

# CONSUMER AND THE MARKET

## INTRODUCTION

Being a consumer is tough: but we cannot help being one. Consumers help the economy grow; growing economy offers new products and services from unheard of places, all claiming to be the best. As markets are globalising and consumers are bombarded with too many choices of products and services, purchase decision-making is becoming difficult. New technologies, such as the internet, debit cards, credit cards, ATM's on one hand are making the life of the consumer easier, but again pose a challenge of safety and security. As consumers we need to separate the chaff from the grains. There is a risk of being cheated when we pay our hard earned money to get a sub-quality product or service.

Thus, a balance has to be made between free market forces and consumer protection. Any consumer movement can be successful if the consumers are satisfied; they receive value for their products and services. This in turn requires a synergy and support of the government, judiciary, traders, and consumers. India has gone a long way by implementing the benevolent Consumer Protection Act 1986 and further making the rightful amendments in order to provide better protection to consumers. An aware consumer is one who exercises its rights, keeps a check on the unscrupulous traders who sell fake and substandard products or on advertisers who engage in unfair trade practices. Thus, self-help through empowered consumers and better corporate governance are the need of the hour for a better society.

This paper is an attempt to explain how a consumer fits into the economic rigmarole. It highlights how consumers, especially families, an important consumption unit makes purchases. We shall also see the changes which are coming in the behaviour of consumers and how consumers can play an active role in the market.

## UNIT 1: CONCEPTUAL FRAMEWORK

### Who is a Consumer

The moment a person comes in this world he starts

consuming products such as food, clothes, medical service, etc. Whether a person is a doctor, a student, a teacher, an architect, s/he is a consumer and the whole economy operates for and around consumers. In simple terms, a consumer is a person who consumes or uses any commodity or service available to him either from natural resources or through a market for final consumption.

A 'consumer' has been defined from different angles depending on the discipline to which the author belongs.

- *Dictionary Meaning:* The Oxford dictionary defines **consumer** as "a purchaser of goods or services". As defined in Blacks Law dictionary 'consumer' means, "one who consumes. Individuals who purchase, use, maintain and dispose of products and services. A member of that broad class of people who are affected by pricing policies, financing practices, quality of goods and services, credit reporting, debt collection and other trade practices for which State and Federal consumer protection laws are enacted".
- *Business Definition:* According to Stanton "a consumer is the individual or organisational unit that uses or consumes product"<sup>1</sup>.
- *Political Definition:* According to John F. Kennedy, "Consumer by definition, includes us all. They are the largest economic group affecting and affected by almost every public and private economic decision."
- *Legal Definition:* In *Morgan Stanley Mutual Fund vs Kartika Das*<sup>2</sup>, Supreme Court has defined consumer: "The consumer, as the term implies is one who consumes. As per the definition, consumer is the one who purchases goods for private use or consumption. The meaning of the word consumer is broadly stated in the above definition so as to include anyone who consumer goods or services at the end chain of production. The comprehensive definition aims at covering every man who pays money as the price or cost of the goods and services".

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<sup>1</sup> Stanton, Etzel and Walker, Fundamentals of Marketing, 10th ed. (McGraw-Hill, Inc., 1994).

<sup>2</sup> [(1994) 4 SCC 225, AIR 1994 SCW 2801]

The Consumer Protection Act 1986 has defined the term consumer through 'goods' and 'services'. According to Section 2 (1)(d) of **The Consumer Protection Act, 1986** 'Consumer' means any person who:

1. Buys any goods for a consideration which has been paid or promised or partly paid and partly promised, or under any system of deferred payment and includes any user of such goods other than the person who buys such goods for consideration paid or promised or partly paid or partly promised, or under any system of deferred payment, when such use is made with the approval of such person, but does not include a person who obtains such goods for resale or for any commercial purpose; or
2. (hires or avails of) any services for a consideration which has been paid or promised or partly paid and partly promised, or under any system of deferred payment and includes any beneficiary of such services other than the person who [hires or avails of] the services for consideration paid or promised, or partly paid and partly promised, or under any system of deferred payment, when such services are availed of with the approval of the first mentioned person (but does not include a person who avails of such services for commercial purpose).

*Explanation:* Thus, 'consumers' includes the following heads:

- 1 Buyer of goods or Purchaser of goods: Any person who purchases products for consideration that has been paid, or promised or partly paid and partly promised, or under any system of deferred payment for final consumption is a consumer. The position of the buyer depends upon the 'contract of sale'. In *Mohan Sharma vs. Chandigarh Bottling Co<sup>3</sup>.*, the complainants purchased five crates of Limca for Rs. 440/- to be served in their daughter's marriage. After consuming them the guests were taken ill and started vomiting. The bottles were examined and found to be infected. The District Forum directed the refund of the amount paid and Rs. 200/- as compensation. In appeal the State Commission increased the amount of compensation

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<sup>3</sup>(1995) III CPJ 296

to Rs. 5,000.

- 2 User of the goods: Any person who uses goods with the approval of the buyer, who has bought goods for consideration is a consumer. Thus all family members are beneficiaries of a contract and included as consumers. In *Dr. Sr. Louie and Am vs. Kannolil Pathumma and Another*<sup>4</sup> the National Commission has held that the legal heirs who are entitled to the estate of the deceased consumer can file a complaint under the Act.
- 3 Hirer of services: Any person who hires or avails of any service for a consideration which has been paid or promised or partly paid and partly promised, or under any system of deferred payment is included as a consumer. The service sector includes banking, telecom service, postal service, insurance, railways, air travel, doctors, caterers, contractors, transport operators, etc. In *Mohd. Suleman Ansari vs. Shankar Bhardari*, 2006: Mohd Ansari<sup>5</sup> suffered a fracture in his hand and was taken to a medical practitioner for the treatment. He bandaged the fractured hand and gave some medicines. Later on when the problem continued for a long time he was taken to other doctors for further treatment but unfortunately the affected hand became permanently damaged. The District Forum rejected the case taking the view that dispute should be settled in the civil court. The State Commission allowed the appeal and ordered for a compensation of Rs 1,50,000 and Rs 20,000 more for treatment and Rs. 5,000 as cost for filing the complaint. The opposite party appealed in the National Commission which rejected the appeal and asked the medical practitioner to pay Rs. 80,000 as full and final payment.
4. Beneficiary of services: In respect of services, the beneficiary of such service is also a consumer. According to *Indian Medical Association vs. V. P. Shanta case*<sup>6</sup> it was decided that medical practitioners are not immune from a claim for damages on the ground of negligence. The patients who are rendered free

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<sup>4</sup> (1993) CPJ 302 (NC)

<sup>5</sup> Mohd. Suleman Ansari V. Shankar Bhardari, 2006 CTJ 105 (Supreme Court)

<sup>6</sup> Indian Medical Association v. V. P. Shanta (1995) 6 SCC651; AIR1996 SC 550

service are the beneficiaries of the services hired by the patients who paid for the services. In *Spring Meadows Hospital vs. Harjit Ahluwalia* (1998) (2), the Supreme Court held that a consumer would mean a person who hires or avails of any services and includes any beneficiary. Therefore, when a young child is taken to a hospital by his parents and treated by the doctor then the parents and the child would come under the definition of a consumer.

- 5 A trader or businessman who buys the goods or services for resale is not a 'consumer'. The Consumer Protection Act Amendment in 2002 excludes persons who buy goods or services for a 'commercial purpose'. However, 'commercial purpose' does not include the following:
- Goods bought and used for the purposes of earning livelihood by means of self-employment. This means that if an individual or a family buys goods for professional or vocational use s/he will be a 'consumer'.
  - Services availed for the purpose of earning livelihood by means of self-employment. This means that if a person or family buys services for professional or vocational use s/he will be a 'consumer'. Thus, any person who buys goods either for resale or for making profit is not a 'consumer' under the Consumer Protection Act. In *Raj Kumar vs. S. C. Verma*, 2001 (1) CPR 437 it was held that persons buying goods either for resale or for use in large scale profit-making activity would not be 'consumers' entitled relief under the Act.

### What is a market

A country's economy revolves around its markets. Originally the term market stood for the place where buyers and sellers gathered to exchange their goods, such as a village square. In common terms we say a market is a place where we go for shopping such as, South Extension, Kamla Nagar, Karol Bagh, Lajpat Nagar markets in Delhi. But with the development of internet and e-commerce purchases can be made by viewing the products on the website itself. Thus, now the markets are no more physical places where buyers and sellers come in contact with each other. According to Kotler and Armstrong, "A market is the set of actual and potential

buyers of a product. These buyers share a particular need or want that can be satisfied through exchange relationships.”

