



***IIMK/WPS/118/MKTG/2013/04***

**DIFFERENCES IN PERCEPTION OF VALUE BETWEEN  
URBAN AND RURAL CONSUMERS**

Sanal Kumar Velayudhan<sup>1</sup>

---

<sup>1</sup>Professor, Indian Institute of Management Kozhikode, IIMK Campus PO, Kozhikode- 673 570,  
email: sanal@iimk.ac.in

## **DIFFERENCES IN PERCEPTION OF VALUE BETWEEN URBAN AND RURAL CONSUMERS**

*The study examines the differences in perception of value between urban and rural consumers. The perceived value is grouped as functional/instrumental, symbolic/expressive and costs/sacrifice. The differences are expected because of the cultural aspect of acquisitiveness and the habit of frugality of rural consumers. The differences in perceived value can arise between urban and rural consumers also because of income variations and social class with larger percentage of the rural consumers having lower income and therefore having cost/sacrifice as the dominant value. A cross-sectional survey of 127 buyers of toilet soap is carried out to examine the identified research issues.*

**Key Words:** Rural, Urban, Value, Functional, Expressive, Cost, Culture, Social Class

Consumer perception of value is examined in different contexts including the context of Business to Business marketing (Ulaga 2003). It is therefore of interest to examine if differences in perceptions of value exist between urban and rural consumers. Literature indicates that rural consumers are careful buyers (Rajan 2002). This could be caused by the lower income levels of rural consumers compared to those of urban consumers. The rural consumers are therefore expected to be price sensitive. It is also observed that they do seek branded offerings but their preference is for local and sometimes regional brands than national brands. This suggests that they seek quality and at the same time are not willing to pay premium pricing of many of the national brands. The preference for local and regional brands is also explained on the basis of community orientation (Velayudhan 2012). The reason for rural consumers not necessarily purchasing the lowest priced offering but at same time not willing to pay a premium may have an explanation beyond income and community orientation to the cultural aspect of acquisitiveness. The rural consumers are frugal and they develop this habit through a process of socialization (Srinivas 1976). This possibly causes the rural consumers to seek value for money than being price driven or pay for frills that they do not need. This may also explain their preference for local brands over both national brands and unbranded offerings (Velayudhan 2012). This study seeks to understand the influence of cultural aspect of acquisitiveness on the differences in the value perception between the urban and rural consumers.

## RESEARCH HYPOTHESES

Value is defined in different ways in literature. A simple definition considers it as a ratio of gain and sacrifice (Heard 1993-94, Zeitaml 1988, Smith and Colgate 2007). Another definition considers only the gains or benefits (Woodruff 1997, Sheth et al. 1991) and in this the consumer can use compensatory model or non compensatory model of benefits influencing perception of value and preference (Parasuraman 1997). One other definition of value is that it is a composite of benefits/attributes that includes the sacrifice or costs for the consumer (Ulga 2003, Woodall 2003). These alternative views on value are used to examine possible differences in value perception between urban and rural consumers.

### Differences between urban and rural consumers in the perception of importance of value for money

A definition of value considers it as a ratio of gains and sacrifice. The definition of value as a ratio of gains to sacrifice is understood in this study as “value for money”. The differences between urban and rural consumer on value for money is examined. Value for money is important for rural consumers (Anand and Krishna 2009). Studies indicate both cost and functional/expressive values are considered important by rural consumers. The price levels are higher in urban areas compared to rural areas (Tao Sun and Guohua Wu 2004). The monthly per-capita expenditure in rural areas at `565 is lower compared to `1060 in urban areas (NSS 2005). This would suggest that price is important to rural consumers. There is evidence to suggest that this may not be completely true. The rural and urban consumers do not exhibit difference in price sensitivity (Erda 2009). Literature also suggests that rural buyers prefer premium products in certain product categories (Das Gupta and Menon 1990). This would suggest that value perceived as a ratio of gains to cost is important to rural consumers unlike urban consumers who may have functional/expressive values than cost influencing purchase decision. The perceived gain over cost is understood in this study as value for money.

