



## Changing Pattern of The Consumer in Indian Perspective

*The modern era of marketing has undergone drastic changes resulting attitudinal change for the Indian consumers. Consumers hold an important role in economy as they spend most of their income on goods and services produced by firms. Today, the modern phenomenon of marketing upholds consumer satisfaction on top priority. The study of consumer behavior has not only become one of the most important disciplines of marketing but has also become one of biggest challenge for the marketing organizations . To achieve this objective, it became imperative to understand the consumer behaviour in the present scenario. Hence, with the growing importance of consumer behaviour, the study seeks to examine various factors related to changes in the pattern of consumer. **Key Words** : Consumer, Seller, Market, Behavior, Satisfaction.*

**NAMRATA GANGULY & PRIYANKA KURUP**

### **I**ntrouction :

The attitude of Indian consumers had undergone drastic changes over the last few years and had become a challenging part of marketing to understand the consumer buying behavior. The Indian consumer today is highly aware about the product, price, quality and options available to them and with increase in income levels. The consumption pattern of a country depends on the liberalization of economic policies, buying habits of younger generation, financial independence at a young age, rise in number of nuclear families, and increase in media exposure of the people. Majumdar (2010) quoted Indian market in the world as one of the most promising and fast evolving. This change forced Indian consumer to change across all socioeconomic strata, regions and town classes. While, the consumer goods industry in India is growing horizontally, the configuration of consumer profile is also changing rapidly. This vast change in the field of marketing patterns directly or indirectly influenced the behavioral pattern of the consumer.

According to Edward (1993) consumer behaviour studies individual consumers such as demographics and behavioural variables in an attempt to understand people's wants. Further, it also measures the influences on the consumer from groups such as family, friends, reference groups, and society. Consumer buying process depends on the various patterns of the consumer and the market. This trend was initiated due to liberalization, advancement in communication, conceptual buying pattern and demographic way of marketing. Another important issue that comes in transit is the evolution of modern marketing concept that emphasizes on customer satisfaction rather than just selling

goods and services as was cultured in the traditional way of marketing.

### **Objectives of the Study :**

- (i) To examine the factors affecting the consumer pattern.
- (ii) To study the relation between the seller and the consumer.
- (iii) To study the reasons of changing consumer patterns.

### **Literature Review :**

Jain (2011) examined the impact of demographic variables in various types of organized food and grocery retail outlet (convenient, supermarket and hypermarket) of Jaipur consumers'. The study revealed demographic variables like age, education, occupation, family size and income levels had significant impact on the preference of types of food and grocery retail outlets. Another study by Gurusamy and Prabha (2011) analyzed the changing consumer perceptions and preferences towards organized retailing from unorganized retailing. Findings indicate prioritized attributes of the retail stores attracted the consumers. Study also indicated traditional stores were good on the parameters of quality and convenience. Whereas, organized outlets like supermarkets, departmental stores were perceived to be good in terms of quality, variety, consistency, convenience, service and hygiene.

Dalwadi et al. (2010) outlined consumers' perceptions with reference to demographic, situational and store variables that influenced purchase decision. Study inferred, usual shopping place and demographic variables had no significant association with customer perception. Further, the study also

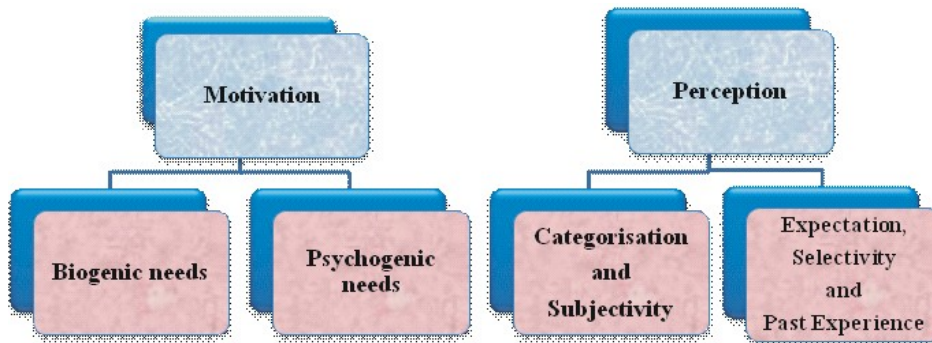
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emphasized product range, store layout, shopping convenience, promotional schemes of product, customer service, employee behavior and store ambience significantly influenced the customers.

**Factors affecting the Consumer Pattern :**

Consumer behavior is influenced by factors like motivation and perception are known as internal or personal factors. In addition, factors like social norms, family roles and cultural values make up external or social factors. Those factors, especially the external ones are influenced by trends and the environment. These influencing factors are depicted in figure. Some of these internal and external influencing factors are mentioned below.

**Internal Factor** Internal influences come from consumers own lifestyle and way of thinking. These are consumers' personal thoughts, self-concepts, feelings, attitudes, lifestyles, motivation and memory. These internal influences are psychological influences. Internal influences depict the ways through which consumers interact with the universe around them, identify their feelings, collect and examine information, develop ideas and beliefs. Many internal factors affect the behavioral pattern among them the vital factors are the motivation and perception.