Markets are further divided into various categories such as:

- *Consumer markets:* Companies selling mass products and services, such as, tooth paste, soaps, television sets, air tickets, etc. for personal consumption of the consumer-individuals and families constitute consumer markets.
- *Business markets:* Business buyers purchase products for commercial purpose. They buy goods either for their utility in enabling them to make or resell a product to others in order to re-sell and make profits.
- *Global markets:* Companies selling their products in various countries are included in the global markets. They may enter the foreign country as an exporter, or through contractual agreements or mergers and acquisitions or solo manufacturer.
- *Nonprofit and Governmental markets:* Companies selling their goods to non-profit organizations such as, universities, charitable organizations, government agencies are included in this. These are known as institutional markets.

When there is a monopoly of traders *i.e.*, it is a seller’s market the consumer exploitation is the maximum. The consumer does not enjoy any choices, which was prevalent in India before liberalisation. As Henry Ford said when he offered the Model T Ford to all buyers that they could have the car “in any colour as long as it is black.” Similarly Coca Cola produced only one drink for the whole market, hoping it would appeal everyone.

When the market constitutes large number of buyers and sellers consumers are sovereign. In a free market economy the consumer enjoys this position. The underlying idea behind such a proposition is the kind of choices a consumer enjoys in a market place. Whenever there is a demand for a product, seller readily supplies it in the market. The consumer enjoys the choice of returning the purchased product on the ground of unsatisfactory service.

## CLASSIFICATION OF MARKETS

Markets in India can be further divided into two broad areas on the basis of geography and sociological characteristics. These include:

1. Urban Markets
2. Rural Markets

**1. Urban Markets:** Urban markets have sophisticated infrastructures (such as roads, electricity) having a high density of population per square kilometer and good physical connectivity and mobility. An urban consumer is totally dependent on the market for meeting its basic needs, such as, food, water, clothing, etc. When there is a shortage of electricity s/he buys, inverters, generators, etc. From purchasing a tooth paste, to bread and butter to medical care, electricity supply, water, etc. the consumers' requirements are met by the market. S/he enjoys more choices of products and services as compared to its rural counterparts. Some of the common characteristics prevalent in urban consumers are:

- *Market Dependence:* Urban consumers are dependent on the market from morning to evening to fulfil their needs. From basic necessities, to education, entertainment, etc they rely on the market.
- *Purchasing Power:* Urban consumers have more disposable income with which they can afford to buy goods and services which they don't really need. The market recognizes this factor and offers many luxury products, to make them splurge money.
- *Excessive Consumption:* There is a paradigm shift in the lifestyle of urban consumers. Today, Urban consumers spend an average of Rs. 1,800 per month using credit card and there are 16 million credit card holders and 30 million debit card holders in the country<sup>7</sup>.
- *Waste Generation:* Excessive purchasing power leads to over consumption and generation of waste. They are de linked from the environment and make use of 'buy and throw' approach to environment. India's urban population which is

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<sup>7</sup> Prashant Hebbar, "As good As It Gets", *The Times of India*, Sunday, January 1, 2006

around 300 million generates major non-biodegradable waste. Discarded paper, plastics, cardboard, tin, metal packaging are a part of waste generated in urban areas.

- *Media Influence:* Urban consumers are strongly influenced by advertising through mass media such as, television, radio, newspapers, magazines, internet, etc. The urban consumer is highly image conscious and tries to imitate celebrities in its life-style. The media on one hand gives him information of the latest products and services available in the market and on the other hand, shows a glamorous picture of comfort and prestige associated with the product. This leads to excessive consumption, hoarding products not required, which ultimately changes the buying habits. Now in urban India mobile phones have penetrated into each household.

### Growing Consumerism In Urban India

Conspicuous consumption has traditionally been discouraged in India. But in India, festivals and religious sentiments are very strong and people splurge during that time. As more and more young people have started living in the present, not saving for the future like their parents (a behaviour consumer researchers call “Hinduistic self denial”) the festivals are becoming commercialised with a lot of activity everywhere to attract the consumers. Most of the festivals such as, Dusshera, Diwali, are becoming commercialized. Durga Puja *Pandals* are congregated around counters selling life insurance, pharmaceuticals that relieve stress, DVD music stalls and promotions for home appliances. A similar lack of reverence is apparent at the *Navratri* festival in Gujarat, another regional festival, in which people perform traditional dances until dawn. Marketers try to promote their brands or give their products as prizes to the winners.

Almost two-thirds of annual urban Indian consumer spending takes place in the festival months of October, November and December.

### Growth of Malls in Urban India

Multi brand outlets are becoming the popular destination for customers. The Delhi suburb Gurgaon has the highest concentration of malls. There, the average size is about 200,000 square



feet, with anchors ranging from 50,000 square feet to 60,000 square feet. Newer malls are bigger, with some planned in the 500,000 square feet to 1.1 million square feet range.

On the development side, the malls previously suffered from a lack of institutional funding, foreign players and organized retail chains. The latter, in particular, is evolving almost as quickly as the phenomenon of the malls. The most popular Indian malls include Shoppers Stop, Globus, Pantaloon, Lifestyle (Landmark, the parent company, is based in Dubai, but the owner is considered a “non-resident Indian”) and hypermarkets Big Bazaar and Giant.

European chains in India include Marks & Spencer, Benetton and Mango. Few US-based retailers - other than fast-food chains McDonald’s, KFC and Pizza Hut - have entered the market. But since branded merchandise is popular, Indian merchants have opened stores named after the retailer/designer whose products they sell, such as, Reebok, Nike, Adidas, Lee, Arrow, Tommy Hilfiger, Swatch, Louis Vuitton and Hugo Boss.

Measuring 400,000 square feet, featuring air-conditioning, underground parking, a multiplex movie theatre and a food court, the Metropolitan Mall was considered one of India’s trendiest shopping locales. In 2006 on weekdays, up to 25,000 people come to Gurgaon, a suburb of India’s capital, New Delhi, to shop at the Metropolitan. On weekends, that figure doubles. While the malls tempt customers with international franchises like Nike, Reebok, Pizza Hut and McDonald’s, they also represent new opportunities for local retailers.

### Paradigm shift In the Urban Consumers Lifestyle

Indian retailing is totally changing and the forces which are leading to this change is the changing needs and aspirations of the urban consumers. Now in India we have numerous call centers where the young people are making good money. They need certain place during weekends to hang out or to splurge. Some of the changes in the lifestyle of urban consumers are:

- Indian urban middle class has shifted from saving to spending. Rising incomes or increase in the number of earning members has also changed the scenario.
- The growth of malls has led the consumers to go for impulse

purchases or stocking items which they might not require.

- There is a drastic shift in the Indian consumers mindset. They are spending less on food and more on clothing and durable goods. There is an emergence of a consumer who does not blink while buying a pair of sports shoes for Rs. 5,000.
- Some of the consumers are attracted to these malls because of freebies and once they are inside the mall they don't mind splurging on items which are not for their requirement.

The increasing foreign investment in India is slowly changing the way urban Indians go shopping.

## 2. Rural Markets

“*The spirit of India lives in its villages*” has been rightly said by Mahatma Gandhi. Two-third of India's consumers live in rural areas and almost half of the national income is generated here. Our country is classified around 450 districts and approximately 6,40,000 villages, which can be sorted in different parameters such as, literacy levels, accessibility, income levels, penetration, distances from nearest towns, etc.

According to the NCAER study, there are twice as many ‘lower middle income’ households in rural areas as in the urban areas.

- At the highest income level there are 2.3 million urban households as against 1.6 million household in rural areas.
- Middle and high-income households in rural India is expected to grow from 80 million to 111 million by 2007.
- In urban India, the middle and high-income households is expected to grow from 46 million to 59 million by 2007.

Thus, the absolute size of rural India is expected to be double that of urban India.

### Characteristics of Rural Markets

- **Large and scattered market:** The rural market of India is large and nearly 50 per cent of the villages in the country do not have proper roads.
- **Major Income from agriculture:** Nearly 60 per cent of the rural income is from agriculture. Hence rural prosperity is tied with agriculture.
- **Traditional outlook:** The vast majority of rural consumers

value old customs and traditions.

- **Diverse socio-economic backwardness:** Rural consumers have diverse socio-economic backwardness which is different in different parts of the country.
- **Many languages and dialects:** The number of languages and dialects vary widely from state to state, region to region, and from district to district. Even though the number of recognized languages are only 16, the dialects are estimated to be around 850.

