1: Cautious Buying (F ratio)*

S. No.	Variables	F ratio		
		R/U (df =1)	IG (df =4)	R/U*IG (df =4)
X 1	Buying without much planning.	43.727*	1.010	0.415
X 2	Consideration of its importance of to one's life.	7.698*	0.077	2.243
X 3	Careful search for the model of your choice.	36.764*	0.695	0.261
X 4	Thinking before buying would not make much difference in your long run expectations.	23.153*	0.994	0.310
X 5	Carefully watching of amount spent.	46.733*	2.641*	1.101
X 6	Not to buy a new unfamiliar product till others use.	50.052*	0.809	2.732*
X 7	Not to buy a new unfamiliar, if well known are available.	38.988*	0.327	0.618
X 8	Desire to try a new product on learning of the same.	40.598*	0.059	0.541

Both urban and rural consumers had tendencies to carefully watch the amount to be spent on the refrigerator (X5), not to buy unfamiliar brand till others use the same (X6) or when well-known brands are available (X7). These tendencies had been found significantly greater among rural consumers than their urban counterparts. Urban consumers had a significant while the rural consumers had a moderate desire to try a new model of refrigerator on learning about it (X8). There

had been significant differences between the behaviours of rural and urban consumers groups for all the select variables (Table R 1).

Two-way ANOVA reveals no interaction between income and habitat of consumers for all the select variables except X6, where there had been significant interaction between these factors. No significant differences could be observed among different income groups for all other select variables except X5.

*Table R 1.2: Cautious Buying (Discriminant Analysis)*

S. No.	Variable	Standardized Canonical Discriminant Function Coefficients	Unstandardized Canonical Discriminant Function Coefficients	Structure Matrix	Matrix
1	X 1	0.434	0.375	X 5	-0.526
2	X 2	-0.139	-0.152	X 8	0.429
3	X 3	-0.085	-0.093	X 6	-0.419
4	X 4	0.350	0.307	X 1	0.415
5	X 5	-0.313	-0.347	X 3	-0.393
6	X 6	-0.360	-0.346	X 7	-0.356
7	X 7	-0.278	-0.286	X 4	0.334
8	X 8	0.531	0.545	X 2	-0.198
	Constant		0.771		

*R/U = Rural-Urban, IG = Income Group, and R/U\*IG= Two-way interaction between R/U and IG.*

There had been significant differences between rural and urban consumers for all the select variables with the highest F value for variable X6 followed by X5

(Table R 1.1). The structure matrix of the discriminant analysis had also revealed X5 as the most discriminating variable followed by X8. The classification

results revealed that 83.9% of original groups and 81.8% of cross-validated groups have been correctly classified (Table R 1.2).

c) Automobile

Table A 1: Cautious Buying (Mean Values)

S. No.	Variables	U	p (1 t)	R	p (1 t)	U-R	p (2 t)
		U		R			
X 1	Buying without much planning.	3.18	0.0171	2.21	<0.0001	0.96	<0.0001
X 2	Consideration of its importance of to one's life.	4.05	<0.0001	4.29	<0.0001	-0.23	0.0086
X 3	Careful search for the model of your choice.	3.85	<0.0001	4.34	<0.0001	-0.49	<0.0001
X 4	Thinking before buying would not make much difference in your long run expectations.	3.05	0.2737	2.42	<0.0001	0.63	<0.0001
X 5	Carefully watching of amount spent.	3.50	<0.0001	4.17	<0.0001	-0.67	<0.0001
X 6	Not to buy a new unfamiliar product till others use.	2.99	0.4536	3.69	<0.0001	-0.70	<0.0001
X 7	Not to buy a new unfamiliar, if well known are available.	3.39	<0.0001	4.21	<0.0001	-0.83	<0.0001
X 8	Desire to try a new product on learning of the same.	3.89	<0.0001	3.01	0.4203	0.87	<0.0001

U = Mean Urban, R = Mean Rural, p (1 t) = p value one tailed, and p (2 t) = p value two tailed.

In terms of cautious buying (X1 to X8), the urban consumers did not plan much before buying their automobiles (X1) whereas; the rural consumers significantly planned before the buying of the same. Both the groups of consumers had significantly considered the importance of the automobile to their life (X2) and they had carefully searched the models of their choice (X3). The rural consumers had given significantly greater consideration to these aspects as compared to their rural counterparts. Urban consumers moderately whereas; the rural consumers significantly believed that thinking before buying the automobile would make the difference to their long term expectations of the product (X4).

Both urban and rural consumers had tendencies to carefully watch the amount to be spent on

the automobile (X5), and not to buy unfamiliar brand when well-known brands are available (X7). The rural consumers had relatively greater tendencies as compared to their urban counterparts. Urban consumers had a significant while the rural consumers had a moderate desire to try a new automobile on learning about it (X8). Similarly the urban consumers had moderate whereas; the rural consumers had significant propensity for not buying an unfamiliar automobile till others use the same (X6). There had been significant differences between the behaviours of rural and urban consumers groups for all the select variables (Table A 1).

