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## **Purchase Intentions of Women Shoppers towards Discretionary Expenditure Products during Recession -An Exploratory Study**

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### **Abstract**

The specter of recession has been a cause for concern in countries across the globe. The effect of the economic downturn in USA has greatly affected other parts of the world also and India is no exception. Following a review of the phenomenon of recession, its causes and impact on various sectors in India including the retail sector, the present study investigates the relationship between consumer price and value consciousness and purchase intentions of Indian women with a focus on purchase intentions for discretionary product categories during recession. Based on the findings of the study, a set of recommendations for marketers to enable them to cope with changing consumer behavior during recession have been proposed.

**Key words:** Recession, Value Consciousness, Price Consciousness, Retail Industry, Purchase Intentions, Discretionary Expenditure.

### **1. Introduction**

Recession has been defined as “a general slowdown in economic activity over a sustained period of time, or a business cycle contraction during which many macroeconomic indicators may vary in a similar way. Production as measured by Gross Domestic Product (GDP), employment, investment spending, capacity utilization, household incomes and business profits all fall during recessions”.

The National Bureau of Economic Research (NBER) defines recession as a "significant decline in economic activity lasting more than a few months" the impact of which is normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales. A recession is normally accompanied with a loss of consumer confidence in the growth of the economy and reduction in expenditure. Recession leads to a decreased demand for goods and services, which in turn leads to a decrease in production, lay-offs and a sharp rise in unemployment. Recession thus refers to a significant decline in activity across the economy, lasting longer than a few months. It is visible in industrial production, employment, real income and wholesale-retail trade.

### **The Causes of Recession**

Generally it is believed that a recession is caused primarily by the actions taken to control the supply of money in the economy. Also experts believe that “recession takes place when consumers loose confidence in the growth of the economy and spends less, that leads to decreased demand for goods and services, which leads to decrease in production, lay- offs and a sharp rise in unemployment; investors spend less due to fear of fall of stock values and the sock market fall on negative sentiment”. They believe that “overproduction” where companies produce more because of wrong products and the supply exceeds demand and “low confidence level” of consumers because they fear that they may lose their jobs and have less confidence to spend money, resulting in reduced demand because consumers start saving money instead of spending.

## **The Current USA Recession**

The American economy is a consumption-based economy and credit has been readily available to consumers. The defaults on sub-prime mortgages led to the major crisis in the US. The housing market had grown rapidly because of the easy availability of loans. However the momentum could not be maintained for a long time and the realty sector buckled under the loan defaults.. This, coupled with rising oil prices at \$100 a barrel, slowed down the growth of the economy. The restriction in lending and tightening of credit led to loans not being easily available. This resulted in reduced spending which affected the businesses and companies started laying off employees giving rise to unemployment and further reduction in spending. The US department of Labor reported a rise of 6.1 percent in unemployment. The value of dollar declined and the stock market crashed. The GDP growth rate fell by 2 percent. It is predicted that the recession in the USA is likely to continue through 2009.

## **Impact of a US Recession on India**

A slowdown in the US economy has substantially affected the Indian Industry as well. The sectors most affected include IT, retail, steel, logistics, cement and hospitality. The impact has been visible mostly in the last six months of the year 2008-09, where the GDP has grown by only 5.3 percent whereas it had touched the 7 percent mark during the first six months of the year. Share prices have tumbled and there is a dip in the employment market, as companies engage in downsizing and cost cutting.

### **1. Impact of Current Recession on Various Sectors**

There has been a sharp decline in the output of automobiles, commercial vehicles, steel, textiles, petrochemicals, construction, real estate, finance, retail activity and many other sectors. The CMIE recorded a 29 percent fall in May 09 against the 27 percent increase in May 2008. The CMIE forecast the Indian exports to fall by 16.2 percent in the year 2009- 10. The imports plunged 39 percent in May 2009 against 38 percent in May 2008- the sharpest fall ever recorded in imports. Also they projected the imports to decline by 21.4 percent in 09-10. Giving his assessment, Jasjit Sawhney, CEO, net4 India Ltd., told the SME Times: "The major impact of recession or economic slowdown is with the small exporters and importers in the country as most of them are facing the problem of heavy duties."