### Opportunities available in the rural markets

The Indian rural market with its vast size and demand base offers a huge opportunity for the marketers. With 128 million households, the rural population is nearly three times the urban. Because of certain socio-economic changes the rural consumer has become aware about his needs and upgradation of his standard of living. Information technology, government policies, corporate strategies and satellite communications are the factors responsible for development of the rural markets.

The rural market accounts for around 70 per cent of toilet soap users and 38 per cent of all two-wheeler purchased. Some of the FMCG companies such as Proctor and Gamble, Reckitt Benckiser, Adani Wilmar, Dabur, Eveready Industries, Johnson & Johnson and Godrej have reaped huge profits in 2004 because of the rural boom. Problems faced by rural consumers regarding unethical marketing practices:

Many rural consumers are illiterate and are easily vulnerable to the unscrupulous and unethical marketing practices of the greedy marketers.

- **Prevalence of spurious brands and seasonal demand:** For any branded product there are a multitude of 'local variants' which are cheaper and therefore more desirable to villagers. Sub-standard and spurious products are being passed on to the rural consumers under the brand name which are deceptively similar to the popular brand names. For example, 'Calgote' for Colgate, thus violating the provisions of the **Trade and Merchandise Marks Act**.
- **The Drugs and Cosmetics Act** forbids the making of any tall

claims or magical effect about any drug. Severe penalty is provided for an offence under the Act. However the rural consumer is gullible to quacks, fake ayurvedic drugs and cosmetics.

- **Misleading and Deceptive Pricing:** Since the rural consumers lack product and price information and possess less bargaining power and buying insight they are being deceived by the traders. On the pack of the products the 'MRP' the maximum retail price is printed but many rural consumers do not check that. As provided by the Consumer Protection Act no dealer can charge more than the MRP of an item although they can reduce the price to any extent.
- **Misleading Advertisements:** The prohibition of drugs and magic remedies is often openly flouted in the rural areas where the quacks and unscrupulous traders play with the lives of people with impunity.
- **Distribution of goods:** Certain products which are advertised in the rural areas or through the local media are not available with the vendors and sometimes the in-transit time may even be more than 15 days, so that the villagers have to go for some other substandard brand.

Thus there are specific problems of consumers related to both the markets and as marketers are increasingly penetrating to the rural markets protecting the consumers against counterfeits, sub-standard and spurious brands is a big challenge. The last unit is devoted towards various preventive measures which can be taken by the consumers to avoid being cheated by the market.

Everyday we buy numerous products from the market, some decisions are rational and others are emotional. The next unit makes the readers aware of how the consumers make purchases from the market.

## UNIT 2: HOW CONSUMERS MAKE PURCHASES

Everyday we buy various products from the market. While purchasing products it is important as to how involved the consumer is in the buying process. If the product is of low value such as, soap, salt, etc consumer involvement is minimum. In case of big-ticket items such as, cell phones, car, television the consumer is highly involved because he is spending a lot of money in purchasing that product or service.

Out of his limited money income he prioritises his needs, allocates a budget for buying commodities, searches information about various brands, prices, reputation of the stores, after sales service available etc. He then evaluates the various alternatives which are available and then buys a high-value item. All buyers are motivated by various reasons when they make purchases. The various motives which make people purchase products and services have been discussed below.

### Why consumers buy

Motivation is the driving force within individuals that impels them to action. Marketers and traders are always interested in knowing and understanding why consumers spend their money as they do. Individuals buy products and services for many reasons and different people can have different reasons for purchasing the same product. For example, a pair of shoes may be bought by Mr. A for suitability and convenience whereas, Mr. B might buy the same shoe for style and appearance and to match it with his dress. Mr. C might buy shoes because of its price and quality. Thus, different consumers are motivated by different reasons to purchase the same product. Buying motives seeks an explanation of why consumers buy what they buy<sup>8</sup>. Some of the buying motives which are prevalent for buying any product or service are<sup>9</sup>:

- *Desire for Gain:* A lady lecturer may be motivated to purchase a microwave oven in order to reduce the cooking time. A student may be motivated to pursue an MBA course so that she can get a good job in the corporate sector in future.
- *Fear of loss:* When the consumer purchases products as a means to prevent pain, loss, risk, embarrassment, mistakes, unpopularity, worry, or unhappiness he is said to make purchases because of fear of loss. Purchase of insurance policies, burglar alarms, car-steering locks, etc are motivated by fear of loss.
- *Comfort and convenience:* Consumers are motivated to buy products such as, car to avoid travelling by public transport, washing machine to avoid washing clothes by hand.
- *Security and protection:* Many purchases are motivated by the

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<sup>8</sup> Kirk Patrick, Sales Management (Prentice Hall, New York, 1994).

<sup>9</sup> Chitwood Roy, World Class Selling (Jaico Publishing House, 2005)

desire to avoid physical harm to ourselves, our loved ones and our property. An individual may buy a home exercise equipment, an annual physical examination, a back-up computer disks, a fire extinguisher in order to protect himself.

- *Pride of ownership*: Although certain purchases are not easy to be logically justified but they give a sense of pride to the owner. Purchase of a luxury car, designer clothing's and furniture, a collection of antique paintings are purchases which are driven by pride and status. Consumers are ready to pay a premium in order to purchase them.
- *Satisfaction and emotion*: Everybody wants to gain love and affection from others. We look for approval, ratification, praise and love from our dear ones. Sending greeting cards, flowers, throwing parties, buying gifts make people feel good about themselves.

Thus, all purchases are backed by various motives and even if a purchase may look rational but it is backed by some emotion also. A purchase is said to be rational when it is backed by reasons of economy, durability or efficiency. But in real life it is very difficult to separate the irrational from the rational. Suppose a boy decides to give a present to his girl friend and shops all around the stores thoroughly and systematically. He is driven by both emotional and rational motives.

#### Post-Purchase Dissonance

When individuals choose between two or more alternatives, anxiety or psychological disturbance occurs because the decision has unattractive as well as attractive features. After making decisions to purchase a particular brand, people expose themselves to information that they perceive to support their choices, and avoid information which is likely to favour rejected alternatives<sup>10</sup>.

Almost all purchases result in cognitive dissonance. After the purchase a consumer may seem to be satisfied with the benefits of the chosen brand and may be glad to avoid the drawbacks of the brands not bought. However, every purchase involves compromise. A consumer may

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<sup>10</sup>Leon Festinger, A Theory of Cognitive Dissonance (Stanford, CA: Stanford University Press, 1957)

feel uneasy about acquiring the drawbacks of the chosen brand and about losing the benefits of the brands not purchased. Thus, consumers feel at least some post purchase dissonance for every purchase.

For example, if a person purchases a new 'Maruti' car and makes a down payment for it he might experience cognitive dissonance if s/he thinks of the unique positive qualities of the brands not selected. S/he requires reassurance from others that s/he has made a wise decision, that the car is excellent for the price s/he paid, and that he is a wise buyer. Thus, a buyer may start doubting the choice of his brand and experiences anxiety over the decision. Thus, all the positive attributes of the cars s/he considered (such as, Tata, Huyndai, Fiat) but did not purchase and all the negative aspects of his purchased vehicle (Maruti) are dissonant with the purchasing behaviour. In his seeking reassurance from friends that his purchase was a wise one, s/he is attempting to reduce the post-purchase cognitive dissonance.

Assuming that a purchaser of 'Maruti' experiences dissonance and looks for reassurance, he is highly receptive to advertising provided by the manufacturer. In the advertisement for the 'Maruti' car, which he has just purchased, the superiority of the product and the sharpness of his decision would be shown. Consumer's dissonance may increase because of the following reasons:

- When the purchase is expensive.
- When there is a greater similarity between the item selected and item(s) rejected.
- When the purchase decision is very important.

Thus, buying a house or car would create more dissonance than buying a soap or bread<sup>11</sup>. A trader can relieve post-purchase uncertainty of the consumer by the following methods:

1. By including messages in its advertising specifically aimed at reinforcing consumers' decisions by complimenting their wisdom.
2. The salesmen can emphasise the advantages of the product purchased, while stressing the disadvantages of the forgone alternatives. Moreover he can show that many characteristics

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<sup>11</sup> Stanton, Etzel and Walker, Fundamentals of Marketing, 10th ed. (McGraw-Hill, Inc., 1994).

of the chosen item are similar to products the buyer has forgone, but which are accepted by the reference group<sup>12</sup>.

