

INDIAN TELECOM MARKET IN TRANSITIVE ECONOMY: A COMPARATIVE STUDY ON BUYING BEHAVIOUR OF RURAL AND URBAN BUYERS ON MOBILE PHONE

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ABSTRACT

Telecom industry in India has witnessed double digit growth in past ten years. The mobile market in rural India has significant potential with number of subscribers anticipated to grow at a CAGR of around 35% during FY 2012 - FY 2014. To make the most of the enormous potential of rural market in India, companies need to develop specific marketing strategies and action plan for the rural market. This study is an attempt to understand different aspects of rural consumer behaviour on buying of mobile phones and compare that with urban buying behaviour. The study is conducted in Vidarbha region of India.

KEYWORDS: Telecom, Rural Marketing, Consumer Behavior, Rural Buying Behavior.

1. INTRODUCTION

Rural markets in India constitute a wide and untapped market for many products and services which are being marketed for the urban masses. The McKinsey report (2007) on the rise on consumer market in India predicts that in twenty years the rural Indian market will be larger than the total consumer markets in countries such as South Korea or Canada today, and almost four times the size of today's urban Indian market. The report estimated the size of the rural market at \$577 Billion.

The Indian rural market with its vast size and demand base offers great opportunities to Companies. Two-thirds of Indian consumers live in rural areas and almost half of the national income is generated here. It is only natural that rural markets form an important part of the total market of India.

According to the National Council of Applied Economic Research (NCAER), with about 74 per cent of its population living in its villages, India has perhaps the largest potential rural market in the world. It has as many as 47,000 haats (congregation markets), compared to 35,000 supermarkets in the US.

Numerous mobile handset manufacturers have been working to cover the untapped rural mobile market, which will be the major driver for Indian mobile market in coming years. The study will be helpful to mobile manufacturing companies in adopting suitable marketing strategies for the rural market.

2. BACKGROUND

The Indian telecom industry has witnessed a radical change in the recent past and became one of the important markets in the world. Some of the reasons for its rampant growth are availability of low-priced mobile handsets, vast network coverage, and cheap tariffs. Wireless teledensity has also risen to the level of around 68% at the end of FY 2011 (rncos). The industry is poised for future growth as there is a wide gap in teledensity between urban and rural areas. The wireless teledensity in urban areas grew to around 150%, while it is around 33% in rural areas during FY 2011 (rncos).

The deployment of 3G services on a national scale will prove revolutionary for the increasing broadband penetration in the country, which is restricted due to the inadequate infrastructure. According to a research report published by rncos "India 3G Market Forecast to 2014", the number of 3G mobile subscribers is expected to grow at a CAGR of around 88% during 2011 - 2014 due to the rising need for high speed data services with mobility.

The country saw addition of around 192 Million subscribers in its mobile subscriber base during 2009-10. Mobile Services growth in urban areas is near saturation, in fact, it has crossed 100% in cities like New Delhi. With over 850 million active Indian mobile subscribers (business standard.com), mobile operators in the country are now vying for rural India which is triple the size of the Urban Market. According to the report, "Booming Rural Mobile Market in India", number of subscribers is expected to grow at a CAGR of around 35% during FY 2012 - FY 2014 in rural India.

Numerous mobile handset manufacturers have been working to cover the untapped rural mobile market, which will be the major driver for Indian mobile market in coming years. It is forecasted that the sales of mobile handsets in rural India will grow at a CAGR of around 19% during 2011-12 - 2013-14. Nokia became the leader of mobile phone sales with 110.1 Million units, but its market share tumbled 1.2% year-on-year. Samsung recorded the sales of 64.9 Million devices in the first quarter of 2010, up 26.3% year-on-year. The mobile phone sales of RIM touched the level of 10.6 Million units in the first quarter of 2010, an increase of 45.9% year-on-year. The growth in mobile phone sales during the first quarter of 2010 received support from Smartphone sales that posted double-digit growth. Smartphones represented the share of 17.3% (54.3 Million units) of the total mobile handset sales in the last quarter.