A survey of 125 companies by the Commerce Department in New Delhi has revealed that Indian companies lost export orders worth Rs.1, 792 crores during August-October 2008 and were forced to lay off 65,000 workers. According to the survey conducted by the Federation of Indian export Organisation) there has been a loss of 10 million jobs. Organizations such as Dunlop India Ltd, Tata Consultancy Services, Patni Computer Systems and Wipro have had to resort to downsizing of employee strength. The real estate market has also tumbled as the economic slowdown and reduced demand have forced developers in Delhi, Mumbai, Bangalore and Hyderabad to lower prices by 10 to 40 percent.

However, experts are of the view that developers and investors can use the time of recession to innovate. The developers have tried to reduce costs, involving both the land cost and the construction cost. They are focusing on the real demand in the market. Various products with different, pricing and promotion strategies are being introduced. For example, in the residential sector the focus is on developing houses affordable for masses along with offers like suitable payment plans, sharing of stamp duty and loans to ensure transactions.

### **Impact of Recession on the Indian Retail industry**

Retail has been considered to be a booming sector in Indian economy. According to AT Kearney's 2007 Global Retail Development Index (GRDI) India was the top retail investment destination among the 30 emerging markets across the world. The same ranked India as the fifth largest retail destination globally in 2008. The Indian Retail Report 2009 estimated the Indian retail market to be of Rs. 1,330,000 crore in 2007 with the growth rate of about 10.8 percent, of which the organized retail was estimated to be only 5.9 percent approx. Rs. 78,300 crores. It was expected that organized retail would touch Rs. 2, 30,000 crore by 2010 thereby constituting about 13 percent of the total market. However the global economic crisis has affected the Indian retail industry and big players like RPG's Spencer's Retail, Videocon's Next and Indiabulls Retail who began with

great promises are now struggling to retain their position. Many of them have closed down some of their stores. The usual headlines in the newspapers include “Slowdown- hit Dollar Store shuts 41 stores”, “Bharti Retail decides to close 4 to 5 non- performing stores of ‘Easyday’ supermarket retail chain”, “Vishal may be forced to further close down stores to conserve resources”, “CARE downgrades company’s securities on concerns of increased risk”, “Reliance Retail to close 25- 30 Reliance Fresh outlets”.

The other retailers bearing this shock include:

- India Bulls Retail which closed two stores in Ahmedabad.
- Koutons which closed over 30 stores (out of over 1300)
- Spencer’s Retail decided to close down atleast 40 outlets.
- Videocon Industries have closed 10 stores.
- Pantaloon closed two Big Bazar stores in Ahmedabad.
- Pantaloon, Reliance retail and Shopper’s Stop are looking to “right-size” their staff strength.

According to Bhat of Zinnov (Feb, 2009) “The larger players usually try to gain on economies of scale and lure customers by reducing the margins, that required elimination of middlemen and brokers along with established logistics and infrastructure support however the lack of infrastructure and inefficient logistics services dampened the growth of organized retail due to which they have not been able to provide higher value”. Despite all the setbacks the specialists still see a ray of hope for Indian retail Industry. They predict India and China will grow in the coming years with emerging opportunities for world-class players. The world’s top retailers like Walmart, Carrefour, and Tesco have planned to enter the Indian market. The fashion and luxury segment offers a wide scope of business for Indian retailers. Reliance, Spencer’s and Big Bazaar have shifted their focus from food and grocery to include fashion apparel. Retailers in India have identified some of the reasons such as poorly connected distribution network, inappropriate supply chain logistics and lack of skilled personnel for their less than satisfactory performance. The fall in the prices of retail space and rentals have generated some positive thinking. Experts like Vedmani from Retail Association of India and Singhal from Technopak (Feb, 2009) view this slowdown as “a passing phase that would last for another year”. Vedamani adds, “This calendar year will see companies consolidating their operations rather than looking at expansion”. “In the earlier retail rush, they were too busy to get their act together. They are now looking at putting their processes in place and getting their houses in order for when the market picks up”. Kumar of IIMB (Feb, 2009) considered the economic slowdown as “the ideal time for such retailers to launch private labels”. As per the Indian Retail Report 2009 “The slower retail sales are causing Indian retailers to delay expansion plans and restructure their operations”. The cost cutting operation is still on. The companies are negotiating for rent leases, the salaries of employees are being rationalized and a check is being placed on energy bills. Pantaloon Retail, country’s largest retailer has managed to obtain a sustained recovery in same store sales and an improvement in consumer sentiments in the urban market. Kishore Biyani, Managing Director, Pantaloon Retail (India) Ltd. states that “the same store sales in the value and lifestyle formats had declined 4 percent and 14 percent, respectively in December 2008, but has grown 7 percent and 6 percent respectively in April and 8 percent each in May- June period in 2009 and that a year-on – year growth of 10 percent is expected in the coming months”. Rajesh Shukla, Senior Fellow, National Council of Applied Economic Research believe that “the negative sentiments of the global recession on the mindsets of Indian consumers are over to a great extent and the people who had been saving for the fear of slowdown have started to splurge”. The CEO of Retailers Association of India, Mr. Kumar Rajagopalan, feels “the growth to be happening across the spectrum”. He feels that “the customer spending has returned on track and the items like cosmetics, perfumes, fashion jewellery, soft furnishings, ladies bags and footwear that witnessed 15- 20 percent degrowth are once again catching up”.