3. By offering stronger guarantees or warranties.
4. By increasing the number and effectiveness of its services.
5. By providing detailed brochures on how to use its products correctly.

Thus, some marketers provide reassurance through congratulating recent buyers and reviewing strong product attributes in the manuals provided to new purchasers. Several automakers publish special editions of magazines focused on recent purchasers and are given free of charge to them. Even salespersons of consumer durables are often instructed to call their recent buyers within a day or so after purchase, to offer further information and assurances

In a society family acts as a major consumption unit, where limited money income and needs of the various members have to be kept in mind. Thus, understanding the family dynamics is very important.

### Family as Consumers

As defined by the Bureau of the Census of the US, “a family consists of two or more persons related by blood, marriage or adoption and living together<sup>13</sup>.” Family decision-making involves decisions with regard to how family members interact and influence one another in terms of individual, family or household purchases<sup>14</sup>.

### Family Dynamics

Families play an important role in the market as consumption units. Members in a family influence the decision-making process in the purchase of different products. This is especially true for high-value items, such as, consumer durable products that are used by several members in the family. Even when members of a family might be leading their own lives and,

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<sup>12</sup> Still, Cundiff and Govoni, *Sales Management: Decisions Strategies and Cases* 5th ed. (Prentice-Hall of India, New Delhi, 1991).

<sup>13</sup> Ingrid C. Kildegaard, “A Household is Not a Family”, *Journal of Advertising Research*, Vol. 7 (June 1967), pp. 44-46.

<sup>14</sup> Peter J Paul and Olson C Jerry, *Consumer Behaviour: Marketing Strategy Perspectives* (Richard D. Irwin, Homewood, Ill., 1987), p. 447.



pursuing their own dreams, and when their tastes are different, the bond that exists between them continues to be very strong. This is mainly because of the following three reasons:

1. The consumption of a product may be personal, but its choice is not. Every family member looks for the approval and ratification of his choice from the other members. For example, a father may not buy a pair of sneakers if his son does not approve of it. Or a wife would not buy a dress if her husband does not approve of it.
2. Often the family consumption decisions are dependent on one another. In most families, the needs of various members as also their desire to purchase new products cannot be satisfied by the family's limited income. This necessitates an allocation of family resources and a trade-off among all the desired products and services.
3. Many products are purchased for the collective use and consumption of the family. This is because the traditional boundaries between the roles assigned to the different members of the family often disappear.

Due to liberalization, media explosion and certain societal changes in India, roles of different family members are shifting. Decision-making is becoming more democratic and children are, more and more active participants in the Indian homes. Marketers are also projecting children in their communication strategies.

### Children as Consumers

Nowadays children are called upon to make decision not only about their own purchases but also purchases made by the family unit. Not only do they spend money on snacks, sweets, toys, games and clothes, but also are major influencers in a wider array of family purchases. Earlier, parents used to consult children with regard to products directly meant for them but children today are more active participants in the various purchase decisions being made in the house. According to the American Psychological Association "Children under eight years are unable to understand that television advertisements are not real and need to be protected from seeing them<sup>15</sup>.

Nowadays, says Rakefet Strauss, General Manager, Insight "Kids have influence over purchases in all kinds of new categories. They become the center of family aspirations, and parents are more oriented in investing

in children<sup>16</sup>“. Pester power is the new buzzword in marketing and the marketers have realized that the child is the key to loosen his parents’ purse-strings. According to Solomon, “by the age of eight a child acquires all the skills to become an independent consumer and these skills come from three main sources: parents, peer and television<sup>17</sup>”.

### Is this Segment Very Significant in Size

Children in India constitute 18.7 per cent of the World kids population and one third of our country’s population is under the age of 15 years. Thus in India, children form a massive 30 per cent of the total population and this segment is growing at a rate of four per cent per annum. This means a huge target market of 300 million is available to advertisers and they are already focusing on the kid channels.

A survey by A C Nielsen UTV’s research partner showed that an average child watches TV for about three hours on week days and 3.7 hours on weekends, the time spent on television goes up with age, and the preferred language of viewing is Hindi across all age groups. Apart from the programmes children also view a lot of advertisements.

In India the advertising expenditure per year on products meant for children but purchased by parents, like health drinks, is 12 to 15 per cent of the total Rs. 38,000 million. Ad expenditure per year on products meant for children and also bought by them such as chocolates is seven to eight per cent. Pester power is so strong that these days we find children associated with seven out of ten commercials. Thus, innovative marketing strategies try to target children, directly or indirectly. Kids are being used in ads whether it is of Maruti car with the little Sikh boy, the Hutch ad with the boy and the dog, the LG ad with the bespectacled boy and several tooth paste ads.

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<sup>15</sup> Battle Over Advertisements for Kids Hotting Up In US, UK”, Sunday Hindustan Times, February 29, 2004, p. 15.

<sup>16</sup> Rodrigues, Malika, “Kids Play”, The Economic Times: ‘Brand Equity’, August 23-29, 2000, p.3.

<sup>17</sup> Solomon M. C., Consumer Behaviour Prentice-Hall of India, New Jersey, 1999).

## Battle over Ads for Kids Abroad

On 24<sup>th</sup> February 2004, an expert panel of the American Psychological Association said that children under eight years are unable to understand that TV ads are not real and need to be protected from seeing them. The panel estimated that advertisers spend more than \$12 billion a year on advertisements aimed at the youth market, and that the average US child watches more than 40,000 television commercials a year. In US alone, children influenced sales of \$132 billion in the year 2000 and amazingly, five per cent of the kids even played a part in deciding which car the family bought. Children worldwide are buying one Barbie doll every two seconds and McDonalds opens outlets at a rate of one every four hours. This is now an era where children not only are seen and heard but also are catered to as never before by the marketer.

The Kaiser Family Foundation, a non-profit group in the US remarked that “Ten billion dollars in food industry advertising aimed at kids is a powerful counterweight to parents trying to get their kids to eat a balanced diet”. On May 10, 2003 British newspaper *The Guardian* had reported the results of a poll it conducted on this topic. It found that over 80 per cent Britons want food advertisements aimed at children to be banned or more tightly regulated because they feel manufacturers are irresponsible.

In the US, federal guidelines place limits on the number of ads that can run during TV programmes aimed at children under 12, and call for clear shifts between programmes and commercials. Sweden does not permit any TV ads directed at children younger than 12.

### A small example of effects of child consumerism

Candy and sweets are often put on stands in shops at the eye level of children. While it would be healthier to have foods, like fruits and vegetables in those places, the bright colors and packaging used to sell sweets are more likely to attract children’s attention.

The dictum of consumerism and corporate capitalism dictates that social good comes through subtle greed and meeting demands of people. Yet, putting candy at the eye level of children *creates* a demand that otherwise may not have been there, or not have been there in as much intensity. Likewise, highly caffeinated

soft drinks that are being consumed more and more, have negative health effects.

There has been a change in the Indian consumer's buying habits since we liberalised our economy. The consumers since then are enjoying better choices, quality products at better prices, etc.

The next unit is devoted to the changing consumer behaviour and how the consumers look for value while purchasing products.

### UNIT 3: CHANGING CONSUMER BEHAVIOUR AND EXPECTATIONS

Reforms carried on since 1991, have produced remarkable results, making India one of the most exciting prospects among the emerging markets. 45 per cent of Indian population is below the age of 19. Born after 1984, this is our post-liberalisation generation. There are 100 million people who are 17 to 21 years old (as on 2003) who, in the next four to eight years, would hopefully be in a position to earn their money and would be in a greater decision-making power in their households. India is propelled on the world stage with a growing economy. The rapid economic growth of the past 10 years has averaged a comfortable six per cent, population growth has dropped below two per cent for the first time in 40 years.

With the fast pacing changes Indian consumers are now bombarded with so many choices that decision-making is becoming difficult. The factors which have led to the change in the lifestyle of consumers are:

#### 1. Changing characteristics of Indian families

The break-up of the joint and extended family has played a significant role in the emergence of the new urban family as a customer. According to a survey conducted by *Business Today* in 1971, the average urban family in India consisted of 5.46 members, where individuals had little room for bonding. In contrast in 1997, this average came down to only 4.6 members. This reduction in the size of the family has enabled the members of a family to relate better to one another and still enjoy their own space<sup>18</sup>.