**Hyp 1:** The important influence on purchase by rural consumer is perceived gain over cost or value for money while for urban consumers functional or expressive value is the important influence.

### Differences in perception of value defined as only gains between urban and rural consumers

Value defined as the gains derived by the consumer but without including cost/sacrifices is examined for urban and rural consumers. The understanding used for the composite of gains in this study is the number of benefits sought by consumers. Price is important but rural consumers are willing to use services that add value or help livelihood (Beshouri 2006). Additional features that increase utility of the product increases the acceptability among the rural poor (Anderson and Billou 2007). There is also an observation that it is not the relative price but the absolute price that matters. The presence of offerings in sachet is used to support the argument that absolute price is important (Rodrigues 2002, Velayudhan 2007). Studies also indicate that rural consumers seek multiple uses for products (Velayudhan 2002) and this may well be the reason for seeking multiple benefits/attributes. These suggest that rural consumers seek multiple benefits to enhance value.

**Hyp 2:** Rural consumers seek multiple benefits from product offerings in their quest for greater value.

### Value perception with price as part of a composite of benefits

One view of customer perceived value is that it is a summative process i.e. gains less sacrifices. To study this attributes or benefits are grouped into four types of value: functional/instrumental, experiential/hedonic, symbolic/expressive and cost/sacrifice (Smith and Colgate 2007). The rural consumers seek functional/instrumental value. It is noted that the functional aspects of packaging are important for rural consumers (Sehrawet and Kundu 2007). Quality of service in terms of network coverage was a key influence on retention of rural consumers in mobile telephony (Bhandari 2010). A composite of functional/expressive and cost/sacrifice values are sought by rural consumers (Gupta and Mittal 2009, Patro and Varshney 2008). These suggest that the rural consumers seek a composite of benefits/attributes including that of price.

**Hyp 3:** The rural consumers seek multiple benefits/attributes that include cost/sacrifice as an important component while for urban consumer it is more of a composite of benefits that may not include cost/sacrifice.

### Perceived value across social class for urban and rural consumers

The number of households in the income group of `35,000 and less is 47.9 percent in rural markets compared to 19.0 percent in urban markets (NCAER 2003). Lower income group household have limited expenditure with data indicating a direct relationship between income and consumption. The expenditure per household for the lowest income group in rural markets is `2,639 a year and the expenditure for the highest income group per household is `9,381 a year (NCAER, 2003). These observations suggest that an important difference between rural and urban consumers is the difference in income levels and its reflection on the differing importance of price in these markets. The issue faced by the marketer in rural areas is that of affordability among rural consumers than any other characteristic of the rural market. It is observed that there are rural consumers who purchase high priced brands too (Velayudhan 2007). The rural markets have different income groups and therefore this market is not a single homogenous market (Rao 2000, Jha 2003, Das and Sen 1991, Velayudhan 2007). Occupation of the head of the household influences the consumption pattern in rural areas. Those in service are willing to spend more compared to households involved in farming. Consumption is much less for agricultural laborers (Bijapurkar and Moorthy 1999). However it is observed that in the case of national brands too there are consumers across income groups (Bishnoi and Bharati 2009). This suggests that income variations or social class do not sufficiently explain the differences in value perception between urban and rural consumers.

It is possibly appropriate to view rural consumers as careful buyers who weigh options carefully and possibly demand higher value for money compared to urban consumers (Rajan 2005, Velayudhan 2007). The rural population is frugal and this influence would get reflected in their purchase behaviour. "I found a great emphasis on acquisitiveness in village society, and land was the most important object of acquisition. Villagers stinted and saved for years....Frugality and saving were more than habits; they were virtues. (Srinivas 1976,109). These virtues were inculcated through a process of socialization. "In the better-off households, the children were each given a few measures of paddy at harvest, and this again was theirs to sell and invest in loans or animals. All in all, there was a deliberate effort to inculcate in a boy the qualities of thrift and saving" (Srinivas 1976, 144). This cultural phenomenon in

the rural setting creates careful buyers of rural consumers. The rural buyer is very conscious about getting value for money. He does not like to pay extra for frills he cannot use (Rajan 2005). “During my visits to dealer shops in rural markets, I have seen that, before the farmer buys a tyre he spends enormous time checking the tyre. He feels the tyre, he lifts the tyre, and he looks into every inch of the tyre to ensure that he is not being cheated. Same is the case when he is buying a product like TV. Before he takes a brand decision he consults a number of people. It is a very hard and well considered decision” (Rajan 2002)