### **3. Consumer Buying Behavior**

Anderson et al, (2005) define consumer behavior research as “the scientific study of the processes consumers use to select, secure, use and dispose of products and services that satisfy their needs.” Considerable research has been conducted to study consumer-buying behavior and various cultural, social, personal and psychological factors have been identified as influencing the buying decision process.

Researchers such as Dabholkar et al, (1996) have examined the customer experiences within the store and Westbrook, 1981 and Dodds, (1991) have studied the merchandise related experiences like product quality and product availability and pricing respectively in their shopping behavior research. Dabholkar et al, (1996); McKenzie, (2007) have studied the link between retail service quality, merchandise price and merchandise selection as the indicators of retail shopping behavior. Hausman, (2000) investigated the consumer motivations in impulse buying behavior and found the impulse buying to be common method of product selection. However in the current economic scenario the researchers are interested in examining the change in consumer buying behavior due to economic crisis. Rodriguez (2009) in her report on "Economic Climate shifts Consumer Online", states that "consumers in US have changed their mindsets from 'cutting back' to 'spending cautiously' and have shifted more to online shopping. People are more interested in comparing prices and searching free coupons online". Ehrenberg et al (1997) feel that "the consumer's price perception has effects on their buying behavior. Different people perceive price differently for different products and individuals buy products at the price they are willing to pay for those products. A strong Price / quality perception suggests that the price of a product is the good indicator of its quality."

Zeithaml (1998) define perceived value as "the consumer's overall assessment of utility of product/service based on the perceptions of what is perceived and what is given". Chain Store Age, (1985), Cravens et al (1988) and Monroe, (1990) define 'value' as "the ratio or trade-off between quality and price", a value for money conceptualization.

According to Zeithaml (1998), some consumers perceive value when there is a low price; others perceive value when there is a balance between price and quality. Lichtenstein et al, (1993), defined 'price consciousness' as "the degree to which the consumer focuses exclusively on paying a low price" whereas they defined 'value consciousness' as "reflecting a concern for price relative to quality received". Alford and Biswas, (2002), believe that "the price conscious consumers are more concerned about searching for low price, and they derive emotional value and entertainment from shopping for low prices" while the consumers with low price consciousness, perceived value and buying intentions are more likely to be influenced by the magnitude of discount than by the monetary value of discount offered. Also Kukar- Kinney et al., (2007) suggest that low price conscious consumers are not motivated to process information about price extensively, whereas the high price conscious consumers are cognitively very involved with pricing information. Chernatony et al (1992) concluded, "low pricing, even with a reference price, may run the risk of low consumer impact if contained within 10p discount range. Also if the price cut is made too deep, consumers may interpret this as erosion in quality if perceived to be outside the region of price acceptability." They suggest that "a positive price- quality relationship exists where marketing management have the courage to continue supporting brands in times of recession and media stagflation, the management must have the courage and skill to negotiate price increases based on consumer perceived value".

Koksal et al (2007) found that the price variable had no significant relationship with respect to sales, net profit or average performance. They found that "no significant differentiation existed in the performance of companies that practice different pricing policies during economic crisis. Also when price was considered with quality strategy, the levels of sales, net profit, market share and average performance were higher in the companies that did not change their product prices during recession and did increase the product quality, whereas the sales, net profit and average performance fell among companies that reduced product quality during recession".