**Figure 1 : Internal influencing factors of Consumer Behaviour**

**Motivation :** It refers to the amount of intensity, raised by need that converts into a motive. Motive and need are the driving force required for the consumers' action. Below mentioned are the two types of needs.

(a) **Biogenic needs :** These are related to the physiological needs of a person arising due to the natural phenomenon like hunger, thirst, tension, etc.

(b) **Psychogenic needs :** These are related to the psychological state of consumer such as needs for recognition, esteem. Motivational force activates the target oriented purchasing and acts like the driving force to take action and satisfy their needs.

**Perception :** It is a process by which a consumer identifies, organizes and interprets information to create meaning. It includes categorization, subjectivity, expectation,

selectivity and past experience. Once the perception is developed the consumer acts according the probable action of buying process. There is a kind of constant mind game that goes on among information, environment and the consumer. The information getting into the brain is alone not sufficient there has to be a clear perception so that the consumers conceptual buying takes place.

**External Factors :** Purchase decision involves external influences like culture, subculture, household structure and groups. External influences are also known as socio-cultural influences, as these grow from the individuals formal and informal relationships (friends, family and other individuals).

(a) **Culture :** Culture refers to the traditions, values and basic attitudes of the whole society within which the life of an individual revolves. It also affects the nature of consumption, Further it also influences dressing style of people, attitudes and values.

(b) **Social class :** Social class is defined by the amount of status that members of a specific class possess in relation to members of other classes. The degree of social class is concerned with classifying individuals into social class groupings. These groupings are of particular value to marketers for target market identification and segmentation.

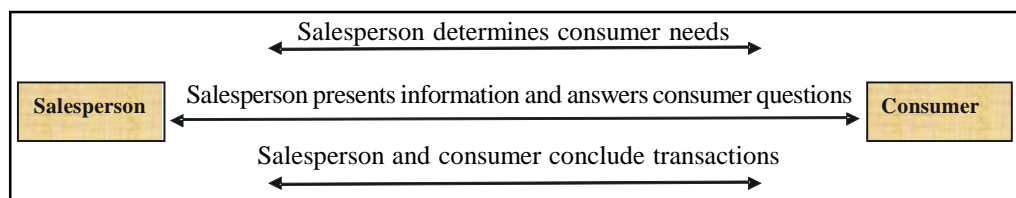
(c) **Reference groups :** An individual's attitude or behavior is influenced by the reference groups to a great extent. Reference groups influence product and brand purchases, particularly when the consumption is conspicuous in nature. Where a product is conspicuously consumed, the brand chosen may be influenced by what

buyers perceive as acceptable to their reference groups.

**Relation between Seller and the Consumer (Buyer Seller Dyads) :**

Economical growth and with advent of liberalization a radical change was witnessed in India regarding the seller and consumer relationship. Today, the customer not only demands goods but also wishes to know the relationship between the supplier of goods and services and its relationship with the manufacturer or principal and its antecedents. Hence, the concept of buyer seller dyads i.e. the relationship between two people started gaining importance.

The concept of customer relationship management also



**Figure 3 : Buyer Seller Dyads**

**Source :** <https://www.slideshare.net/GeorgeKJ/diversity-in-selling>

directly or indirectly influences the consumer patterns. Consumer behavior contributes to customer re-purchase intentions, consumer retention and loyalty to increase the market share. Further, the changing consumer patterns are affected by the dyadic nature of the market structure. Consumer patterns are directly associated with the dyads as marketing is a two way process constituted by consumer and the marketer .

**Key Reasons of Consumer Change Patterns :**

(i) The increased use of social media such as face book, YouTube, tweeter and use of online shopping sites had significantly influenced consumer choice.

(ii) The flexibility of having consumption alternatives at reasonable prices had created expectation to buy variety of products among the Indian consumers.

(iii) Indian consumers had become value sensitive and are not much price sensitive. Today, purchase behaviour induces value and high price also.

(iv) The Indian consumer today, gives preference to features of a product than its brand name.

(v) Companies not only aim to sell their products but also aim to provide better after sales services to its consumers.

(vi) The use of credit card for shopping is a new emerging trend in India.

(vii) The behavioral pattern of the consumer is based on human behavior tendencies that are unpredictable. Further, the behavior of consumer is of psychological pattern, difficult to assess what will be next course of action.

(viii) The consumer behavior needs thorough market analysis before any product is promoted or launched. Because it is quite obvious that a product may disliked or rejected by the consumers.