The acquisitive behaviour and frugality create careful rural buyers. It influences their value perceptions and this is true across social class in rural areas. It also explains the variations observed in the perceived value of urban and rural consumers.

**Hyp 4:** The rural consumers are careful buyers and social class is not a consideration in influencing the importance to costs unlike urban consumers whose importance is limited to gains and does not include costs.

## METHODOLOGY

Survey using structured questions is administered through personal interviews. Interviews are used as respondents can articulate the benefits sought. Judgment sampling is used to include respondents from urban, semi-urban and rural markets and from different occupational and educational groups in the north, central and south regions of Kerala State. Interviewers selected were from the regions where the interviews were carried out. They were trained for conducting personal interviews. For comparing consumer behavior in the rural and the urban markets, the buying behavior of toilet soaps is examined. Valid responses for the purpose of this study are 127.

### Measures used

Urban, semi-urban and rural locations are identified by the type of local self-government, i.e., Corporation, Municipality and Panchayat respectively.

Social class is measured using education and occupation. Graduation and professional is used for identifying as higher class and non completion of school

education and manual work is considered under lower class. The others are considered as middle class.

Consumer needs, wants and preferences underlie value perceptions. Value defined as a ratio of gains to cost is measured using “value for money”. The consumer preference for “value for money” is identified when it is considered the most important benefit/attribute i.e., a nominal scale.

The consumer use of single or multiple benefits in purchase context is measured using a nominal scale that captured one of these two options.

Measure identifying important benefits/attributes was obtained as the first three importance ranks for the benefits/attributes. The attributes or benefits are grouped into functional/instrumental, symbolic/expressive and cost/sacrifice. The experiential/hedonic benefit has limited relevance in the context of purchase and use of toilet soap and so not included in this study.

## **ANALYSIS**

The perception of value is analyzed for urban and for rural consumers. The number of buyers who consider the different benefits/attributes in the purchase of toilet soaps is examined for differences between rural and urban consumers. A chi-square test is performed. Influence of social class on the differences in benefits/attribute sought between urban and rural consumers is also tested for significance using chi-square.

### Differences between urban and rural consumers in the perception of importance of value for money

The urban consumer seeks functional benefit/attribute as the single most important value. Many semi-urban consumers seek expressive benefit/attribute while the others seek either price or value for money. The single most important benefit/attribute for rural consumer is not price but either functional or expressive benefit (table 1). The results are significant.

**Table 1: Single Most Important Benefit/Attribute Sought Classified by Urban and Rural Consumers**

Sl. No.	Single Most Important Benefit Sought	Location			Total
		Urban	Semi-urban	Rural	
1	Cleaning	23	10	10	43
2	Fragrance	11	20	8	39
3	Value for Money	2	6	0	8
4	Low price	0	7	2	9
5	Durable	2	3	0	5
6	Others	20	2	1	23
7	Total	58	48	21	127

$\chi^2$  39.422 p<.01

The hypothesis that the single most important benefit sought by the rural consumer is value for money is not supported.

Differences in perception of value defined as only gains between urban and rural consumers

The gains measured as number of benefits/attributes sought indicate that urban consumers and semi-urban consumers seek multiple benefits while a good number of rural consumers seek single benefit (table 2).

**Table 2: Number of Benefits Sought by Location of Consumers**

S. No.	Location	Consumer seeking number of Benefits		
		Single	Multiple	Total
1	Urban	22	36	58
2	Semi-urban	16	32	48
3	Rural	15	6	21
4	Total	53	74	127

$\chi^2$  is 9.353 p<.01



The expectation that rural consumers would seek multiple benefits/attributes is not supported.