A research by National foundation's STORES magazine studied the items that consumers are willing to spend on and the items they would compromise in the time of recession. "They found Internet and cell phone services to be at the top of the list that people were not willing to compromise on".

A survey by Market Research.Com in Spain to study the impact of global economic crisis on consumer attitudes and behavior found that 53 percent of Spanish consumers feel that their lifestyle has been impacted by recession and have been forced to re-evaluate their spending. The study reports further that "consumers have become increasingly price and value conscious following the economic downturn. They have become more value conscious and look to save money when buying groceries. Also price-led value is the most influential factor for their household and laundry care purchases".

#### **4. The Present Study**

Based on the above lines we planned our research to study the impact of recession on the buying behavior of women consumers in India. Our research focuses on the value consciousness, price consciousness and purchase intentions of Indian women during recession for several categories of products of discretionary expenditure. Discretionary income, a component of disposable income, is the money an individual or household has left for spending after basic needs are met. The formal definition of discretionary income is disposable income minus savings and expenditures for essential living costs such as for clothing, food, and housing (www.enotes.com/biz-encyclopedia). Women are the focus for the study as they usually either constitute the primary decision makers for the products taken up for study or exercise an important influence on their purchase.

### 5. Research Methodology

The scale used to measure 'value consciousness' has been adapted from that developed by Lichtenstein (1990) and the scale for 'price consciousness' is adapted from that used by Dander, et al (1996).

Primary data for studying the relationship between value consciousness, price consciousness and purchase intentions was obtained from a sample of 78 women in Delhi through a structured questionnaire. Table 1 presents the respondent profile in terms of age, marital status and number of children.

**Table 1: Respondent Profile: Age, Marital Status and No. of Children**

Age	No.	%	Marital Status/No. of Children	No.	%
18-25 Years	25	32.1	Married	52	66.7
26-30 Years	18	23.1	Unmarried	26	33.3
31-40 Years	15	19.2	No Children	37	47.4
Above 40 Years	20	25.6	1-2 Children	35	44.9
<b>Monthly Household Income</b>			3 or more Children	6	7.7
Rs. 20,000 and below	8	10.3	<b>Occupation</b>		
Rs. 21000 -30000	17	21.8	Student	6	7.7
Rs. 31000- 50000	15	19.2	Service	44	56.4
Above Rs. 50,000	37	47.4	House wife	28	35.9
<b>Education</b>					
Std. 12 and Below	2	2.6			
Graduation	29	37.2			
Post Graduation and Higher	47	60.3			

n= 78

Table 2 presents the results of the Factor Analysis using Principal Component Analysis with Varimax Rotation. The table also presents the Cronbach Alpha scores for the two factors (duly labeled as Price Consciousness and Value Consciousness).

**Table 2: Factor Analysis and Reliability Scores of Items to Measure Value and Price Consciousness**

Item	Factors		Reliability Score Cronbach $\alpha$
	Price Consciousness	V a l u e Consciousness	

I am very concerned about the low prices, but I am equally concerned about the product quality.	.069	<b>.825</b>	<b>.79</b>
When shopping, I compare the prices of different brands to be sure I get the best value for the money.	-.381	<b>.698</b>	
When purchasing a product, I always try to maximize the quality I get for the money I spend.	-.137	<b>.783</b>	
I generally shop around for lower prices on products, but they still must meet certain requirements before I buy them.	-.022	<b>.685</b>	
I generally shop at the store where the product brands are really good.	-.304	<b>.632</b>	
I find myself checking the prices in the stores even for small items.	<b>.813</b>	-.180	<b>.81</b>
I prefer store where “sales” and specials are real bargains.	<b>.896</b>	-.061	
Clothing, furniture, appliances, grocery. Whatever I buy, I shop around to get the best prices.	<b>.897</b>	-.025	
I usually purchase the cheapest item.	<b>.582</b>	-.097	
The money saved by finding low prices is usually not worth the time and effort. (r)	<b>.504</b>	-.163	
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.			

n= 78

### 1. Study Findings

Table 3 presents the descriptive statistics for the variables of price consciousness and value consciousness for the sample under study. The mean score of 3.94 for value consciousness indicates a high concern amongst respondents for the quality-price equation while shopping. The mean score

of 2.87 for price consciousness suggests that respondents do not focus solely on the price of the product while shopping and do not attempt to go in merely for the lowest price while making purchase choices.