**Conclusion and Ways Ahead :**

The Indian consumer's pattern of behavior has undergone a drastic change in the past one or two decade. Consumer pattern changes were affected at two levels micro and macro. At micro level, changes were attributed to individual consumer's changing tastes, while the later changed the structural shift in the environment affecting behavior, lifestyle, values and needs. The literature review undertaken also substantiated the changing perception of consumers. Changing consumer behavior pattern are significant predictors for the progress of economy. However, there is need to restructure the pattern of changes in consumer behavior. A change must be initiated to reduce negative impact of consumption patterns on the environment. The business should engage in collection of customers' opinion on services they render. These above stated restructuring if coordinated properly will uphold both the marketer and the consumer for the forthcoming future.

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## Trends of Internet Marketing in India

*Internet is truly disrupting traditional forms of advertising. Since its inception in India the impact it's been making is raising every year. With the advent of cheaper internet in India, notably Reliance Jio is revolutionary. As the number of internet users are increasing very rapidly & mobile users are escalating, companies are after internet marketing and they are discarding the old techniques of digital marketing. Top tech companies which are providing advertising platforms are coming out with innovative concepts of advertising which can boost the sales by concentrating only on the potential customers in turn generating good revenues. This is the reason why making use of internet to reach out to consumers is the most viable option left for the marketers. This paper deals with the conceptual knowledge of various types of digital marketing strategies. In this paper we discussed the dominating trends of digital marketing in India and also analyzed some of the latest and future developments in the internet industry which are going to emerge in India. **Key Words** : Internet marketing, trends, advertising.*

**N.VENKATESH\* & RAGHU VAMSHI\*\***

### **I**ntroduction :

The internet advertising industry is very new in India and exactly like the Western European internet advertising industry 5-8 years earlier. It is growing very fast. The sector is dominated by financial services, IT/mobile and recruitment. Indian consumers have experienced web advertising from the start of their use of the web. Email and information remain the strongest reasons people cite for going online in India, but the use of video has grown rapidly in the past few years and will continue to do so. Companies and marketers slowly realized that one of the single most powerful ways in which consumers will get to know about any product or service in the time of need is by Internet advertising platforms like Google. Google's Ad-words is among the world's most powerful tools to drive demand and become very important partner for most of the businesses. Similarly there are many tools and techniques online which helps in effectively market products to customers

### **Review of Literature :**

V.Kumar and Denish Shah have published research paper entitled "Pushing and Pulling on the Internet". The internet is fast emerging as a domain sales channel. The Internet is expanding & it effects consumer which shifts the consumer behavior. It has changed the way product awareness is created, developed new modes of product consideration. It also creates new means of purchasing products.

Santhosh B Kabade has published an article "Online marketing in India". Buying-selling trends received from leading online shopping portals indicate the online retail market currently stands at Rs 2,000. India is set to become the third largest nation of internet users in the next two years with a large chunk of youngsters eager to adopt new technologies with rapidly changing lifestyles.

J Suresh Reddy has published article in Indian Journal of Marketing. Title of article is "Impact of E-commerce on marketing". Internet is providing companies new channels of communication and interaction. Companies can use web to provide ongoing information, service and support. It also creates positive interaction with customers that can serve as the foundation for long term relationships and encourage repeat purchases.

### **Objectives :**

- (i) To review present status of digital marketing in India
- (ii) To evaluate the future trends that have potential to market well & generate revenue.

### **Present trends of Internet Marketing in India :**

There are the trends which are used by many companies and businesses in India.

**Search Engine Marketing (SEM) :** A type of web marketing which promotes web sites by increasing visibility in search engine results pages through search engine optimization as well as through paid advertising, strategic content marketing and social media networks. Now Google

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is in everyone's pocket in India as the number of mobiles & internet users started to increase. SEM is all about getting products online ads to show up on search-engines when potential customers look for products.

**Search Engine Optimization (SEO) :** A refinement of SEM, improving the online presence of an online business in search engines search results. SEO programs work to move targeted search results higher in rankings when results are presented to users of search engines. The higher the rankings the higher the visibility, visitors and in turn higher profit. This is the reason why many SEO service companies are increasing.

**Pay Per Click Advertising : PPC** is a type of advertising where the retailer pays the system when their advertising causes a person to click on it. It can become an extremely efficient way of paid promotion for any business website if set it up the right way.

**Social Media Marketing :** This is marketing using social media platforms (Facebook, Instagram, Twitter, LinkedIn). In this type of marketing companies create accounts and promote their content, company, products and services. Social media marketing can also factor into SEO programs. Nowadays, these platforms are also used for customer services.