The major reasons responsible for these changes are given

below:

- a *Shift from strictly hierarchical to egalitarian character of the family:* Indian families are experiencing many changes and are moving from being strictly hierarchical to egalitarian in character. Earlier, the age and gender of the family members governed the authority. Purchase decisions, including the brand chosen, rested with the eldest male member, especially since he alone had the financial power. Other members of the family rarely had a say in such purchase decisions and could express their desire only through the proper channel.

In today’s scenario, however, all the members, by and large, have the right to express their views and eventually influence the purchase decision through their choices. Financial independence rests with all family members, at least to some extent. The general awareness level of all the members is also reasonably high.

*Fig.1: Depicts the Changing Characteristics of Indian Families*



- b *The media explosion:* With the Indian skies opening up to various television channels, consumers are being increasingly exposed to a wide range of product information.
- c *Increasing peer influence:* More and more families are now becoming double-income families with the wife going out to work. While this enhances the purchasing power of women, it also exposes them to phenomenal peer pressure, which, in turn, influences their purchase decision.

2. Value for Time

Already the 24-hour society is here. In case of cell phone, credit card companies offer services or holding an account in a foreign bank, one has to frequently deal with customer care help lines. In case of dissatisfaction the consumer changes his service provider or switches over to the competitor. The Indian Market Research

<sup>18</sup> Shailesh Dobhal, “Selling to the New Urban Family”, Business Today , February 22, 1999, pp.66-81.

Bureau (IMRB) research on customer care help lines has found that 26 per cent of customers have complete dissatisfaction with customer care help lines, 47 per cent say help lines are not doing anything great and only 27 per cent are satisfied<sup>19</sup>.

### 3. Consumer Rights

Today's consumers know their rights and are more likely to make their opinions known if they feel they have been violated. Consumers concern over human-rights violation and environmental abuse has endangered many companies such as Coca Cola, Nike, etc. When it was reported that there are pesticides in the soft drinks, then the sale of Coca Cola and Pepsi had suddenly dropped. What is emerging is a 'pull' scenario in which the customer is empowered. This is facilitated by new media where Internet infomediaries offer the consumer greater choice, and websites have the chance to receive opinions from customers which can be expressed to a far ranging audience.

### 4. Smart Competition

The advent of increasing globalisation allows organisations to compete on a regional, national and global basis. Infosys has broken traditional consumer purchasing patterns on a global scale via the use of technology.

### 5. From Historical Loyalty to Extreme Individualism

Loyalties towards products, brands and even buying systems are swiftly abandoned for individualized solutions. Moving from 'We' to 'I', this group of consumers prefers to shop alone, knows exactly what he/she wants and does not believe in sticking to only the tried and tested brands. The basic watch, the economy scooter, are examples of how the old accepted symbols hold no relevance to this new consumer.

### 6. Increased Focus on Value than Money

There has been a subtle but definite shift in the Value-for money equation. From the earlier pre-occupation with minimizing the money outlay, which often means cheaper goods, the shift is to increase demand for better value, even if it is at a higher cost<sup>20</sup>.

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<sup>19</sup> Sangwan Soni, "Harassment on Call", Sunday Hindustan Times, New Delhi, May 2, p. 20.

## 7. From Decision-following to Decision-making

With individualized and redefined value the consumer has started questioning every offering. The buying system has consequently become more complicated than ever before. Questioning, analysing and then accepting/rejecting is the new norm as today's consumers begin to make their own decisions as opposed to merely following others.

For example, a special soap exclusively for babies, even in homes with low disposable incomes, is increasingly considered a must on grounds of hygiene and protection for tender, sensitive skin. On the other hand, hair dryers and packaged yogurts are examples of new product forms failing to find acceptance with this questioning consumer.

## 8. From Choosing to Demanding

Merely being able to choose from options available is no longer enough. The new evolved consumer demands better quality, improved technology, better design and attributes and quicker service. The failure to meet these tough demands is met with experimentation –with foreign brand or ingenious solutions. Marketers are responding to the challenge by taking the briefs from the consumers. Figure 1 shows the paradigm shift.

<b>Then</b>	<b>Now</b>
Loyal	Individualistic
Money	Value
Decision follower	Decision-maker
Choosing	Demanding

## 9. Technology

One of the greatest drivers of change is the range of possibilities which have opened up because of the increased use of technology. The use of Internet has made the consumer more aware about the products which are available globally. By a click of a button one can compare prices of various commodities, he can buy products or services online. The use of technology has revolutionized organisations' interface with customers.

Consumers today want value for money, a product that would meet reasonable expectations, should be safe in use and full disclosure of the product specification. On one hand the aspirations

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<sup>20</sup> Upfront on Issues and Trends, Vol2 January 1995, p.5.

of the consumers are increasing but there is a foremost requirement that the consumers should act in a responsible way for the survival of not only humanity but also of the planet they inhabit.

#### UNIT 4: SELF-HELP THROUGH CONSUMER EDUCATION

Educated and well informed consumers are an asset to any society. An aware consumer lays foundation for building up a superior society. Some of the definitions on consumer education are:

- Betty Furness describes consumer education as, “The preparation for the art of everyday living which enables the individual regardless of age or income to make an intelligent choice based on knowledge and information.”
- Troboft and Boyd described consumer education as, “Learning how to gain satisfaction by using your personal and environmental resources to achieve the lifestyle you prefer.”

The main aim of consumer education is to enhance the skills of rational thinking based on logic and adopt a realistic attitude towards optimum utilization of resources. It educates the purchaser of what to buy, where to buy, how to buy and how to make the best use of what he buys in order to get the best value for his money.

In reality consumers are often exploited due to ignorance and lack of unity amongst them. Some indicative examples of exploitation of consumers are:

1. Many times packages are used by manufacturers as a camouflage to deceive consumers, especially as regards the quantity of the product contained in the packet. For example, a consumer should only pay for the sweets and not for the box.
2. Under the Packaged Commodities Rules, all packages must carry the retail price inclusive of all taxes. But many times, this price is either obliterated or is overwritten by another price.
3. Many manufacturers carry a brand name of some reputed manufacturer. The brand name may be an exact imitation with some slight change in spellings or logo. Technically this practice is known as product cloning and is very rampant during festival season.



4. Unless the package is transparent, the buyer cannot judge the contents by appearance. If quality and ingredients information on the package label is absent, the buyer has to purchase almost blindly.
5. There is no feasible way to check the weight and volume of the contents unless the buyer opens the package to ascertain the weight. During festivals many of the items are being bought for gifting purposes.

These are some examples of how the consumer can be exploited by the traders unless he takes precautions. Consumer awareness at the time of purchase and knowledge of the law which gives consumers power in the market place, help in reducing the losses caused by ignorance. Some of the approaches to Consumer education and protection are:

- 1 Educating the Consumers about their rights and responsibilities:** A consumer who is aware about its rights and responsibilities and exercises them intelligently at the market place to avoid being cheated by the traders. This is a pre-purchase preventive option to avoid being exploited by the traders. As discussed in Unit 1 the urban consumers on one hand face the problem of plenty and have to learn to become ethical consumers. Moreover, the rural consumers suffer from problems such as, adulteration, substandard quality, etc..

### **Some tips to beome *Sayani Rani***

*Sayani Rani* which comes as the spokes girl in the Ministry of Consumer Affairs advertisements is a smart consumer who exercises her rights and is not ready to be cheated by the market. She always thinks rationally while making purchases, it is conscious of its rights and responsibilities and is not swayed by the false and deceptive claim of the traders. She is aware of her following rights:

- *Right to Safety:* To be protected against the sale of goods and services which are spurious/ hazardous to life.
- *Right to information:* To know the quality, quantity, weight and the price of goods/services being paid for, so that one is not cheated by unfair trade practices.

- *Right to Choose*: To be assured, wherever possible, access to a variety of goods and services at competitive prices.
- *Right to be heard*: To be heard and to be assured that the interest would receive due consideration at appropriate fora.
- *Right to Seek Redressal*: To seek legal redressal against unfair or restrictive trade practices or exploitation.
- *Right to Consumer Education*: To have access to consumer education.

Consequently, two very important rights have been added for developing countries which are :

- The Right to Basic Needs and
- The Right to a healthy and sustained environment.

*Tips for shopping*: A smart consumer should be aware of its responsibilities as a consumer.