India's rural areas accounted for 191 million mobile subscribers at the end of March in comparison to 393 million subscribers in urban areas, according to TRAI. There were 112 mobile connections for every 100 people in urban areas in contrast to 23 connections per 100 people in rural areas.

3. INDIAN RURAL MARKET

Census of India defines rural as any habitation with a population density less than 400 per sq. km., where at least 75 percent of the male working population is engaged in agriculture and where there exists no municipality or board, and the same definition being accepted for the paper here. A marketer trying to market his product or service in the rural areas is faced by many challenges; the first is posed by the geographic spread and low population density in the villages in the country.

The second challenge is from the low purchasing power and limited disposable incomes in these parts of the country. But this has been changing in the last few decades with agricultural growth rate faster in the 1990's and 80's than the 1970's (CMIE 1996). Green revolution through the introduction of hybrid seeds, fertilizers and systematic irrigation had a major impact on agricultural productivity, and combined with it was a price policy which ensured minimum support price, and in turn insulated the farmers from market risk, cheap input policy and a stable demand (Vyas 2002). These all lead to a quantum jump in the incomes of farmers in the country. Initially the impact of green revolution could be seen only in the prosperous agricultural states of the country but now slowly its influence has spread across the country with the increase in irrigation (Bhalla & Singh 2001). Though the income levels overall are still very low there are many pockets of prosperity which have come up in the rural areas in the country.

According to NCAER 2002, the number of rural middle class house holds at 27.4 million is very close to their urban counterpart at 29.5 million. The improvement in the support prices being offered to farmers also has an impact on the disposable income with the farmers. And between, 1981-2001 there has been tremendous improvement in the literacy levels, poverty and rural housing in the villages of the country.

Rural literacy levels have improved from 36 percent to 59 percent, the number of below poverty houses have declined from close to half to 46 percent and the number of pucca houses have doubled from 22 percent to 41 percent. These figures provide us with a clear picture that rural India with the increase in agricultural income and improving standards is on the verge of becoming a large untapped market which marketers have been aspiring for a very long period of time. Thus the current status of rural markets makes it an attractive market for marketers.

In India, buyer behaviour has changed in recent years owing to enhanced awareness, information technology, and, more importantly, governmental intervention through legislations. India's rural consumers account for about 73 percent of the total consumers. In recent years, the lifestyle of a large number of rural consumers in India has changed dramatically and continues to do so.

The buying behaviour of the rural consumers is influenced by several factors, such as socio-economic conditions, cultural environment, literacy level, occupation, geographical location, efforts on the part of sellers, exposure to the media, etc. Social norms, tradition, cast, social customs have greater influence on consumer behaviour in rural areas than urban areas. The seasonality of agricultural production sways the rural consumer demand. Landless labourers and daily wagers get their payment in part or on daily basis. As a result they purchase in a small quantity at a time, on a daily basis or once in two three days. (Jha Mithileshwar, 2007)

While taking the buying decision, urban individual involves family, husband, wife, and children whereas in rural areas it is the men who make the purchase decision primarily because of lack of mobility amongst rural women and their awareness level about the market. Rural consumer is also influenced by strong social interaction and community decision making is quite common. Companies need to understand the dynamics of rural consumer behaviour in order to be successful (Kashyap Pradip, 2005)

4. RESEARCH OBJECTIVE

The research aims to examine the comparative buying behaviour of rural and urban consumer of Amravati district for a mobile phone. The study would assess the similarities and differences between buying behaviour of urban and rural buyers of mobile phones. Mobile manufacturing companies can use the research in adopting appropriate marketing strategies for the rural market.

The study undertaken compares and analyses the factors which motivates rural and urban consumers in buying mobile phones. The motivating factors for the study are taken as price, quality, style and current trends, functions, and brand. The other associated research objectives are to examine the source of information about the mobile phones, most preferred brand of mobile phone and role of family members in influencing the buying decision.

