PURCHASE DECISION CRITERIA FOR SELECTING CEMENT BRANDS– EMPIRICAL ANALYSIS ON DEALERS AND BUILDERS’ PERSPECTIVE

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ABSTRACT

BACKGROUND

The cement industry is growing rapidly along with the construction industry. This enables entry of more competitions. Competitions offer comprehensive preference factors to consumers. A detailed study on consumer preferences on their purchasing decision is inevitable to any cement company. A good marketing mix strategy will rely on thorough knowledge of target customers’ needs and wants. In order to devise an effective strategy, it is indeed very important to study consumers’ purchasing criteria. This study focuses such purchasing criteria through a descriptive survey research. Research was carried out in Chennai city and opinions have been sought from dealers and builders in an appropriate sampling technique.

KEYWORDS

Purchase Criteria, Preferences, Purchase Decision, Cement Brands, Builders and Construction.


BACKGROUND

India’s cement industry is a vital part of its economy, providing employment to more than a million people, directly or indirectly. Indian cement industry has attracted huge investments from foreign and domestic investors ever since it was deregulated in 1982. The industry is trying to achieve world standards in manufacturing, safety, and energy efficiency. India has a lot of opportunities for development in the infrastructure and construction sector, and the cement sector is expected to largely benefit from it. Some of the recent major government initiatives such as development of 100 smart cities are expected to provide a major boost to the sector. Expecting such developments in the nation and facilitated by appropriate e-government foreign policies, many foreign players such as Lafarge, Holcim and Vicat have invested in the country in the recent years. A significant factor which aids the growth of this sector is abundant resources of raw materials for making cement, such as limestone and coal.

Cement is the essential building material in India. It is used extensively in household and industrial construction. The Indian cement industry has a large number of fragmented firms. It is the construction sector which shares the blame of global economic slowdown leading to slackening of demand for housing; but withstanding that hard time, our cement sector is still growing at a 10 percent when compared to the global average of 5 percent. Indian Industry is fortunate in having an active support and services of the National Council for Cement & Building Materials with an excellent R&D infrastructure and invaluable intellectual capital.

The cement market in India is expected to grow at a compound annual growth rate (CAGR) of 8.96 percent during the period 2014-2019. In India, the housing sector is the biggest demand driver of cement, accounting for about 67 percent of the total consumption. The other major consumers of cement include infrastructure at 13 percent, commercial construction at 11 percent and industrial construction at 9 percent. The cement industry is in a position to raise its production to cater the accelerating demand; cement companies are expected to add 56 million tons (MT) capacity over the next three years. The Indian cement industry is dominated by a few companies. The top 20 cement companies account for almost 70 percent of the total cement production of the country.

Objectives of the Study

- To identify the buyer’s information search process for purchasing cement products.
- To find out the buyer’s evaluation criteria for purchasing cement products.
- To find out the factors that influence purchase decision of cements.

REVIEW OF LITERATURE

David R. Bell, Randolph E. Bucklin (1999)

David R. Bell studied the role that reference effects play in the category purchase decision for consumer nondurable products. Purchase behaviour is characterised by a strong
need of reference to buy a consumer durable product rather than brand image and advertisements. The authors hypothesise that the difference between a shopper’s reference point for category attractiveness and the existing level of category attractiveness will affect the purchase decision. Wesley J. Johnston, Jeffrey E. Lewin (1996) article analyses and summarises the 25 years of research on organisational buying behaviour that followed the seminal works of Robinson, Faris, and authors recognise some of the important findings connected with the past research in organisational buying behaviour.

Jon G. Udell (1996)
American consumers purchase over $400 billion of goods and services each year; and numerous investigations of their purchasing behaviour have concentrated on patterns of store visitations. This article emphasises the role of other sources of information in the selection of small electrical appliances by Christmas shoppers.

Kent B. Monroe (1973)
Marketing researchers recently have expended considerable effort to investigate how price influences buyer’s decisions yielding a variety of results, some not entirely explainable. This article reviews the relevant research literature, organises the results, and suggests new research directions.

Jagdish N. Sheth (1973)
Although industrial market research has generated large data banks on organisational buyers, very little from the existing data seems helpful to management. This study proposed and tested a model of consumer online buying behaviour. It used both qualitative and quantitative data to test hypotheses related to buyers' motivations to engage in organisational buying.

Yaobin Lu, Ling Zhao, Bin Wang (2010)
In China, major C2C websites are focusing on increasing their customer bases by converting members of their virtual communities (VCs) into C2C buyers and sellers. This phenomenon is called e-commerce based on social networks (ENS).

Methodology
Descriptive research was adopted for this study as it attempts to obtain a complete and accurate descriptive of situation. Population size is infinite and 162 samples were drawn in and around Chennai City. Cement business dealers and builders were chosen on the basis of convenience sampling method. Collected data was analysed using chi-square and weighted average statistical tools.