- Plan before purchasing any goods. Study the price range and the quality before making any purchase.
- Always prepare your shopping list containing the key items to bought in advance. To be careful, about false/ misleading advertisements.
- Purchase goods having quality marks such as, ISI/ Agmark, etc. in order to ensure safety and quality. Choose the product from variety available according to specific needs.
- Any packaged commodity distributed, offered, distributed for sale needs conspicuously printed and the label should contain the following
  - (i) complete name and address of the manufacturer, packer or importer;
  - (ii) common or generic name of the commodity contained in the package;
  - (iii) the month and the year in which the commodity is manufactured or packed or imported;
  - (iv) net quantity in terms of standard unit of weight or measure or number; and
  - (v) the maximum retail price (inclusive of all taxes).
- The retailers who are found not complying with details as given by the Weights and Measures department would

attract a heavy fine and punishment upto five years.

- Take the receipt of your items and guarantee or warranty card duly stamped and signed by the seller, and keep them at a safe place.
- Avoid unscrupulous traders, especially in case of purchase of perishable items such as, sweets. Always prefer to purchase branded items and check the expiry date.
- While making a purchase, make efforts to obtain information about the product or service before paying for or accepting service. Read the terms and conditions before purchase.
- It is the responsibility of the consumer not to pollute the environment while disposing of waste material, during and after celebrations.
- Approach Consumer Forum for redressal of consumer grievances against sale of defective goods or deficient services or adoption of unfair or restrictive trade practices.

Moreover a consumer should try to purchase products ethically. As there has been an increase in the purchasing power of urban Indians they have started moving towards conspicuous consumption, which is leading towards a lot of waste generation. Urban consumers should be taught about the benefits of ethical and green consumption.

**Ethical consumption** stresses the role of the consumer in preventing labour exploitation, environmental conservation and exercising human rights while buying products. By consuming consciously and ethically we can realistically create change. Before buying anything one should ask: Who makes it? Who needs it? And Who profits from it?

Ethical consumption is a way to help us feel that we have power as consumers, that we can vote with our rupees. By using this consumer power we can have impact on the larger economy and help create a world where the economy benefits all people in more equal ways. Some suggestions regarding ethical consumption are:

- Contacting retailers and manufacturers for more information about their practices.
- Making a point to ask about the people who make the things we buy.

- Considering the environment cost of producing the product.
- Thinking about how we would dispose of the product once we finish with it.
- Supporting fair trade.
- Reusing things and fixing things that are broken.
- Not getting swayed by advertisements.
- Investing money ethically.
- Boycotting companies that exploit workers and harm the environment.

Radically restructuring the usage of the environment can be achieved by discipline and selflessness. Instead of throwing something away, one should take time to fix it or take it to a tradesperson to fix it. The cost may be cheaper than buying a new one and we would be reducing waste.

#### Rural Consumer Education

The success of any consumer movement depends on the consciousness and awareness of rural consumers. A number of awareness programmes should be taken up in local language to teach the consumers to avoid being duped by the traders. Some of the initiatives are:

- Rural consumers should be made aware of their rights as a consumer. They should be taught to check quality marks on the products they purchase so that they do not fall prey to greedy traders.
- They should be taught to take a receipt after purchase and check the expiry date of an item.
- It is required that the individuals, government and non governmental organizations should work hand-in-hand for educating the rural consumers, so that their hard earned money is not wasted.
- Marketers also need to look long term because if they supply substandard products they would lose the trust of the people. So short term profiteering should be avoided.
- The rural youth are more open to fresh concepts as against their elderly family members so it is better to build awareness about consumer education at a very young age. For example, consumer education should be taken up as a

subject in schools' curriculum.

- The Central government builds awareness among consumers through radio and television. Further focusing on the opinion leaders which play an important role in communicating a message to the rural consumers.
- 2 Business response:** As many big business houses are increasingly generating profits more than the GDP of some smaller nations, it is now being felt that profit-maximisation should not be the sole objective of corporates. Many transnational corporations are richer and more powerful than the state that seeks to regulate them. It is increasingly being felt that corporations have a responsibility towards the society as a whole and there has been an increased focus on corporate social responsibility and ethical practices. There have been many initiatives taken by Federation of Indian Chambers of Commerce and Industry(FICCI). FICCI has constituted a consumer business forum which discusses issues relating to the consumer. Similarly the Indian Council of Advertisers have established Advertising Standard Council of India (ASCI) to deal with consumer complaints. According to ASCI it is trying to inculcate self-regulation in its members. ASCI is a voluntary body of advertisers and has drawn up a comprehensive code for self-regulation. Nowadays, all big companies have a customer care centre for easy and speedy redressal of complaints.

Businessmen should act as trustees of society's wealth. Fraudulent, unethical and monopolistic trade practices on the part of traders should be avoided by following the law diligently. Businessmen should take all measures to provide safe goods and services, disclose full information about products and services, disclose full and fair information in advertisements.

- 3 Role of Consumer Organisations:** Consumer organizations are voluntary associations established for the purpose of safeguarding the interests of the consumers. These organizations create awareness in consumers about their rights, help individual consumers to fight with malpractices of traders, do research on comparative testing and take up

the issues of wrong business practices. Some of the NGOs which are actively working in the area of consumer protection are, VOICE (Voluntary Organisation in the Interest of Consumer Education), CERC (Consumer Education and Research Centre), Common Cause, *Upbhokta Seva Samiti*, etc.

**4. Mass Media:** The media is increasingly sensitive to consumer needs. Both radio and television offer information and helpline based programmes. In the print media almost every daily newspaper as well as journals and magazines run regular columns in support of consumers.

**5. Government response:** The government by now has enacted 24 pro-consumer Acts to control buyer-seller relations at the market place. The major consumer protection legislations in India are:

- The Indian Penal Code, 1860
- The Indian Contract Act, 1872
- The Sale of Goods Act, 1930
- The Agricultural Produce (Grading and Marking) Act, 1937
- The Drugs and Cosmetics Act, 1940
- The Drug (Control) Act, 1950
- The Industries (Development and Regulation) Act, 1954
- The Prevention of Food Adulteration Act, 1954
- The Essential Commodities Act, 1955
- The Monopolies and Restrictive Trade Practices Act, 1969 (to be repealed and replaced by The Competition Act, 2002).
- The Cigarettes (Regulation of Production, Distribution and Supply) Act, 1975
- The Standards of Weights and Measures Act, 1976
- The Trade Marks Act, 1999
- The Standards of Weights and Measures Act, 1976
- The Prevention of Black Marketing and Maintenance of Supplies of Essential Commodities Act, 1980
- The Standards of Weights and Measures (Enforcement) Act, 1985
- The Bureau of Indian Standards Act, 1986
- The Consumer Protection Act, 1986
- The Competition Act, 2002

Certain government departments such as, telecommunications and electricity organize Lok Adalats from time to time so that the grievances of consumers relating to their departments can be handled. This is a practical method to handle consumer grievances and seek a solution. Some departments such as, railways have made their services efficient and guide the consumers through information. In the banking sector Ombudsman are there for speedy redressal of consumer grievances relating to deposit accounts, dishonour of cheques, credit cards, debit cards, ATM's etc.

Some of the steps recently taken by the Ministry of Consumer Affairs, Food and Public Distribution, are:

- The government of India has launched a massive campaign 'Jago Grahak Jago' to focus consumer attention on everyday consumer problems.
- Children are the backbone of any society. A scheme has been taken over to set up Consumer Clubs at schools and colleges. It would try to educate students about their rights as a consumer and to mobilize youngsters to strengthen the consumer movement in the country.
- The National Consumer Helpline, a project started by the Ministry on March 15<sup>th</sup> 2005, attends consumer grievances from all over India. It has a toll-free number 1800-11-4000 which can be dialed from BSNL/ MTNL lines, between Monday to Saturday from 9:30 am to 5.30 pm. It provides information and advice about alternate dispute resolution methods in a wide range of products and services. NCH is located at the Department of Commerce, Delhi School of Economics, University of Delhi, Delhi.
- Another, technology based site CORE scheme has been taken up to counsel the aggrieved consumers. The Consumer Online Resource Empowerment Centre provides online counseling and a complaint redressal mechanism to consumers from across India. Consumers can access its website [www.core.nic.in](http://www.core.nic.in) for a comprehensive database on consumer issues.

The Department of Consumer Affairs has engaged IIPA as the nodal department of the Government of India, responsible to adopt and implement various schemes, performers relating to Consumer Protection and Welfare. The scheme on promoting involvement of research institutions, universities, colleges etc. in consumer

protection and consumer welfare has now been assigned to the IIPA since October 2004.

Indian Institute of Public Administration (IIPA) has been engaged in imparting training to various institutions such as, administrators, academicians, etc. It also sponsors research projects in the area of consumer protection and consumer welfare.