Value perception with price as part of a composite of benefits

The data (table 3) shows that urban consumers seek benefits with cost not explicitly indicated as an influence. In the case of semi-urban and rural consumers it is observed that cost/sacrifice is important than just the functional/expressive benefits. The functional/ instrumental and the symbolic/expressive categories are combined as the number of consumers seeking a composite of benefits on these categories separately is only 10. The cost/sacrifice value in table 3 includes composite of functional/expressive and cost/sacrifice values in addition to composite of cost/sacrifice items alone. This is done as consumers considering even one item of cost/sacrifice as an important value is possibly seeking value for money.

**Table 3: Benefits Sought Classified by Urban and Rural Consumers**

S.No.	Benefits	Location			Total
		Urban	Semi-urban	Rural	
1	Functional/Expressive	40	14	9	63
2	Cost/Sacrifice*	18	34	12	64
3	Total	58	48	21	127

\*Includes Cost/Sacrifice + Functional/Expressive  
 $\chi^2 17.1 p<.01$

The results support the hypothesis that rural consumers seek a composite of benefits that include cost/sacrifice unlike urban consumers many of whom do not consider cost/sacrifice as an important value at all.

Perceived value across social class for urban and rural consumers

The analysis indicates that urban consumers irrespective of social class seek benefits without explicit consideration for costs. The semi-urban and rural consumers are combined to provide adequate respondents for each of the cells. This does not affect the results substantially as it is observed from the analysis that both semi-urban and rural consumers consider cost/sacrifice an important value compared to urban

consumers. In the case of semi-urban and rural consumers the middle and lower social class consider both gains and cost as important values and the results are significant at .05 (table 4). The higher social class among the rural and semi-urban consumers also seek composite of gains and cost over gains alone but the results are significant only at .094.

**Table 4: Benefits Sought by Consumers Classified by Social Class and Location**

S.No.	Social Class	Benefits Sought	Location		Total
			Urban	Semi-urban/Rural	
1	Upper	Functional/Expressive	14	10	24
2		Cost/Sacrifice	7	14	21
3		Total	21	24	45
4	Middle	Functional/Expressive	11	8	19
5		Cost/Sacrifice	5	15	20
6		Total	16	23	39
7	Lower	Functional/Expressive	15	5	20
8		Cost/Sacrifice	6	17	23
9		Total	21	22	43
10	Total		58	69	127

$\chi^2$  16.005 p<.01

The hypothesis that rural consumers differ from urban consumers in considering cost/sacrifice as an important value even across different social class is largely supported though support is weak for upper class rural consumers.

## DISCUSSION

The results suggest that the most important benefit for rural consumers is not value for money. This result which is contrary to expectations is possibly explained by reviewing the measure used to draw the inference. The measure uses “value for money” as an option in addition to other benefits and attributes including that of price. A respondent may find some benefit/attribute the most important and in addition to this gives importance to price too. In these situations the value for money option becomes redundant to the respondent.

The possible reason rural consumers appear to seek a single benefit than multiple benefits can be explained by the ability to process information and available knowledge on the products. Limited ability to process information and less product knowledge restricts search and may limit preference to a single important benefit.

The support for the hypothesis that the rural consumers consider functional/expressive benefits and also the cost strengthens the reasoning used to develop the hypothesis. The expectation is that the careful buying by rural consumer is influenced by the acquisitive culture and frugality. The results also support the understanding of value as summation of gains and costs. The suitability of defining value as a ratio needs to be explored further as results are not conclusive.

The absence of influence of social class on the perceived value supports the inference that it is the rurality of consumers influencing the difference in value perception from those of urban consumers. The urban consumers clearly seek gains with less importance to costs and social class does not affect the results. In the case of the rural consumers the middle and lower class consider cost and sacrifice important but for the upper class the results are not strongly supported. This suggests that the urban and rural consumer differences in perceived value are significant. In addition a weak influence of social class on perceived value is also possible.