Analysis of the study
- Chi square 1: Annual purchases vs. Delivery time of cement.
- Null hypothesis H0: There is no relationship between annual purchase and delivery time of Cement products.
- Alternate hypothesis H1: There is relationship between annual purchase and delivery time of Cement products.

**Count**

<table>
<thead>
<tr>
<th>Type Business</th>
<th>Most Expecting Factor that may Increase your Purchase of Cement</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Promotional Scheme</td>
<td>Frequent Rebate</td>
</tr>
<tr>
<td>Hardware Store builders</td>
<td>15</td>
<td>11</td>
</tr>
<tr>
<td>Construction of company</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>Private Traders</td>
<td>21</td>
<td>27</td>
</tr>
<tr>
<td>Govt. Contractors</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Others</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>43</strong></td>
<td><strong>48</strong></td>
</tr>
</tbody>
</table>

**Chi-Square Tests**

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>Df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>12.256*</td>
<td>16</td>
<td>.726</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>14.391</td>
<td>16</td>
<td>.570</td>
</tr>
<tr>
<td>No. of Valid Cases</td>
<td>162</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* 14 cells (56.0%) have expected count less than 5. The minimum expected count is 0.04.

**Inference**

The table value is less than the calculated value. There is no significant relationship between type of business and most expecting factor that may increase purchase of cement brands.
CONCLUSION

The research finally concludes that the customers give top priority to quality of products and delivery of goods in time. Organisational buyers give importance to availability of bulk stock and timely delivery in purchasing decision making rather than products’ price. Certain category of customers also expected flexible credit terms from the dealers. Cement brand advertisement is just a reminder to the customer groups and it does not make any brand preferences among customer groups.

REFERENCES


RESULTS AND DISCUSSIONS

- 45.7% respondents are from private traders/dealers.
- 35.8% respondents are engaging their business 7-10 years. 30.2% respondents buy cement annually Rs 10-25 lakhs. 33.95% respondents buy when the stock is exhausted.
- 41.98% respondents get information from company executives. 38.27% respondents compare different brand attributes through company executives. 40.7% respondents’ response is always for Quality. 38.9% respondents’ response is always for Delivery time.
- 35.8% respondents’ response is often for price. 32.7% respondents’ response is always for brand image. 34.0% respondents’ response sometimes is for credit period. 30.9% respondents’ response is always and often for packing. 70.4% respondents do not accept replacement warranty. 32.7% respondents’ response is "giving importance to sales executives."
- 5.8% respondents’ response is often for after sales service. The respondents often consider brand image as an important factor for purchasing. The respondents often consider purchase decision of a particular brand.

<table>
<thead>
<tr>
<th>SL. No.</th>
<th>Company website</th>
<th>Frequency</th>
<th>Weights</th>
<th>Average (Frequency * Weights)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>35</td>
<td>5</td>
<td></td>
<td>175</td>
</tr>
<tr>
<td>2</td>
<td>62</td>
<td>4</td>
<td></td>
<td>248</td>
</tr>
<tr>
<td>3</td>
<td>56</td>
<td>3</td>
<td></td>
<td>168</td>
</tr>
<tr>
<td>4</td>
<td>3</td>
<td>2</td>
<td></td>
<td>6</td>
</tr>
<tr>
<td>5</td>
<td>6</td>
<td>1</td>
<td></td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td>162</td>
<td></td>
<td></td>
<td>603</td>
</tr>
</tbody>
</table>

\[= 35*5+62*4+56*3+3*6+1*1\]
\[= 603\]
\[= 3.722\]
\[= 4\]

Inference

- It is inferred from above table that company executives’ approaches have high weightages in comparing different brand attributes following that reference group, trade website, company websites and others having the subsequent weightage orders for comparing brand attributes.

- Weighted Average -2
Consider Brand image as an important factor for purchasing.

<table>
<thead>
<tr>
<th>SL. No.</th>
<th>Always</th>
<th>Frequency</th>
<th>Weights</th>
<th>Average (Frequency * Weights)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>53</td>
<td>5</td>
<td></td>
<td>265</td>
</tr>
<tr>
<td>2</td>
<td>45</td>
<td>4</td>
<td></td>
<td>180</td>
</tr>
<tr>
<td>3</td>
<td>56</td>
<td>3</td>
<td></td>
<td>168</td>
</tr>
<tr>
<td>4</td>
<td>7</td>
<td>2</td>
<td></td>
<td>14</td>
</tr>
<tr>
<td>5</td>
<td>1</td>
<td>1</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>162</td>
<td></td>
<td></td>
<td>628</td>
</tr>
</tbody>
</table>

\[= 53*5+45*4+56*3+7*2+1*1\]
\[= 628\]
\[= 3.87\]
\[= 4\]

Inference

- It is inferred from above table that the respondents often consider brand image as an important factor for purchasing.

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