5. LITERATURE REVIEW

Chirag V. Erda (2008) did comparative study rural and urban buyers in Jamnagar district of Gujrat in buying mobile phones, India with motivating factors taken as price, quality, style, functions, and brand. The research undertaken by Anand and Hundal (2007) about comparative buying behaviour of rural and urban consumers was with respect to buying of refrigerators with motivating factors taken as item of necessity, symbol of social status, advertising influence, brand reputation and time saving device. Gupta (1987) examined the factors motivating consumers to buy durables, the factors considered by them in making the brand choice are source of information considered, role of family members in influencing brand choice and to examine consumer satisfaction. Shanti R (2005) examined the perceptual dimensions of brand association with reference to mobile user. Shashi Kumar L and Chaube D.S. 2007 studied the awareness level of buyers and their attitude towards different mobile providers operating in Lucknow.

Based on literature review following hypothesis are formed.

1. H1: there is no significant difference between rural and urban buyer for preference of mobile phone with respect to functionality.
2. H2: there is no significant difference between rural and urban buyer for preference of mobile phone with respect to price.
3. H3: there is no significant difference between rural and urban buyer for preference of mobile phone with respect to quality.
4. H4: there is no significant difference between rural and urban buyer for preference of mobile phone with respect to brand.

5. H5: there is no significant difference between rural and urban buyer for preference of mobile phone with respect to style and current trends.

6. RESEARCH METHODOLOGY

The present study is mainly based on primary data. Mobile consumers belonging to both rural and urban area of Amravati district India are examined. English and Hindi questionnaires are used as research instruments. Data collected from users of mobile phone from Amravati district. The size of the sample is around 400 mobile users, 200 from rural and 200 from urban. Samples are selected on convenience and judgement basis. Five mobile phone purchase motivators are taken as functions, price, quality, brand, style and current trends. Buyers were asked to rate mobile phone purchase motivators on a 5 point Likert scale. The Independent T test is used for analysis. The five point Likert Scale is defined as extremely important (5), somewhat important (4), neither important nor unimportant (3), somewhat unimportant (2), extremely unimportant (1).

Independent T test is used to see if there is any significant difference in urban and rural buyers in giving preference to various characteristics like Functionality, price, quality, style and trends and brand of the mobile phone while choosing their mobile phone. Additionally, percentage analysis is used to analyse the sub objectives: preference of a particular brand, source of information and role of family in making decision while buying mobile phone.

7. DATA ANALYSIS AND DISCUSSION

7.1. DEMOGRAPHIC DETAILS

The demographic data as shown in table 1 shows that most of the respondents of rural sample fall in the age category of 20 to 30 years (38%) and urban respondents fall in the age category of below 20 years (48%). 83% of the rural sample belongs to males and 17% to females as compare to urban sample (53%) males (47 %) females. Educational profile of the rural and urban sample indicates that most of the respondents are undergraduates rural (61%) and urban (60%). Occupational profile of the rural sample indicates that in urban sample as well as rural sample most of the respondents are students (55%) and (36%) respectively. Income profile of the rural sample indicates that most of the respondents are having monthly income of Rs. 10,000 and above for rural (47.5%) and for urban (65%).

TABLE1: DEMOGRAPHICS DETAILS

Variables	Characteristics	Respondents					
		Rural		Urban		Total	
		No.	%	No.	%	No.	%
Age	1. Below 20 years	60	30	95	48	155	39
	2. 20 to 30 years	75	38	60	30	138	33
	3. 30 to 40 years	26	16	19	11	45	12
	4. 40 to 50 years	21	10	19	9	41	10
	5. Over 50 years	15	6	8	5	23	6
Gender	1. Male	166	83	106	53	272	68
	2. Female	34	17	94	47	127	32
		200	100	200	100	400	100
Educational Qualification	1. Under Graduate	122	61	120	60	242	60.5
	2. Graduate	46	23	40	20	86	21.5
	3. Post Graduate	20	10	38	19	58	14.5
	4. Other	12	6	2	1	14	3.5
		200	100	200	100	400	100
Occupation	1. Service	45	23	57	27	102	25.5
	2. Business	54	27	25	13	79	19.75
	3. Profession	7	4	1	1	8	2
	4. Agriculture	22	11	7	4	29	7.25
	5. Students	72	36	110	55	182	45.5
		200	100	200	100	400	100

Monthly Family Income:	1. Up to Rs. 5000	70	35	70	35	140	35
	2. Rs. 5000 to 10,000	40	21	30	26	70	17.5
	3. Rs. 10,000 and above	90	47	100	65	190	47.5
		200	100	200	100	400	100

7.2. MOBILE PHONE USED

Nokia is the most preferred choice in both the groups rural (62%) and urban (68%). Samsung is second after Nokia in both the groups rural (14.5%) urban (15%). However, China phones and MAX are increasingly becoming popular among rural consumers (12%) and (10.5%) respectively.