Table A 1.1: Cautious Buying (F ratio)

S. No.	Variables	R/U (df = 1)	F ratio IG (df = 4)	R/U*IG (df = 4)
X 1	Buying without much planning.	43.498*	5.377*	0.962
X 2	Consideration of its importance of to one's life.	3.669	0.385	1.165
X 3	Careful search for the model of your choice.	23.314*	0.481	2.123
X 4	Thinking before buying would not make much difference in your long run expectations.	17.378*	0.485	0.163
X 5	Carefully watching of amount spent.	26.927*	2.689*	1.576
X 6	Not to buy a new unfamiliar product till others use.	10.632*	5.395*	4.497*
X 7	Not to buy a new unfamiliar, if well known are available.	57.008*	0.348	2.407*
X 8	Desire to try a new product on learning of the same.	50.438*	0.164	0.439

R/U = Rural-Urban, IG = Income Group, and R/U\*IG = Two-way interaction between R/U and IG.

Table A 1.2 : Cautious Buying (Discriminant Analysis)

S. No.	Variables	Standardized Canonical Discriminant Function Coefficients	Unstandardized Canonical Discriminant Function Coefficients	Structure Matrix	
1	X 1	0.503	0.437	X 8	0.478
2	X 2	-0.166	-0.187	X 1	0.448
3	X 3	-0.053	-0.059	X 7	-0.437
4	X 4	0.283	0.248	X 5	-0.423
5	X 5	-0.183	-0.214	X 6	-0.329
6	X 6	-0.276	-0.244	X 4	0.298
7	X 7	-0.476	-0.472	X 3	-0.296
8	X 8	0.576	0.590	X 2	-0.139
	Constant		0.565		

Two-way ANOVA reveals no interaction between income and habitat of consumers for all other select variables except variables X6 and X7. No significant difference could be observed between different income groups for all other select variables except variables X1, X5 and X6. There had been significant differences between rural and urban consumers for all other select variables except variable X2 with the highest F value for variable X7 (Table A 1.1).

Both the standardized canonical discriminant function coefficients and the structure matrix of the discriminant analysis had revealed X8 as the most discriminating variable followed by X1. The classification results revealed that 83.2% of original groups and 81.5% of cross-validated groups have correctly classified (Table A 1.2).

## VI. DISCUSSION

The urban consumers do not plan much before buying their durables whereas; the rural consumers significantly planned before the buying of the same. In case of automobiles, the differences also persist among different income groups. Both the groups of consumers significantly consider the importance of all the select products to their lives. In case of refrigerators and automobiles, such consideration is relatively greater among rural consumers than their urban counterparts whereas; in case of televisions, this consideration is equal among both the groups. This is probably due to the indispensability of both refrigerator and automobile in the household. Both the groups carefully search for the models of their choice for all the select products. However this tendency is greater among the rural consumers than their urban counterparts. Urban consumers believe that thinking before buying the television or refrigerator would not make any difference to their long term expectations of the product whereas; the rural consumers do not think so for all the three products. This is probably due to income disparities between rural and urban consumers; and the greater tendency of rural consumers to use the items for longer durations. However the urban consumer moderately thinks the same in case of buying an automobile. This is

so because of the high value of an automobile. Both urban and rural consumers have greater tendencies to; carefully watch the amount to be spent on these products, or not to buy an unfamiliar brand when well-known brands are available. These tendencies are greater among rural consumers as compared to their urban counterparts. This concludes that rural consumer is more cautious buyer than the urban consumer. In case of an automobile, the differences between rural and urban consumers differ among different income groups. In terms of careful spending of amount, there are differences between income groups of these consumers' categories for all the select products.

The urban consumers have a moderate and the rural consumers have a greater tendency in terms of not buying an unfamiliar brand of automobile till others use the same. These differences differ among different income levels for this consideration in case of an automobile. This is so because among the particular income group, pioneering in buying the new brand of automobile provides greater psychological satisfaction due to greater social visibility. In case of other products such as television and refrigerator, both the groups have greater such tendencies. These tendencies are further greater among rural consumers than their urban counterparts. However the differences between rural and urban consumers in these tendencies also differ among their different income groups for all the select products. Urban consumers have a significant while the rural consumers have a moderate desire to try a new product on learning about it. Considering all the select products, there have been differences between rural and urban consumers for all the select variables. Product based differences also exist for all other variables except; not buying an unfamiliar brand in case of availability of well known brands and desire to try a new product on learning about it. *Overall there are significant differences between rural and urban consumers for all the select products.*

## VII. MANAGERIAL IMPLICATIONS

The rural consumers plan their buying to greater extent as compared to urban counterparts. They



carefully search for the models of their choice and at the same time they remain careful in terms of amount being spent on an item. Therefore, marketing offerings should be designed very cautiously keeping in view their explicit as well as latent needs within their budget constraints.

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