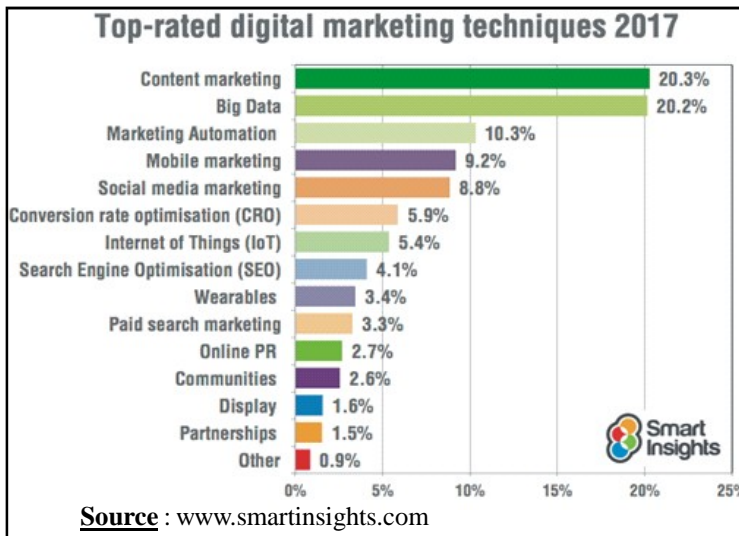
**E-Mail Marketing :** Email marketing is a very user-friendly and cost-effective form of marketing. It is used all around the world to a large extent which allows business to communicate and get in touch directly with their customers. A good email campaign can quickly generate both sales and brand awareness. It can be sending them content like videos, updates, coupons etc.

**Affiliate Marketing :** Marketing by a third party which refers customers to a specific web site or vendor. "Affiliates" market their own products, such as through a web site, but have links to other sites unrelated to their site. Affiliates are rewarded for the number of times someone links from their site to the targeted site.

**Video Marketing :** Marketing through the use of videos, such as found on YouTube or similar sites. Videos can be of any length (depending on the limitations of the site hosting the video) and have any content, message, or advocacy for a cause.

**Most dominating trends of digital marketing in India :**

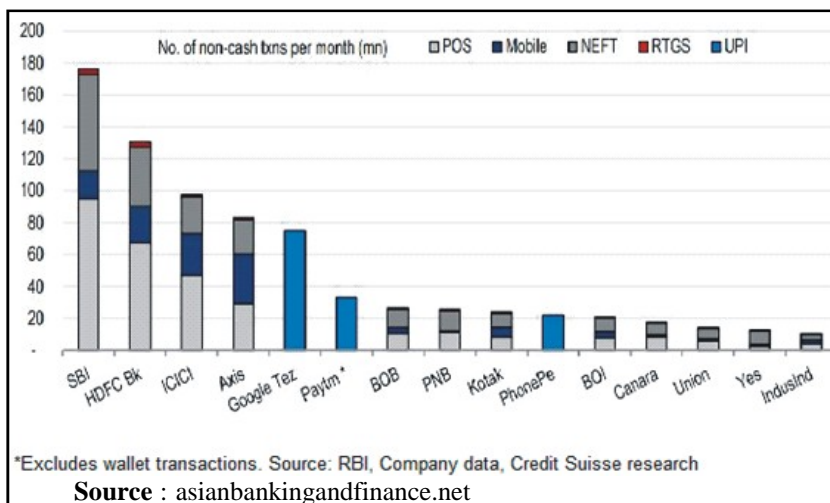
**Content Marketing** is one of the most dominating trend of internet marketing in India. Marketers are desperate to seek the attention of the audience by telling them an engaging story. Some key points in content marketing are (1) Creativity is the most-wanted factor (2) Less is more, as long as you are delivering great content. Ex. Zomato.



**Big Data :** As companies learn to process the flood of data from all sides, traditional models of marketing are slowly giving way to smarter, niche strategies. Firms are now using big data analytics to uncover highly profitable segments, changing their channel management strategy and sales plays. While Big data helps in identifying these micro-segmentation layers, AI is used to personalize their campaign efforts to reach out to this targeted audience.

**Marketing automation :** Now a days many companies are looking for an email marketing tools. Marketing Automation refers to the software platforms and technologies which are designed for marketing departments in organisations to automate and streamline their marketing efforts. Marketing Automation is able to combine different aspects of e-commerce marketing such as audience segmentation, customer relationship management and omni-channel engagement and more - all in a single tool.

**World of Wallets :** It is no surprise to hear the phrase "Wallet Marketing". Because with the advent of mobile wallets or virtual wallets many companies are successfully marketing their service or product by integrating with e-wallets.





Notably Paytm, PhonePe etc. apparently they are successful in creating a great userbase. Now marketers and companies are after them. Because they are trying to boost their sales by accepting payments through their wallet platforms by providing them coupons and cashbacks. As users are constantly engaging with their wallet apps companies are sending them push notifications about offers. This way they are successful in marketing their product & completing payment at the same time.

**Future trends of Digital marketing with new technologies :**

The current trends of digital marketing are seemingly doing well as many marketers are making use of these trends and are very productive in sales. But change is constant in this fast paced and competitive world. With the advent of new computer technologies like Machine Learning & artificial Intelligence(AI) which are currently the trending topics not only in the computer science but in Advertising industry as well.

**Artificial Intelligence :** As Ai becomes more intelligent than ever, companies are using it to interact with businesses on a whole new level by using Ai for more personalized interaction with consumers based on the customer's persona. Marketing agencies are predicting as Ai gets more intelligent the use and demand for it will also rise causing us to see a lot more of it over the next couple years.