Thus, many new schemes have been started by the government to empower the Indian consumers. The cost and time involved in litigation is so much that Alternative Dispute Resolution Mechanisms are required.

Recently at the Conference on Consumer Rights in Asia Sothi Rachagan, Honorary advisor to Consumer International called for a conceptual redefinition of who a consumer is. "It is only right that the weak in the market place are the concern of the consumer movement and their interest represented at both national and international forums". A similar view was expressed by the acting Regional Director of CIROAP, Rajeswari Kanniah, when she asked the gathered consumer leaders if they were really committed to the goals. Inevitably, the global character of today's consumer movement requires that the benefits should reach the masses. Further certain tips have been given to the readers on how to purchase gold.

### Tips for Consumers to purchase Gold

India is the largest consumer of gold in the world, it consumes 850 tonne of gold per annum. Rough estimates put the number of jewellery-units in the country at 100,000. One of the market surveys of gold jewellers in eight metro cities of India, conducted by the BIS, had questioned the very basis on which gold jewellery is sold and bought in India. Trust is the major element that draws a relationship between a consumer and his family jeweller. However, the survey showed that 88 per cent of the jewellers surveyed did not stick to the purity levels of gold articles sold by them.

- 1 Hallmarking is a system of analyzing or assaying of precious metals like gold in a laboratory to ascertain their purity or fineness and certifying them. In other words, hallmarking gives the buyer a guarantee on the purity of gold, issued by an independent agency other than the jeweller.



- 2 Hallmarked jewellery has five markings: the BIS logo, the fineness number, the mark of the hallmarking center, year of making and the jeweller's mark. The assaying of gold is done in accordance with the Indian Standard Specification IS 1418, which prescribes the fire assay test (the most reliable and scientific). The jewellers are also expected to display a board, displaying the purity, in carats since consumers are more familiar with it.
- 3 The specified carat purity is an important factor in buying gold jewellery. It indicates the percentage of real gold in any piece of jewellery. In most cases, the carat of the piece of jewellery is mentioned on it, apart from the hallmark of the jeweller. This is genuine proof that it is indeed real gold.
- 4 24-carat gold is pure. It is soft, almost flexible and easy to break. That is why it is not always used in the making of modern jewellery, which features delicate designs. Other metals such as silver, copper, nickel or zinc are added to gold on small quantities to make it workable, durable and even colourful.
- 5 Gold jewellery is available in a variety of carat ranges. The preferences for a certain range of gold purity is usually based on cultural, regional or traditional factors. For instance, 22 carat gold is predominantly used in India; while 21 carat gold is preferred by Arabs. Most Europeans prefer 18 carat gold. 24 carat jewel gold, which is considered the purest gold available, is usually used as a mode of investment or exchange.

Go for proper authentication and avoid being deceived.

According to the World Gold Council (WGC), if international hallmarking standards are implemented, India would emerge as a major market center for gold. The consumer has to pay a marginal extra cost for the hallmarked jewellery but that is a small price to pay for quality. If jewellers sell jewellery made of 16.5 carat, claiming it to be of 22-carat purity, one stands to lose as much as Rs. 1,000-1200 for every 10-gm of jewellery bought.

The additional cost of hallmarked jewellery is as follows:

- Upto 20 gms: Rs. 18/-
- 20-100 gms: Rs. 50/-

- 100 gms and above: Rs. 100/-

When jewellers are making huge profits cheating consumers by selling low-carat jewellery, they would never willingly opt for a scheme that would considerably cut down on their profit margins. Even the small percentage of jewellers who are giving quality jewellery would not take the trouble of getting their articles hallmarked, unless the consumer demands so. But this can only happen through consumer education and awareness.

**Concluding Remarks:** The strategy of “caveat emptor” i.e. the buyer needs to be beware of products has now shifted to “caveat venditor” i.e. the vendor or the marketer needs to be aware of the needs of the consumer. The marketer can only survive unless the consumer purchases his products. Ethical consumption has become a reality for consumers, as well as businesses around the world. Every single purchase decision has an affect on the environment, consumer health and the workers who manufacture the products. Companies have to understand that the key to building long lasting relationship with consumers is the creation of superior customer value and satisfaction. Thus, what is required is a vibrant consumer movement, that is much closer to the people and is pro-poor, pro-women and pro-rural. As Mahatma Gandhi remarked “There’s enough on this planet for everyone’s needs but not for everyone’s greed.”



**Annexure**

MODEL FORM OF NOTICE, COMPLAINT, AFFIDAVIT AND REPLY  
MODEL FORM-1 NOTICE BEFORE FILING THE COMPLAINT

Name and address

.....

(of the trader, dealer, firm, company, etc.)

.....

(Complete address)

IN RE: (Mention the goods/services complained of giving details)

.....

Dear Sir,

This is to bring to your kind notice that I had purchased.....from your ..... for a consideration of Rs..... paid in cash vide your cash memo/Receipt/ Invoice No.....(or through cheque No ..... dated..... drawn on.....bank for a sum of Rs.....

The said goods are suffering from the following defects:

(i) .....

(ii) .....etc

I have reported the above matter to you several times (give reference of earlier letters, if any) but despite all my pleadings you have not made good the defect in the goods (or deficiency in services) which is indeed regrettable and highly unbusiness like. On account of your aforesaid dereliction of duty and failure and neglect to rectify the same I have suffered losses/incurred expenses

.....  
.....  
.....  
.....

(give details)

which you are liable to compensate to me.

You are hereby finally called upon to

- (i) remove the said defects in the goods

and/or

- (ii) replace the goods with new goods

and/or

- (iii) return the price/ charges paid

- (iv) pay compensation for financial loss/injury/interest suffered due to your negligence .....

(give details)

in the sum of Rs ..... with interest @ ..... % per annum within ..... days of the receipt of this notice failing which I shall be constrained to initiate against you for redressal of my aforesaid grievances and recovery of the aforesaid amount such proceedings, both civil and criminal as are warranted by law, besides filing a complaint under the statutory provisions of The Consumer Protection Act, 1986 exclusively at your own risk, cost, responsibility and consequences which please note.

Place.....

Dated.....

Sd/-  
.....

**Model Form –2 -The complaint**

BEFORE THE HON'BLE DISTRICT CONSUMER DISPUTES  
REDRESSAL FORUM AT .....

OR

BEFORE THE HON'BLE STATE CONSUMER DISPUTES  
REDRESSAL COMMISSION AT .....

OR

BEFORE THE HON'BLE NATIONAL CONSUMER DISPUTES REDRESSAL  
COMMISSION AT NEW DELHI

IN RE: COMPLAINT NO ..... OF 20 ..... IN THE MATTER OF:  
(FULL NAME)(DESCRIPTION)(COMPLETE ADDRESS)

..... Complainant

VERSUS

(FULL NAME)(DESCRIPTION)(COMPLETE ADDRESS)

..... Opposite Party/ Parties

**COMPLAINT UNDER SECTION 12/SECTION 17/  
SECTION 21 OF THE CONSUMER PROTECTION ACT, 1986.**

**RESPECTFULLY SHOWETH**

**INTRODUCTION**

(In this opening paragraph the complainant should give his introduction as well as that of the opposite party/parties.)

**TRANSACTION**

(In this paragraph complainant should describe the transaction complained of, *i.e.*, particulars and details of goods/ services availed; items of goods/kind and nature of service; date of purchase of goods/ availing of service; amount paid as price/consideration, full or in part towards the goods/service; Photocopies of the bill/cash memo/ voucher or receipt should be attached and properly marked as Annexure – A,B,C and so forth or 1,2,3 and so forth.)

**DEFECT/DEFICIENCY**

(In this paragraph complainant should explain the grievance, *i.e.*, whether the loss or damage has been caused by some unfair trade practice or restrictive trade practice adopted by any trader or there is some defect in the goods or there has been deficiency in service or the trader has charged excessive price for the goods. One should elucidate the nature of unfair trade practice adopted by the trader, *i.e.*, relating to the quality of goods/services; sponsorship; warranty or guarantee for such period promised. The nature and extent of defects in goods should be explained and so should the deficiency in service. In case of excessive price one should specify the details of actual price fixed by or under any law for the time being in force or as set out on goods and their packing vis-a-vis the price charged by the trader. Complaint can also be filed against offer for sale of goods hazardous to life and safety when used. You should narrate your grievance and rest assured it is being read /heard by compassionate and pragmatic judges. Photocopies of relevant documents must be attached.)