**Table 3: Value Consciousness and Price Consciousness of Respondents:  
Descriptive Statistics**

	Mean	Std. Deviation
<b>Value Consciousness</b>	3.94	0.69
<b>Price Consciousness</b>	2.87	0.85

Measured on scale of 1 to 5 with 1= Very Low and 5= Very High  
n= 78

**Relationship between Value Consciousness and Price Consciousness**

Table 4 presents the results of the Pearson Correlation between the measured variables of value consciousness and price consciousness for the sample under study. As indicated, there is a low but significant negative relationship between value and price consciousness. As can be expected consumers who have a high concern for the quality versus price equation in the products and services that they are purchasing are likely to be less concerned with monetary cost alone.

**Table 4: Value Consciousness and Price Consciousness of Respondents:  
Correlation Analysis**

		Overall Value Consciousness	Overall Price Consciousness
Overall Value Consciousness	Pearson Correlation	1	
Overall Price Consciousness	Pearson Correlation	-.309**	1

\*\* . Correlation is significant at the 0.01 level (2-tailed)

**Consumer Demographics and Value and Price Consciousness**

The One way Analysis of Variance was undertaken to examine the relationship between the demographics of age, education, and marital status, number of children, occupation and household income of the respondents and their value consciousness and price consciousness.

Consumer value consciousness and price consciousness were not related to their age, education, and marital status, number of children and occupation. However the analysis did indicate a significant relationship (Table 5) between the variables of Value consciousness and price consciousness and the monthly household income of the respondents. In the case of value consciousness the analysis points to an inverted U-shaped relationship with income with respondents from the lower and upper income categories being more value consciousness. In the case of price consciousness, there exists a negative relationship with income of respondents from the lower household income segments reporting higher price consciousness scores.

**Table 5: Relationship between Value Consciousness and Price Consciousness  
and Income of Respondents**

	Monthly Household Income	Mean	Std. Deviation	ANOVA	
				F Value	Sig.
Overall Value Consciousness	Rs. 20,000 and below	4.00	.64	2.890	.041 *
	Rs. 21000 -30000	3.58	.60		
	Rs. 31000- 50000	3.93	.53		

	Above Rs. 50,000	4.14	0.69		
Overall Price Consciousness	Rs. 20,000 and Below	3.30	0.88	2.920	.040*
	Rs. 21000 -30000	3.08	0.99		
	Rs. 31000- 50000	3.01	0.58		
	Above Rs. 50,000	2.58	0.77		

n= 77

\* Significant at 0.05 level

#### Consumer Purchase Intentions for Discretionary Expenditure Items

Table 6 presents the reported consumer purchase intentions for various items, which can be classified as products/services involving discretionary expenditure. For almost fifty percent of the items taken up for investigation, more than sixty percent of the respondents stated that they would be inclined to compromise on spending during recessionary times. These items include luxury handbags and watches, specialty apparel, high-end cosmetics, beauty treatments such as manicures and pedicures, cell phone upgrades, club memberships, vacations, and shopping for ornaments and jewellery. For a further set of 19 percent of items comprising consumption of services such as eating out, facials and watching movies and theatres, 50 percent or more of respondents stated that they would curtail consumption. In case of 31% of these items (like basic cellular services, cable television, haircut and coloring, basic internet services and maid services), more than half of the respondents stated that they are likely to continue spending even during economic slowdown. With regard to items such as basic cellular services, cable television and maid services more than 85 percent of the respondents stated that they were likely to maintain spending even in recessionary times. This suggests that these services are being increasingly viewed by many consumers from the demographic backgrounds studied as consumption items on which expenditures are likely to continue even while purchases of other items are being curtailed.