**Machine Learning :** Machine learning is going to create wonders in advertising & marketing industry. While some machine learning tools can be expensive, the only other real factor that marketers may find hard to adapt to is the ever-changing algorithms launched by Google and other search engines. Experts believe that machine learning will continue to grow across the mobile market space, acquiring an even larger presence within applications, digital assistants, and AI as a whole.

**Conclusion :**

One of the reasons why digital marketing is taking over traditional marketing channels is the ability of internet marketing tools to interact with targeted audiences in real time. Engagement in any form is what customers expect to receive when interacting with brand or business. Digital marketing techniques like content marketing, marketing automation, big data analysis are presently the most dominating trends along with Social media and mobile marketing. Today we all are more connected with our mobiles with social apps and mobile wallets. This creates a great opportunity for marketers and companies to reach out to customers. However, change is the only constant thing. In the next few years, online marketing in India will strengthen even further with emerging new technologies like machine learning & AI. Chatbots interact with consumers better than humans. These technologies can automate a lot of tasks and has huge potential in boosting sales.

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‘रिसर्च लिंक’ की सदस्यता का शुल्क भुगतान राष्ट्रीयकृत बैंकों द्वारा सीधे ट्रांसफर या जमा किया जा सकता है। बैंक का विवरण निम्नानुसार है-

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## Leverage Analysis of Nestle India Limited : A Study

*The employment of an asset or source of funds for which the firm has to pay a fixed cost or fixed return is Leverage. Leverage affects the earnings available of the shareholders. Leverage analysis is a tool to assess the business risk, financial risk as well as the total risk of the firm. Leverage analysis of a company gives insights into the risk at which the company is operating. The major purpose of this study is to analyze and discuss the leverage at which Nestlé India Limited has been performing its business activities during the period 2012-13 to 2016-17. The study analyses the financial annual reports of Nestle India Limited for the mentioned time period and makes a comment on the risk at which the company is carrying out its activities. **Key Words** : Operating Leverage, Risk, Financial Leverage, Combined Leverage.*

**N.VENKATESH\* & ABHIJEETH DADUVAI\*\***

### **I**ntrouction :

In general terms, Leverage refers to the relationship between two interrelated variables; Leverage represents the influence of one variable over another variable. From a business firms' point of view, Leverage represents the influence of one financial variable over another financial variable; financial variables may be any of costs, output, sales, revenue, Earnings Before Interest and Tax, Earnings per Share etc.

Mathematically, Leverage is the % change in one variable to the % change in the other variable.

$$\text{Leverage} = \frac{\% \text{Change in one variable}}{\% \text{Change in the other variable}}$$

One of the major financial decisions, a finance manager of a firm has to make is, to decide the proportions of debt and equity to raise fund for the firm, which forms the capital structure of the firm. An important factor determining the capital structure of a firm is 'Leverage'.

**Leverage in business is classified into three :**

#### **Operating Leverage :**

Operating Leverage is a result of fixed operating expenses incurred by a firm. Operating Leverage can be thought of as a firm's ability to magnify the effects of changes in sales on its EBIT (Earnings Before Interest and Tax). Thus, Operating leverage measures the impact of sales revenue on the EBIT of the firm. It can be defined as the % change in EBIT divided by the % change in sales revenue.

It can be expressed as :

$$\text{Operating Leverage} = \frac{\% \text{ Change in EBIT}}{\% \text{ Change in Sales}}$$

Higher Operating Leverage can increase the operating profits. Operating Leverage is favorable under good economic conditions, but when a bad economic condition prevails, having a high Operating Leverage may have drastic effects on operations of the company. Thus, operating leverage is an indicator of operating risk of the company.

#### **Financial Leverage :**

The use of long term fixed financial interest bearing debt and preference share capital along with equity share capital is called financial leverage. Businesses use the long term debt to magnify the effects of changes in Earnings Before Interest and Tax on the Earnings Per Share. Thus, financial leverage represents the relationship between Earnings Per Share and Earnings Before Interest and Tax. Financial leverage reflects the % change in EPS because of % change in EBIT.

Mathematically,

$$\text{Financial leverage} = \frac{\% \text{Change in EPS}}{\% \text{Change in EBIT}}$$

The use of debt, although results in financial leverage; helps maximize the Earning Per Share, but also increases the financial risk of the firm. Financial risk occurs because of inability of the firm to pay its fixed financial costs. Higher the debts' proportion in the capital structure, higher the payment of interest, resulting in higher financial risk. Thus, financial leverage is an indicator of financial risk of the company.

#### **Combined Leverage :**

The operating and financial leverages are closely concerned with ascertaining the ability to cover fixed charges (fixed-operating costs in the case of operating leverage and

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fixed-financial costs in the case of financial leverage); when both are combined, the result is total leverage and the risk associated with combined leverage is known as total risk. Compound Leverage is the product of Operating Leverage and Financial Leverage.