## **CONCLUSION**

The research sought to address the issue as to whether the rural market comprises of lower class price sensitive consumers preferring lower priced offerings or whether there are other factors like habits and cultural influences on rural consumer in their perception of value. The results suggest that the rural consumers are careful buyers and therefore focus on both gains and costs unlike the urban consumer who may not focus much on the cost/sacrifice and seek functional/expressive value alone.

## REFERENCES

- Anand, Sandeep and Rajneesh Krishna (2009) Rural Brand Preference Determinants in India, In Velayudhan, S.K. and Sridhar G, (Ed), Marketing to rural consumer: Understanding and tapping the rural market potential (pp 125-139), Excel Books: New Delhi
- Anderson, Jamie and Niels Billou, (2007), "Serving the world's poor: innovation at the base of the economic pyramid", Journal of Business Strategy, Vol. 28 (2) pp. 14 – 21
- Baig M.A. (1980), " Guidelines for Urban and Rural Markets", Indian Journal of Marketing, Vol 10(5) pp 3-8.
- Beshouri, Christopher P. (2006) "A grassroots approach to emerging-markets consumers", The McKinsey Quarterly, 4.
- Bhandari, Deepak (2010) Analyzing consumer churn in the rural Indian BoP: Can the price sensitive customer be turned loyal?  
[http://www.cprsouth.org/wp-content/uploads/2010/12/PolicyBrief\\_Bhandari.pdf](http://www.cprsouth.org/wp-content/uploads/2010/12/PolicyBrief_Bhandari.pdf) cited 20 March, 2012
- Bijapurkar, R and Ravi Moorthy (1999), "Rural Markets for Consumer Durables", The Economic Times, August 16.
- Bisnoi, Vinod Kumar and Bharati (2009) Awareness and consumption pattern of rural consumers towards home and personal care products, In Velayudhan, S.K. and Sridhar G, (Ed), Marketing to rural consumer: Understanding and tapping the rural market potential (pp 214-229), Excel Books: New Delhi
- Das Gupta, Surajeet and Ramesh, Menon (1990) "The Call of Consumerism", India today, 15 July.
- Erda, Chirag V. (2009) "A comparative study of buying Behaviour of Rural and Urban consumers of Mobile Phone in Jamnagar district" In Velayudhan, S.K. and Sridhar G, (Ed), Marketing to rural consumer: Understanding and tapping the rural market potential (pp 125-139), Excel Books: New Delhi
- Gupta S.L. and Arun Mittal (2009), A Study of Consumer Behaviour Aspects and Brand Preferences in Rural India with Reference to FMCG Sector, In Velayudhan, S.K. and Sridhar G, (Ed), Marketing to rural consumer: Understanding and tapping the rural market potential (pp 125-139), Excel Books: New Delhi
- Heard, Ed (1993), "Walking the Talk of Customer Value," National Productivity Review, 13 (1), 21–27.
- Jha, Mithileshwar (2003), Understanding Rural Buyer Behaviour, IIMB Management Review, 15 (3)
- Das, Mukund and Somnath, Sen (1991), Commercial Aspects: The rural way', A&M, October.
- National Sample Survey Organization (2005), Household Consumer Expenditure in India NSS 60<sup>th</sup> Round (January-June 2004). New Delhi: Ministry of Statistics and Program Implementation.
- NCAER (2003), Indian Market Demographics Report 2002, New Delhi: National Council for Economic Research.