TABLE 2: MOBILE PHONE USED

Sr. No.	Mobile Phone	Respondents					
		Urban		Rural		Total	
		No.	%	No.	%	No.	%
1.	Nokia	136	68	124	62	260	65
2.	Samsung	30	15	29	14.5	59	14.75
3.	Sony Ericsson	13	6.5	1	.5	14	3.5
4.	Motorola	6	3	1	.5	7	1.75
5.	MAX	4	2	24	12	28	7
6.	China Make	2	1	21	10.5	23	5.75
7.	Smart Phones	9	4.5	0	0	9	2.25
	Total	200	100	200	100	400	100

7.3. SOURCE OF INFORMATION

Table 3 shows source of information used while buying mobile phone. Most of the respondents use friends (rural 44%, urban 47.5%) followed by retailer (rural 17%, urban 22%), mobile phone retailers (urban 17%, rural 21.5%) and Television (rural 17 %, urban 15%).

TABLE 3: SOURCE OF INFORMATION USED

Sr. No.	Source of information	Respondents					
		Urban		Rural		Total	
		No.	%	No.	%	No.	%
1.	News Paper	23	11.5	21	10.5	44	11
2.	T. V.	30	15	34	17	64	16
3.	Internet	18	9	5	2.5	23	5.75
4.	Retailer	34	17	43	21.5	77	19.25
5.	Magazine	7	3.5	2	1	9	2.25
6.	Friends	88	44	95	47.5	183	45.75
	Total	200	100	200	100	400	100

7.4 PURCHASE DECISION

Table 4 indicates the information about different parameters (self decision, friends, family, retailers and others) that influence mobile buyers in purchasing decision of mobile phones. 50% of the rural buyers take self decision where as 43% urban buyers take self decision. Urban buyer take more family help (40.5%) as compare to rural (29%) while making a buying decision of mobile phones followed by friends' help (rural 19%, urban 11.5%).

TABLE 4: PURCHASE DECISION

Sr. No.	Purchase Decision	Respondents					
		Rural		Urban		Total	
		No.	%	No.	%	No.	%
1.	Self Decision	102	50	87	43.5	189	47
2.	Friends	38	19	23	11.5	61	15
3.	Family	57	29	81	40.5	138	35
4.	Retailer	2	1	4	2	6	2

5.	Other	1	1	5	2.5	6	2
	Total	200	100	200	100	400	100

7.5. THE MOTIVATIONAL FACTORS

The calculated values of independent sample t test statistics at 5 % level of significance are shown in table 5 and table 6. An independent samples t-test was conducted to examine whether there is a significant difference in different characteristics of mobile phone (functionality, price, quality, style and current trends, and brand) in motivating buyers mobile phone. The table 5 describes mean and standard deviation of the responses on different parameters given by rural and urban consumers on Five Point Likart scale taken as 5-extremely important, 4- somewhat important, 3-neutral, 2- somewhat unimportant, 1- unimportant. Table 6 describes independent samples t-test information to ascertain whether there is a significant difference between the two groups on a particular parameter that motivate the buying decision. Before examining the t-test information, we must decide whether we can assume equal variances or not. Below the section of t-test for equality of means, we need to focus on the sig (2-tailed) column – this is the p-value.