Mathematically,

**Combined Leverage =**

Operating Leverage \* Financial Leverage

=> **Combined Leverage =** (%Change in EBIT / %Change in Sales) \* (%Change in EPS / %Change in EBIT)

=> **Combined Leverage =** % Change in EPS / % Change in Sales

Thus, Combined Leverage indicates the effect changes in sales revenue will have on Earnings Per Share.

A finance manager can measure the impact of an increase or decrease in sales over earning per share, which can help him determine the overall risk of the firm, and accordingly vary the financial risk and operating risk in the interest of the firm; If the manager wants to take high financial risk then he has to reduce its operating risk so that overall risk of the firm does not go beyond limits and vice versa.

Based on the Combined Leverage, firms can be categorized as :

**Risky Firms :** Firms have a high combined leverage.

**Normal Firms :** Firms have a normal combined leverage.

**Ideal Firms :** The firms which have both financial and operating leverage at the lowest point.

**Objectives of the study :**

(1) To analyze the Operating, Financial and Combined Leverages in Nestlé India Limited over the period of 5 financial years, starting 2012-2013 and ending 2016-2017

(2) To examine the operating risk, financial risk and there by total risk of Nestlé India Limited over the period specified above.

**Nestlé India Limited: Profile :**

Nestlé India is a subsidiary of Nestlé S.A. of Switzerland. Nestlé India is one the biggest players in FMCG segment having a presence in milk & nutrition beverages prepared dishes & cooking aids & chocolate & confectionery segments, and is one of the most trusted brand in food section department and also the most loved brand.

**Nestlé India :**

Nestlé India has presence across India with 8 manufacturing facilities and 4 branch offices. The Company continuously focuses its efforts to better understand the changing lifestyles of India and anticipate consumer needs in order to provide Taste, Nutrition, Health and Wellness through its product offerings.

**Methodology and Sources of Data :**

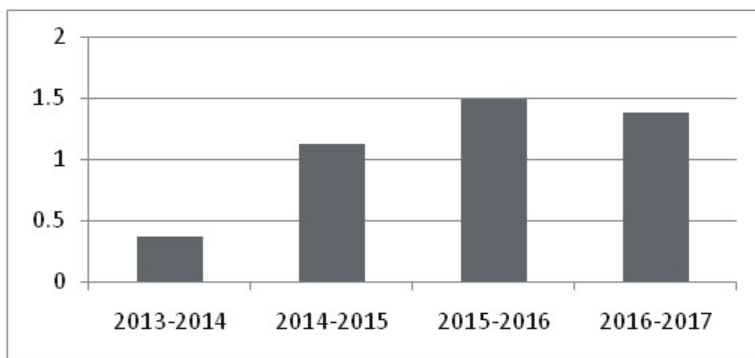
The present study is an analytical study and is based on secondary data. The study uses the information which is readily available in the form of annual reports of Nestlé India Limited. It covers five years data from 2012-13 to 2016-17. The collected data are processed; tabulated; analyzed and interpreted with the help of statistical techniques. Finally conclusions have been drawn based on the facts revealed by the study.

**Data Analysis :**

**Operating Leverage**

	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
Sales (in million Rs.)	83,655.6	91,010.5	98,548.4	81,753.1	92,238.0
%Change in Sales	-----	8.79	8.28	-17.04	12.82
EBIT(Earnings Before Interest and Tax) (in million Rs.)	15,853.1	16,383.7	17,925.5	13,337.5	15,718.7
% Change in EBIT	-----	3.34	9.41	-25.59	17.85
Operating Leverage	-----	0.37	1.13	1.50	1.39

**Source :** Nestle India Annual Reports from the years 2012-2013 to 2016-2017.



**Fig : Operating Leverages from year 2013-2014 to 2016-2017.**

**Interpretation :**

The revenue generated from sales for Nestle India has increased year by year, except in the year of 2015-2016, majorly because of the controversy surrounding Maggi, which is Nestle India's highest selling product; also impacting the Earnings Before Interest and Tax of that year.

The firm operates at an average operating leverage of 1.0975. The operating leverage in the year 2013-2014 was 0.37 which was the lowest and highest was 1.50 in the year 2015-2016. In the year 2015-2016, the company recorded the least sales in the selected time period, and the decrease in sales was around 17%, impacting the EBIT of that year which decreased around 25% to that of the preceding year. The Operating Leverage for Nestle India shows that the company operates at at low risk, as the operating leverage is low, a positive operating leverage indicates that firm is operating at a level higher than break-even point., low operating leverage

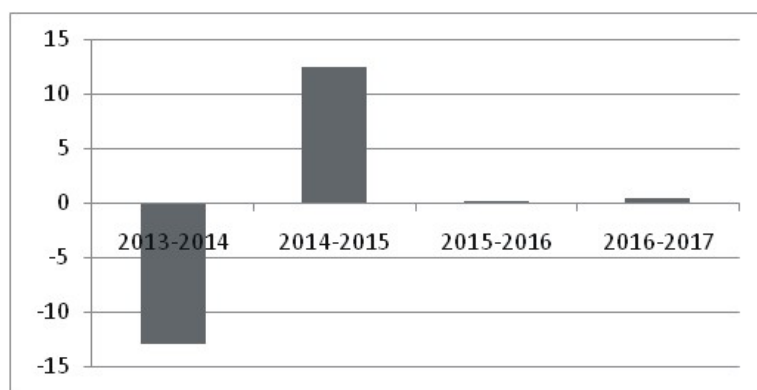


for the company also implies that increase or decrease in sales will not have a profound effect on the EBIT of the company, irrespective of the prevailing economic conditions.

