

The Demand for Consumer Durables in Post Liberalisation

Sri Lanka

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Introduction

Sri Lanka liberalised its economy in 1977 paving the way for free exports and imports. The demand for consumer durables, especially for imported items, increased rapidly as a result of this policy shift. International aid and assistance, foreign direct investment, new and lucrative job opportunities, growing public expenditure, and rising migrant remittances boosted the buying capacity of households. Per capita income is also increased in an extraordinary manner during the post liberalisation years. The economic status of the country moved to the lower middle income category from the low income category as a result of rising per capita income. Society also moved away from the long standing prudent expenditure pattern to a consumer culture characterized by lavish expenditure. Even poor households managed to purchase a few consumer durables such as television receivers and mobile phones as a result of the ongoing durable consumer culture in the society.

Endogenous and exogenous shocks of the economy affect for the market for durable products. The consumer durables industry is highly price sensitive, making price the determining factor in increasing volumes, at least for lower range consumers. It is not easy to understand consumer behaviour in the context of maximising satisfaction. Consumer durables are normally high value, high priced products, and are not frequently purchased. The market for consumer durables is becoming more competitive in the current world. The durable product markets present features associated with oligopolies. There is interdependency when dealers select the customer. Therefore as a result of competition among several entities in the market, they always try to protect and increase their market share.

This study seeks to identify the properties of consumer buying behavior in relation to consumer durables in post liberalization Sri Lanka. This study is also an effort to explain the changes in the demand for consumer durables in the Sri Lankan market. To understand buying behavior it is necessary to understand why consumers make the purchases that they make, and this was studied, together with businesses operating in the market for durable goods in Sri Lanka, the nature of the competition among those parties, the nature of demand for durable products, the

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means of entering the market for durable products and operation in the structure of imports are expected to study.

Literature Review

Consumer Behavior is influenced by a unique set of cultural, social, economic and psychological factors. These factors are not controllable by marketers. The producer of durable products should understand consumer interest in order to achieve higher sale. (Dasar et al, 2013). According to the Vaaikunthavasan (2013) there are 20 important variables which affect the consumer durables purchase decisions: they are durability, reliability, features, value for money, education, availability, discount, style, income, and job.

Rural consumers are price sensitive, and are influenced by the consumer fairs and advertisements. Family size in rural areas is quite large and agriculture is their main occupation, so marketers should produce products developed as per the requirements of rural folk and conduct for promotional campaigns with the help of print media (Purohit, 2001).

Prof. Chanduji Thakor (2013) describes the rising rate of growth of GDP, rising purchasing power of people, and higher propensity to consume with preference for sophisticated brands would provide a constant impetus to growth of the White goods industry segment.

Research Objectives

The objective of this study is to examine the determinants of the demand for consumer durables in Sri Lanka during the post liberalization time period, in addition to study the impact of identified factors on the buying decisions on consumer durables and evaluating the changing lifestyles and their impact on the purchase behavior among customers.

Methodology

Data Sources and Data Collection

Data for the study collected from secondary sources such as household income and expenditure surveys and other similar resources. In addition to these, key informants were interviewed where necessary as a supplementary source of information. Responses were collected from 60 customers from the Minuwangoda area. The study was based on primary data gathered using a questionnaire containing literature based measures of factors contributing to consumer purchase decisions. A mixed method was used to analyze the collected data. The data gathered during this study, being qualitative, were tabulated and analysed using SPSS. Collected information from the sample respondents were classified, tabulated and graphed,

and systematically analysed. While analysing data, simple percentages and ratios were used, with charts being employed for clarity.

Findings and discussion

The study found that since the serviceability of the durable products is long term their purchase can be identified as a saving rather than consumption. On the other hand, under the Hall consumption model that there is no a considerable change in consumption, even though such a purchase changes the level of income or wealth. However, if there is an increase of unexpected income, that increases the consumption level. This means that the additional income can be used for consumption of durable products.

The consumer durables market is facing a slump mainly due to heavy taxes and the current economic conditions, industry experts noted. "Last year and up to the first quarter of this year we have seen between 10 to 20 % drop in the electrical goods market. The high inflation rates for much of the year (2008) affected spending patterns for the average household. Research shows that in 2008, consumer durables spend reduced from 4% of the previous year to 3% of household income. The consumer durables industry faced a challenging environment in 2013 due to pressure on disposable income and introduction of the VAT, which companies found difficult to exceed on to consumers leading to a negative impact on margins. Further demand for consumer durables grows, fueled by the rise of the disposable income. The consumer durables industry is characterised by few key players in Sri Lanka. These companies have well-built brand names and widespread distribution networks, which are hard to replicate given the investment required and brand equity of established players like Singer, Abance, Softlogic, Damro etc. This protects the existing players from competition and market share to a certain extent. The modern trend of consumer durables markets are characterised by the growing interest in eco-friendly products.

As for the survey, around 63.33% of the respondents represent from a higher income group and only 1.67% of respondents belong to a lower income group. According to the study individual income, disposable income, Family income, future income expectations as well as liquidity assets and properties affect consumer buying behaviour. This study indicates a close relationship between durable products consumption and labour income certainty. Less than half of the consumers reported that the purchase was made following their decision. A majority (66%) of the respondents reported that the purchase decision of household items was made by a third party. 33% of the consumers reported that they obtained information from electronic media, while more than 20% of the consumers sought information from market, and less than 23% of the consumers reported that they sought information

from their social groups before going to purchase durable goods. The SLS, ISO, ASTM marks are considered a symbol of quality of the manufactured products: indicative of enlightened behaviour among consumers. Consumer's purchases durable goods under the full payment basis or installment payment basis, based on the ability of payment of the individuals. Around 60% of customers were involved in making payment on installment basis. Majority of customers pay a part of the price in initially and then paid installments with or without interest on a monthly basis.

Conclusion

Marketers of durable goods should understand consumer expectations and try to maximise their needs. After liberalisation Sri Lanka has been recognised as one of the most favourable and fastest growing economies in Asia. The study concludes that consumer buying behaviours are influenced by a unique set of economic, social, demographic and psychological factors. In particular the buying behaviors of consumers are very important to market mechanism in the economy. The Sri Lankan consumer durables industry has perceived a substantial change in the last two decades. The demand for consumer durables is becoming more competitive and complex now adays. Hence, the producer of durable products should understand consumer interest much to find higher turnover of their products. In developing economies like Sri Lanka, it is important to expand purchasing behaviors among consumers.

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