**Table 6: Relationship between Value Consciousness and Purchase Intentions:  
Frequency and Chi Square Test**

Item	Purchase Intention	Total	% of High Value Conscious	% of Low Value Conscious	Chi Square	
		No. (%)	%	%	Value	Sig.
Luxury Handbags/ watches	Spend	11(14.1)	11.4	37.5	8.081	.081
	Comp.	65 (83.3)	87.1	50.0		



Specialty apparel shopping / Branded app.	Spend	21 (26.9)	27.1	25.0	0.017	.897
	Comp.	57 (73.1)	72.9	75.0		
High-end Cosmetics	Spend	12 (15.4)	17.1	0.0	1.621	.203
	Comp.	66 (84.6)	82.9	100.0		
Maid service	Spend	66 (84.6)	84.3	87.5	0.057	0.81 1
	Comp.	12 (15.4)	15.7	12.5		
Facial	Spend	38 (48.7)	47.1	62.5	0.678	0.41 0
	Comp.	40 (51.3)	52.9	37.5		
Fine dining/ Going out for dinner	Spend	36 (46.2)	47.1	37.5	0.269	0.60 4
	Comp.	42 (53.8)	52.9	62.5		
Manicure/ pedicure	Spend	22 (28.2)	31.4	0	3.502	0.06 1
	Comp.	56 (71.8)	68.6	100.0		
Upgraded cell phone	Spend	5 (6.4)	7.1	0	0.611	0.43 5
	Comp.	73 (93.6)	92.9	100.0		
Club/ social membership	Spend	10 (12.8)	12.9	12.5	0.001	0.97 7
	Comp.	68 (87.2)	87.1	87.5		
<b>Internet service</b>	<b>Spend</b>	<b>50 (64.1)</b>	<b>62.9</b>	<b>75.0</b>	<b>0.579</b>	<b>0.74 8</b>
	<b>Comp.</b>	<b>26 (33.3)</b>	<b>34.3</b>	<b>25.0</b>		
<b>Cell phone service (basic)</b>	<b>Spend</b>	<b>76 (97.4)</b>	<b>97.1</b>	<b>100.0</b>	<b>0.235</b>	<b>0.62 8</b>
	<b>Comp.</b>	<b>2 (2.6)</b>	<b>2.9</b>	<b>.0</b>		
<b>Cable/satellite TV (basic)</b>	<b>Spend</b>	<b>67 (85.9)</b>	<b>87.1</b>	<b>75.0</b>	<b>0.874</b>	<b>0.35 0</b>
	<b>Comp.</b>	<b>11 (14.1)</b>	<b>12.9</b>	<b>25.0</b>		
<b>Hair Cut/ Color</b>	<b>Spend</b>	<b>46 (59.0)</b>	<b>58.6</b>	<b>62.5</b>	<b>0.046</b>	<b>0.83 1</b>
	<b>Comp.</b>	<b>32 (41.0)</b>	<b>41.4</b>	<b>37.5</b>		
Vacation	Spend	28 (35.9)	35.7	37.5	0.010	0.92 1
	Comp.	50 (64.1)	64.3	62.5		
Visiting Theatres for watching Movie	Spend	34 (43.6)	44.3	37.5	0.134	0.71 4
	Comp.	44 (56.4)	55.7	62.5		

Shopping of jewellery/ Ornaments	Spend	11 (14.1)	14.3	12.5	0.019	0.89 1
	Comp.	67 (85.9)	85.7	87.5		