### Financial Leverage

	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
EBIT(Earnings Before Interest and Tax) (in million Rs.)	15,853.1	16,383.7	17,925.5	13,337.5	15,718.7
% Change in EBIT	----	3.34	9.41	-25.59	17.85
EBT(Earnings Before Tax) (in million Rs.)	14,415.4	8,136.3	17,743.5	16,780.2	15,526.2
% Change in EBT	-----	-43.37	118.07	-5.42	-7.47
Financial Leverage	-----	-12.98	12.54	0.21	0.41
Combined Leverage (Operating Leverage * Financial Leverage)	-----	-4.80	14.17	0.315	0.56

**Source :** Nestle India Annual Reports from the years 2012-2013 to 2016-2017.



**Fig :** Financial Leverages from year 2013-2014 to 2016-2017.

### Interpretation :

The financial leverage of Nestle India in the year 2013-2014 was -12.98 indicating that there was a decrease in the earnings per share from the previous year and also the company was operating at a higher financial risk. In the same year, the operating leverage was less, which brought down the combined leverage, and the risk the firm was at. The firm in the year 2014-2015 was operating at a high risk; the combined leverage being 14.17. The financial leverage and the combined leverage in the year 2015-2016 was the lowest the company operated at and was 0.315. The company's combined leverage in the year 2016-2017 was 0.56. The company in the years 2015-2016 and 2016-2017 was operating at a much lesser risk compared to the previous years.

### Conclusions :

The operating leverage, financial leverage and combined leverage of Nestle India Limited has been calculated over a period of 5 years from 2012-2013 to 2016-2017; the leverages mentioned are calculated, and it was found that the financial leverage in the years 2013-2014 and 2014-2015 was high, and the company was operating at a greater financial risk. In the year 2014-2015, the company's combined leverage was 14.80 and it was operating at far greater risk. The company in the succeeding two years has maintained

its combined leverage to be less than 1, thus carrying out its operations at low risk.

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## UGC - APPROVED - JOURNAL

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## Rural Marketing in India - Opportunities and Challenges

*Since the development in the Indian economy and start of liberalization and globalization policy in 1991 there has been a substantial increase in the purchasing power of the rural habitants, with the start of green revolution in India rural areas started to use consumable and non-consumable goods. In this context a new marketing strategy namely, rural marketing had come up. Rural marketing involves marketing of manufactured or processed products to rural consumers. Rural marketing in India is still at infancy stages, and faces the various types of problems in respect of marketing, product designing and positioning, pricing, distribution and promotion. Rural markets a part of economy have untapped potential. This paper helps us in identifying the opportunities present in Indian rural market and understanding challenges involved in it. **Key Words** : Rural marketing, Opportunities, Challenges.*

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### **I**ntrouction :

In recent years, rural markets have acquired significance, as the overall growth of the economy has resulted into substantial increase in the purchasing power of the rural communities. Typically, a rural market will represent a community in a rural area with a population of 2500 to 30000. On account of green revolution, the rural areas are consuming a large quantity of industrial and urban manufactured products. In this context, a special marketing strategy, namely, rural marketing has emerged to satisfy the needs of rural consumers.

### **What Constitutes Rural Market :**

The Census of India defines rural as habitation where population density is less than 400 per sq. Km, and whereat least 75% of the male working population engaged in agriculture, and where there is not any municipality or board. The difference between rural and urban consumers always exists in India. Most of Indian rural consumers are illiterate and poor.

### **Demographic Details of Indian Rural Markets :**

(1) About 285 million live in urban India whereas 742 million reside in rural areas, constituting 72% of India's population resides in its 6, 27,000 villages. (2) The number of middle income and high income households in rural Indian is expected to grow from 46 million to 59 million. (3) Female sex ratio ranges from 485 to 1189 per 1000 male. (4) Rural literacy rate is 58.7%, male-70.70% rate and female-46.13%.

### **Characteristics of Rural Marketing :**

(1) With the initiation of various rural development programs there have been an upsurge of employment

opportunities for the rural poor. One of the biggest cause behind the steady growth of rural market is that it is not exploited and also yet to be explored.

(2) The social status of the rural regions is precarious as the income level and literacy is extremely low along with the range of traditional values and superstitious beliefs that have always been a major impediment in the progression of this sector.