- Parasuraman, A. (1997), "Reflections on Gaining Competitive Advantage Through Customer Value," *Journal of the Academy of Marketing Science*, 25 (2), 154–161.
- Patro, Sanjay and Sanjeev Varshney (2008) Brand Awareness and Preference in Rural Markets, paper presented in Marketing to Rural Consumers conference Kozhikode, India.
- Rajan (2005) Does rural India get your Brand Message?, *Business Line* 3 February at <http://www.blonnet.com/catalyst/2005/02/03/stories/2005020300100200.htm>
- Rajan, R.V. (Nov 2002) Knowing the rural customer  
<http://anugrahmadison.com/news-events/articles/archives/knowning-rural-customer-articles-archives>, cited January 23, 2012
- Rao, S.L., (2000), India's Rapidly Changing Consumer Market, *Economic and Political Weekly*, Sep pp 3570-3571
- Rodrigues, Mallika (2002) "Sachet Up the Ramp", *The Economic Times*, 13 March
- Sehrawet, Mahavir and Subhash C. Kundu (2007) "Buying behavior of rural and urban consumers in India: the impact of packaging", *International Journal of Consumer Studies* 31) 630–638
- Sheth, J.N., Newman, B.I., Gross, B.L. (1991) "Why we buy what we buy: a theory of consumption values", *Journal of Business Research*, Vol.22 No.2 pp159-70
- Srinivas M.N. (1976) *The Remembered Village*, New Delhi: Oxford University Press
- Smith, J.B., Colgate, M. (2007) "Customer value creation: a practical framework", *Journal of marketing Theory and Practice*, Vol.15 No.1 pp7-23
- Tao Sun and Guohua Wu, (2004),"Consumption patterns of Chinese urban and rural consumers", *Journal of Consumer Marketing*, 21( 4) pp. 245 – 253
- Velayudhan S.K. (2002), Market Orientation to utilize the PV Potential in Rural India : Study of Purchase and Use Behaviour for Solar Lantern” paper presented at the PV in Europe – From PV Technology to Energy Solutions Conference Rome, Italy, October 7 – 11.
- Velayudhan S.K. (2007), *Rural Marketing: Targeting the non-urban consumer*, Response Sage Publication,; New Delhi
- Velayudhan S.K. (2012), Influence of Community Orientation and the Use of Non-Price attributes on the Brand Preference of Rural Consumers, IIMK Working Paper: IIMK/WPS/101/MKTG/2012/04.
- Vijayaraghavan, Kala and Philip Lijee (2005), "Consumer Goods Cos. Give up dual Marketing", *Economic Times*, October 17
- Woodruff, R.B. (1997) " Customer value: the next source for competitive advantage", *Journal of the Academy of Marketing Science*, Vol.25 No.2 pp139-53
- Zeithaml, V.A. (1988) "Consumer perceptions of price, quality, and value: a means-end model and synthesis of evidence", *Journal of Marketing*, Vol.52 No.3 pp2-22.

## Indian Institute of Management Kozhikode

<i>Type of Document: (Working Paper/Case/Teaching Note, etc.)</i> <p style="text-align: center;"><b>WORKING PAPER</b></p>	<i>Ref. No.:</i> <p style="text-align: center;"><b>IIMK/WPS/118/MKTG/2013/04</b></p>
<i>Title:</i> <p style="text-align: center;"><b>DIFFERENCES IN PERCEPTION OF VALUE BETWEEN URBAN AND RURAL CONSUMERS</b></p>	
<i>Author(s):</i> <i>Institution(s)</i>	
Sanal Kumar Velayudhan	Professor Indian Institute of Management Kozhikode IIMK Campus PO Kozhikode, Kerala 673 570. Phone: 91-495- 2809103 email: sanal@iimk.ac.in
<i>Subject Areas:</i> <b>Marketing Management</b>	<i>Subject Classification Codes, if any:</i>
<i>Supporting Agencies, if any:</i>	<i>Research Grant/Project No.(s):</i>
<i>Supplementary Information, if any:</i>	<i>Date of Issue:</i> <b>February 2013</b> <hr/> <i>Number of Pages:</i> <b>12</b>
<i>Abstract:</i> <p>The study examines the differences in perception of value between urban and rural consumers .The perceived value is grouped as functional/instrumental, symbolic/expressive and costs/sacrifice. The differences are expected because of the cultural aspect of acquisitiveness and the habit of frugality of rural consumers. The differences in perceived value can arise between urban and rural consumers also because of income variations and social class with larger percentage of the rural consumers having lower income and therefore having cost/sacrifice as the dominant value. A cross-sectional survey of 127 buyers of toilet soap is carried out to examine the identified research issues.</p>	
<i>Key Words/Phrases:</i> Rural, Urban, Value, Functional, Expressive, Cost, Culture, Social Class	