The test revealed a statistically significant difference in the following motivating parameters:

- 1. FUNCTIONALITY:** The p-value (sig.) for functionality for the Levene's test is .001, it is below .05, hence we cannot assume equal variances, and the t value is 5.660. The p-value is .000 for the t-test for equality of means, here we are checking on the sig (2-tailed) column – this is the p-value. This p-value is related to independent samples t-test and shows that there is a significant difference between the urban and rural group. The table 5 shows the average score or means of Functionality for urban buyers as 4.32 and for rural buyers as 3.76. So we can conclude that the difference between rural and urban buyer on functionality of the mobile phone as motivator for purchase of mobile phone in Amravati district is significant.
- 2. BRAND:** The p-value (sig.) for brand for the Levene's test is .041, it is below .05, hence we cannot assume equal variances, and the t value is 8.805. The p-value is .000 for the t-test for equality of means, here we are checking on the sig (2-tailed) column – this is the p-value. This p-value is related to independent samples t-test and shows that there is a significant difference between the urban and rural group. The table 5 shows the average score or means of Brand preference for urban buyers as 4.35 and for rural buyers as 3.97. So we can conclude that the difference between rural and urban buyers on brand as motivator for purchase of mobile phone in Amravati district is significant.

TABLE 5: GROUP STATISTICS

Group Statistics					
Consumer	Consumer	N	Mean	Std. Deviation	Std. Error Mean
Functionality	urban	200	4.32	.615	.043
	rural	200	3.97	.621	.044
Price	urban	200	4.07	.691	.049
	rural	200	4.05	.837	.059
Quality	urban	200	4.48	.584	.041
	rural	200	4.01	.747	.053
Style and Trends	urban	200	4.08	.660	.047
	rural	200	4.02	.719	.051
Brand	urban	200	4.35	.606	.043
	rural	200	3.76	.718	.051

TABLE 6: INDEPENDENT SAMPLE T TEST

Independent Samples Test											
		Levene's Test for Equality of Variances		t-test for Equality of Means						95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Diff.	Std. Error Diff.	Lower	Upper	
Functionality	Equal variances assumed	12.122	.001	5.660	398	.000	.350	.062	.228	.471	
	Equal variances not			5.660	397.955	.000	.350	.062	.228	.471	

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	assumed									
Price	Equal variances assumed	2.034	.155	.261	398	.795	.020	.077	-.131	.171
	Equal variances not assumed			.261	384.180	.795	.020	.077	-.131	.171
Quality	Equal variances assumed	.087	.768	7.085	398	.000	.475	.067	.343	.607
	Equal variances not assumed			7.085	376.194	.000	.475	.067	.343	.607
Style and Trends	Equal variances assumed	.848	.358	.942	398	.347	.065	.069	-.071	.201
	Equal variances not assumed			.942	395.105	.347	.065	.069	-.071	.201
Brand	Equal variances assumed	4.218	.041	8.805	398	.000	.585	.066	.454	.716
	Equal variances not assumed			8.805	387.239	.000	.585	.066	.454	.716

The difference between rural and urban buyer on price as motivator in buying decision of mobile phone in Amravati Dist. Of Vidarbha is not significant. The difference between rural and urban buyer on quality as motivator for purchase of mobile phone in Amravati district is not significant. The difference between rural and urban buyer for purchase of mobile phone on style and current trends as motivator in buying decision of mobile phones in Amravati region is not significant.

Hence, we fail to accept hypotheses H1 “there is no significant difference between rural and urban buyer for preference of mobile phone with respect to functionality.”

Hence, we fail to accept hypotheses H4 “there is no significant difference between rural and urban buyer for preference of mobile phone with respect to brand.”

Study indicates that rural consumers are less motivated by functionality and brand of mobile phone while making a buying decision as compare to their urban counterparts in Amravati district.

8. LIMITATION OF THE STUDY

The study is conducted only in Amravati Dist. of Vidarbha region. Buyer behaviour being dynamic in nature and with increasing awareness level of rural buyer there is possibility that these findings may not be true in future or in other parts of rural India.

9. CONCLUSION

Rural marketing can not succeed if the strategies and action plan are merely extension to urban marketing strategies and plans. In order to make the most of the untapped rural market in India, companies need to understand the dynamics of rural consumers to formulate marketing strategies specifically for rural consumers.

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