### **Review of Literature :**

There are many studies carried out in India in connection with rural marketing, which have -

Vivek Parikh (2001) pointed out that most of the rural marketers underestimate the verbal power magic of words to enter into the rural market, and again (2008) he added some another dimensions necessary for marketers.

Pradeep Kashayap and Siddhartha (2006) elaborated that various aspects of rural marketing like the rural customers, rural marketing research, rural products, pricing, distribution strategies, and the role of media and government initiation contributed in uplifting the rural demand and market.

Narayan Krishnamurthy (2000) researched out that by using the regional language, it becomes much easier to increase the penetration in rural areas and also to make aware rural people about the products available in the market.

### **Objectives of the Study :**

- (i) To identify Rural marketing Opportunities in India.
- (ii) To examine challenges present in the rural marketing.

### **Opportunities in Rural Marketing :**

The Indian growth story is now spreading itself to India's hinterland, not just witnessing an increase in its income but

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also in consumption and production. The companies are trying to stimulate growth in rural areas. The low rate finance availability has also increased the affordability of purchasing the costly products by the rural people.

**Market Size and Potential :** The size of India's rural market is so large when compared to urban markets and which is not yet exploited had a lot of potential.

**Increase In Literacy Rate :** Literacy rate is increasing in rural areas, it has increased from 68.9% in 2011 to 71% in 2017. This brings social and cultural changes in buying behavior of the rural customers. Due to increase in literacy rate they get employed and earn good salaries leads to increase in purchasing power.

**Increasing In Disposable Income :** The Per Capita income at current prices during 2011-12 is estimated to be Rs.60,972 compared to Rs.53,332 during 2010-11 showing a rise of 14.3%. Projects from private companies and government have given the rural population an opportunity to meet their daily needs. Government decided provide a loan waiver of 720 billion which benefited 40 to 45 million farmers. Companies have the opportunity to enter market and take advantage of increased disposable income.

**Improvement in social indicators :** There is a lot of improvement in social indicators, number of "pucca" houses doubled from 22% to 41% and "kuccha" houses halved (41% to 23%). Percentage of BPL (Below Poverty Line) families declined from 46% to 27%.

**Brand Conscious :** People from rural areas are becoming more brand conscious due to amount of information available to them and increasing in income level.

#### **Challenges in Rural Marketing :**

The rural market offers a vast untapped potential, it should be recognized that it is not easy to operate in the market, because of several attendant challenges. Rural market remains untapped because of mainly three challenges:- distance, variety, and dispersion. Dispersed population and trade, large number of intermediaries in the value chains leading to the higher costs, scarce bank and credit facilities for rural customers and retailers, highly credit driven market and low investment capacity of retailers are the other roadblocks. Thus, there are several roadblocks that make it difficult to progress in the rural market.

**Transportation problems :** There are lacks of proper physical communication facilities in rural areas. Nearly half of the villages in the country do not have all-weather roads. Therefore reaching these villages is very physically taxing. Hence, distribution efforts put up by the marketers prove to be expensive and ineffective.

**Warehousing Problems :** Storing is necessary because there is a time gap between production and consumption of commodities. But in rural areas, there is lack of adequate storing facilities like warehouses were available. Marketers face problems of storage of their goods.

**Media Problems :** Media have lots of problem in rural areas. Television, print media and radio is a good source to

communicate the message to rural people. But due to non-availability of adequate resources, majority of rural population cannot get the benefits of various media.

#### **Underdeveloped People and Underdeveloped Markets:**

A vast majority of rural people is not financially stable and is tradition-bound, fatalistic, mired in age-old customs, traditions, habits, taboos, and practices. The large segments of rural population have remained untouched by technological breakthroughs.

**Distribution Problems :** The distribution of products continues to pose an immense challenge to marketers because reaching of 7.8 million retail outlets spread across 6,40,000 villages and feeding a retail network of village shops is a distribution nightmare.

**Cultural Factors :** Culture is a system of shared values, beliefs and perceptions that influence the behavior of consumers. There are different groups based on religion, caste, occupation, income, age, education and politics and each group exerts influence on the behavior of people in villages. Therefore strategies should be such that respects their cultural values.

**Seasonal Demand :** The main problem of the rural market is the seasonal demand. The significant role in the demand of commodities in the rural market is played by agriculture situation because it is the main source of income.

**Low Level of Literacy :** The level of literacy in rural areas is low when compared to overall literacy rate, so marketers find lot of problems in communicating their product to the people and making aware of the products.

**Low Per Capita income :** The rural per capita income is low as compared to urban area leads to low purchasing power. Therefore few challenges arise in this respect, like off-taking of any product by rural consumer, maintaining of inventory levels, distribution system options. This aspects should be carefully considered by the marketers.

#### **Conclusion :**

In conclusion rural market in India had a huge untapped potential. Rural marketing plays a vital role in improving infrastructure facilities and uplifting value of life in rural areas. The marketers make use of opportunities present in rural areas and expands their business. The challenges involved in rural marketing are getting nullified with increase in governmental projects for development of rural people and technological developments.

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