n =78

**Table 7: Relationship between Price Consciousness and Purchase Intentions:  
Frequency and Chi Square Test**

Item	Purchase Intention	percent of High Price Conscious	percent of Low Price Conscious	Chi Square	
		%	%	Value	Sig.
Luxury Handbags/ watches	Spend	16.2	12.2	2.647	0.266
	Comp.	78.4	87.8		
Specialty apparel shopping / Branded app.	Spend	32.4	22.0	1.086	0.297
	Comp.	67.2	78.3		
High-end Cosmetics	Spend	5.4	24.4	5.385	0.020 *
	Comp.	94.6	75.6		
Maid service	Spend	83.8	85.4	.037	0.847
	Comp.	16.2	14.6		
Facial	Spend	48.6	48.8	.000	0.991
	Comp.	51.4	51.2		
Fine dining/ Going out for dinner	Spend	48.6	43.9	0.176	0.675
	Comp.	51.4	56.1		
Manicure/ pedicure	Spend	27.0	29.3	0.048	0.826
	Comp.	73.0	70.7		
Upgraded cell phone	Spend	5.4	7.3	0.118	0.731
	Comp.	94.6	92.7		
Club/ social Membership	Spend	16.2	9.8	0.726	0.394
	Comp.	83.8	90.2		
Internet service	Spend	73.0	56.1	3.59	0.13
	Comp.	27.0	39.0		
Cell phone service (basic)	Spend	100.0	95.1	1.852	0.174
	Comp.	0	4.9		
Cable/satellite TV (basic)	Spend	81.1	90.2	1.348	0.246
	Comp.	18.9	9.8		
Hair Cut/ Color	Spend	64.9	53.7	1.009	0.315
	Comp.	35.1	46.3		
Vacation	Spend	37.8	34.1	0.115	0.734
	Comp.	62.2	65.9		
Visiting Theatres for watching Movie	Spend	51.4	36.6	1.725	0.189
	Comp.	48.6	63.4		
Shopping of jewellery/ ornaments	Spend	8.1	19.5	2.088	0.148
	Comp.	91.9	80.5		

\* Significant at .05 level

n =78

#### **Relationship between Value and Price Consciousness and Purchase Intentions**

Tables 6 and 7 present the purchase intentions towards the various items of discretionary spending of consumers classified on the basis of level of value consciousness and price consciousness. The

results of the Chi Square analysis indicate that there is no significant difference in the purchase intentions of high and low value conscious consumers. Both categories of consumers are likely to have similar purchase patterns for the items being studied. Similarly as indicated in Table 7 there is no significant difference in the purchase intentions of high and low price consciousness consumers except in the case of high-end cosmetics where a greater percentage of price conscious consumers stated that they would continue to spend on the item even in the times of recession. The study identifies several items of discretionary expenditures which consumers report would be subjected to curtailed spending during times of recession. It also helps to identify another set of items, which though traditionally considered to be items of discretionary spending but are being treated by consumers as items where they would avoid curtailing expenditure. The study attempts to relate the value and price consciousness of consumers and their purchase intentions during times of recession with regard to select items of discretionary spending. The findings of the study have implications for marketing strategy formulation during times of recession. Several recommendations for marketing strategy are presented in the following section.

## **7. Recommendations**

Considering the above results some of the key strategies that could be adopted by the retail companies in Indian Industry to survive through the period of recession may include:

### **a. Competitive Pricing through Cost Cutting**

Value conscious consumers are likely to compare the offerings of various marketers before making a purchase decision. It is thus necessary for marketers to offer products with superior price-benefit ratios. In recessionary times, it is all the more vital for firms to maintain competitive prices. This can be made possible through sustained efforts at controlling cost including distribution costs, infrastructure and maintenance costs, cross training and right sizing workforces.

### **b. More Focused Advertising and Promotion**

Marketing and advertising are the important tools for any firm to penetrate deeper into the market. As suggested by Shrager, (1991), consumers spend rationally during recession due to a decrease in their purchasing power. Thus the advertising should emphasize rational motives like safety, reliability and durability rather than status and image. Bapna (2009) posits that “the traditional media can create a recall and maintain brand positioning, but the activities with a focus on product features/ product benefits that could engage consumers that are being designed is the need of the time”. The present study has identified products that the consumers are willing to spend on despite the decrease in the purchasing power during recession. Also Shama (1992), suggests “more proactive personal selling can build a better customer relationship in times of crisis”

### **c. Need to Attract and Retain Customers**

Attracting new customers and retaining the existing ones is the major challenge for the marketers during recession. Technology enabled marketing services has helped marketers to attract customers to the stores and use various initiatives such as customization, and personalized treatment to maintain a long-term relationship with them. Value conscious consumers would be positively interested in the various value enhancement treatments that the firms offer and are more likely to continue to maintain the relationship even when the recession ends. Also the retailers could try to penetrate new markets to widen customer base, like British retailer Marks and Spencer that planned to reposition itself in India with a larger format stores to attract more people.