**RECTIFICATION**

(In this paragraph complainant should highlight what attempts were made by him to set things right, *i.e.*, personal visits or negotiations; communication in writing if any; whether any legal notice was got served and / or whether he has approached any other agency for redressal like, Civil or Criminal Court of competent jurisdiction; the stage of its proceedings, its outcome, if any, alongwith copies (certified preferably) of such proceedings. The nature of response got from the trader when irregularities were brought to his notice, should also be disclosed here).

**OTHER PROVISIONS**

(In this paragraph reference may be made to any other law or rules or regulations of particular procedure which is applicable to the case and/ or which has been violated by the trader and consumer's rights under the same. There are incidental statutory obligations, which traders must fulfil and in case of their failure to do so the case in *prima facie* made out and Forum would take cognizance).

**EVIDENCE**

(In this paragraph complainant should give details of documents and/ or witnesses he will rely upon to substantiate his case. The documents attached as Annexures as stated above may be incorporated in a proper list and a list of witnesses (if any) may be filed similarly).The annexures should be attested as “True Copy”.

**JURISDICTION**

(In this paragraph complainant should liquidate the claim in the complaint, *i.e.*, upto 20 lakh; 20 lakh to one crore; or above and set out the pecuniary jurisdiction of the Forum/ State Commission/National Commission, as the case may be. The territorial Jurisdiction should be highlighted to obviate any formal objection).

**LIMITATION**

That the present complaint is being filed within the period prescribed under section 24A of the Act.

**RELIEFCLAIMED**

(In this paragraph complainant should describe the nature of relief he wants to claim. *i.e.*, for removal of defects in goods or deficiency in service; replacement with new goods; return of the price or charges, etc., paid and/or compensation on account of financial loss or injury or detriment to his interest occasioned by negligence of the opposite party and elucidate how you have calculated the amount of compensation claimed).

**PRAYERCLAUSE**

It is, therefore, most respectfully prayed that this Hon’ble Forum/ Commission may kindly be pleased to ..... (Details of reliefs which complainant wants the Court to grant)

Place: .....

Dated: .....

Complainant Through .....  
(Advocate or Consumer Association, etc.)



**Verification.**

I, ..... the complainant above named, do hereby solemnly verify that the contents of my above complaint are true and correct to my knowledge, no part of it is false and nothing material has been concealed therein. Verified this ..... day of ..... 20 ..... at ..... Complainant.

Note: Although it is not compulsory, complainant may file an affidavit in support of the complaint which adds to the truth and veracity of allegations and gives credibility to the cause. It need not be on a Stamp paper but one should get it attested from an Oath Commissioner appointed by a High Court. The format is just as simple.

**Model Form –3- Affidavit in support of the complaint**

BEFORE THE HON'BLE.....IN RE: COMPLAINT NO.....OF  
20.....IN THE MATTER OF:

.....  
.....Complainant

.....  
.....Opposite party

**AFFIDAVIT**

Affidavit of  
Shri.....S/o. Shri .....  
aged.....years, resident of .....  
.....

- (1) That I am complainant in the above case, thoroughly conversant with the facts and circumstances of the present case and am competent to swear this affidavit.
- (2) That the facts contained in my accompanying complaint, the contents of which have not been repeated herein for the sake of brevity may be read as an integral part of this affidavit and are true and correct to my knowledge.

Deponent

**Verification:**

I, the above named deponent do hereby solemnly verify that the contents of my above affidavit are true and correct to my knowledge, no part of it is false and nothing material has been concealed therein.

Verified this.....day of.....20.....  
at.....

Deponent

**Model Form –4- Reply by the trader to the complaint**

BEFORE THE HON'BLE..... THE CONSUMER  
DISPUTES REDRESSAL FORUM/COMMISSION AT.....

IN RE: COMPLAINT NO..... OF 20.....

IN THE MATTER OF:

.....Complainant

VERSUS

.....Opposite Party

DATE OF HEARING.....

**WRITTEN STATEMENT ON BEHALF OF RESPONDENT TO  
THE COMPLAINT OF THE COMPLAINANT**

RESPECTFULLY SHOWETH:

**Preliminary Objections**

- 1 That the present complaint is wholly misconceived, groundless and unsustainable in law and is liable to be dismissed as such. The transaction question was without any consideration and free of charge.
- 2 That this Hon'ble Forum/ Commission has no jurisdiction to entertain and adjudicate upon the dispute involved in the complaint in as much as it is not a consumer dispute and does not fall within the ambit of the provisions of the Consumer Protection Act, 1986, hereinafter called the said Act and is exclusively triable by a Civil Court and as such the complaint is liable to be dismissed summarily on this score alone.
- 3 That the dispute raised by the complainant in the present complaint is manifestly outside the purview of the said Act and in any event, the Act is in addition to and not in derogation of the provisions of the..... Act. The proceedings initiated by the complainant under the Act are honest, null and void and without jurisdiction.
- 4 That the definitions of 'Complainant', 'Complaint', 'Consumer Dispute' and 'Service', as defined in Section 2(1) of the said Act do not cover the claims arising under the present dispute and that from the aforesaid definitions, the complainant is not 'consumer' and the controversy involved in the complaint is not a 'consumer dispute'.
- 5 That the present complaint is baseless and flagrant abuse of process of law to harass and blackmail the answering respondent.
- 6 That the complainant has no *locus standi* to initiate the present proceedings.
- 7 That the complaint is bad for non-joinder of necessary and proper party and is liable to be dismissed on this score alone.
8. That the complainant has already filed a Civil Suit for ..... in a court of competent jurisdiction which is pending disposal in the Court of ..... and the present complaint has become infructuous.
9. That the present complaint is hopelessly barred by limitation.
10. That this Hon'ble Forum/Commission has no territorial or pecuniary

jurisdiction in as much as the amount involved in the subject-matter exceeds/is less than the limit prescribed by Section 11(1) Section 17(1)(a)(i)/Section 21(a)(i) of the Act.

- 11 That the present complaint is frivolous and vexatious and liable to be dismissed under Section 26 of the Act.
- 12 That the present complaint has not been verified in accordance with law.

### **On Merits:**

In these paragraphs respondent must reply each and every allegation made and contention raised by the complainant, factual and legal as well. In case one has already made good the defect or deficiency, elucidate steps taken. One may have, *inter alia*, following goods defences as well.

- 1 That the transaction entered between the parties to the above dispute is a commercial one and the complainant cannot claim any relief from this authority in as much as .....  
(give details)
- 2 That the complainant had purchased the goods as a seller/retailer/distributor, etc., for consideration of resale and as such is barred from moving this Hon'ble Forum/Commission for the alleged defect/deficiency etc. in as much as .....  
(give details)
- 3 That the complainant has already availed the warranty period during which the answering respondent has repaired/replaced the goods in question. The complainant is thus legally stopped from enforcing this complaint or to take benefit of his own wrong.
4. That the present complaint is an exaggeration beyond proportion despite the fact that the complainant is himself responsible for delay and laches in as much as he has on several occasions changed his option for class of goods/type of allotment scheme of flats/model of vehicle, etc .....  
(give details)
5. That the answering respondent is well within his rights to charge extra price for the subject-matter of the above dispute in as much as time was not the essence of delivery thereof. The complainant is liable to pay the increased price w.e.f ..... on account of escalation due to excise duty/budgetary provisions etc. in as much as.....  
(give details)
6. That the complainant has accepted the goods and/or service

towards repair/replacement etc. without protest and the present complaint is merely an after thought.

- 7 That without prejudice the answering respondent as a gesture of goodwill is prepared to.....  
(give details of rectification, if any, which can be done in case of minor or tolerable problems to avoid harassment to consumer and litigation problems)

The allegations of defect/default/negligence and/or deficiency in service are wholly misconceived, groundless, false, untenable in law besides being extraneous and irrelevant having regard to the facts and circumstances of the matter under reference.

Prayer clause with all the submissions made therein is absolutely wrong and is emphatically denied. Complainant is not entitled to any relief whatsoever and is not entitled Model Form costs.

Sd/  
**(Opposite Party)**

Place: .....  
Dated: .....

through

**(Advocate)**

Verification

I, ..... the above named respondent do hereby verify that the contents of paras ..... to ..... of the written statement on merits are true and correct to my knowledge. While paras ..... to ..... of preliminary objections and ..... to ..... of reply on merits are true to my information, belief and legal advice received by me and believed to be true while the last para is prayer to this Hon'ble Court. Verified at ..... this .....day of.....20.....

Sd/  
**(Opposite party)**