### **d. Understanding the Changing Customer Sentiments during Recession**

As it is shown in the above study that there are certain product purchases that consumers could compromise upon during recession. Companies need to understand the demands of consumers concentrating on enhancing the value of the product being offered. So firms need to spend a part of their budget on market research in order to understand the changing sentiments of consumers during slowdown. Researchers such as Williamson (2001), Morbey and Dugal, (1992), propose that “companies that spend proportionately more on R & D during recession were found to have performed better than others”. Thus, companies like LG Electronics have introduced products that the consumer’s cannot ignore like the health cannot be compromised upon whether it is boom or slum, so LG Electronics have positioned consumer durables as offering health benefits that are well received by the consumers.

#### **e. Maintaining Employee Engagement**

Employees are the most important assets for any company. The famous words of Andrew Carnegie, the American steel billionaire, "Take away my factories, but leave my people, and soon we will have a new and better factory", is what the companies need to remember during the slowdown. The companies need to introduce policies to maintain employee engagement. Effective compensation packages and retention bonuses could help boost employee motivation and productivity. In the current scenario innovative strategic human resource policies are required to improve retention and employee engagement. For example, Pantaloon Retail offers an insurance plan that dispenses employee pay packages as the insured sum for the remaining contracted service period to their relatives, in case something happens to the employee. The Birla group also offers employee retention bonus from day one while Spencers Retail offers the management employees stock ownership plans.

#### **f. Selection of Cost Effective Channels of Communication**

The traditional channels of communication may not be effective enough to attract the customers during the economic downturn. The retailers need to adopt such modes of communication that have low cost and effective reach. Improving an open internal communication could also prove effective. The management needs to communicate their strategies and exact financial situation to the employees to enable them to deal with the customers effectively and avoid any kind of misconceptions that could lead to the loss of sale or fall in share prices. Also working on online branding and online marketing could be an effective mode of communication that could serve their need in a cost effective manner and help them to create an effective presence in the market to remind the consumers that they exist to cater their demands.

#### **g. Making right decision at the right time.**

Making correct decision at the correct time is very crucial for any organization to trap upon the opportunities in the market. In the period of slowdown the importance of correct decision becomes all the more important. Chakraborty, A., Head, Brand Communications, Blackberrys, (July 2009), suggests that retailers develop marketing strategies with "the focus on building up the buyer's confidence in the offering of brands". Working on these lines the Indian retailers have realized the importance of working together instead of competing during the turbulent times. Retailers such as Future Group, Aditya Birla Retail, Spencer's and Reliance have decided to pool their resources and cut operational costs to improve margins. They have formed a coalition to align their sourcing operations and share private labels, logistics, warehouses and hiring details on transactional basis payment. Also brands like Shopper's Stop, Lifestyle etc are developing on the private labels with the low establishment cost.

#### **h. Maintaining the Core Values**

With the development of technology various innovations have been made to sustain through in the race of competition. However during slowdown what could be beneficial for companies may be to retain their core values. The new innovations always help but to maintain what the firm stood for could help it pass through the turbulent times smoothly. Following these lines Bharti Airtel has been able to add on customers even during recession because of the strong brand image of being a quality service provider. Nestle with its wide portfolio of products including the Maggie Noodles has continued to enjoy brand preference amongst its target consumers.

#### **i. Identifying New Opportunities**

The analysts suggest retailers to identify new avenues to make profits. They feel that retailers like Pantaloon and Reliance that focus on value retailing in food and clothing are likely to benefit more during the economic slowdown than the lifestyle retailers like Shoppers Stop and the fall in the prices of property and the rentals could also prove beneficial for those planning the opening of new outlets.

### **8. Limitations**

Non-probability sampling has been used for data collection for this study. Any research that uses the data gathered for inferential statistics assumes the data to be collected randomly from the population. Further, the survey is limited to women in Delhi region. These factors limit the current

generalizability of the study and require that the study be replicated with a larger sample size and across a wider geographical area.

## 9. Conclusion

The study finds that the Indian women shoppers surveyed tend to be highly value conscious and not merely price conscious. The study did not find a relationship between consumer value and price consciousness and demographics of age, education and occupation but did find these two variables were related to respondent income. Several items of discretionary expenditures which consumers report would be subjected to curtailed spending during times of recession have been identified. In order to survive and enhance market shares, companies need to develop product and promotional strategies, which focus on the value consciousness of consumers. While maintaining the core values of their brands, marketers need to adapt the pricing, packaging and distribution mix to cater to the customer need for more value enhanced offerings.

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