

CHAPTER 2
LITERATURE REVIEW

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2.1 Introduction

Several Indian researchers have tried to study the investment pattern and the instruments used by Indian investors. Classification of investors based on demographic characteristics have been attempted by many, but based on psychological characteristics were attempted by few.

2.2 Review

Thomas F Funk, Maryse J. Hundon (1988) focused on psychographic segmentation with reference to Agribusiness under the title Psychographic Segmentation of the Farm Market. Researchers have undertaken twenty three Psychographic dimensions produced to segment the market for farm suppliers. Study has been arrowed to determine psychographic dimensions, to develop major psychographic clusters in the market and to determine the relative sizes, media habits and characteristics of each segment. Purchasing criteria, switching, sales people, independence, work, adoption, personal characteristics, knowledge, shopping activities, information sources, risk, education, safety opinion leadership, leadership, management, success, political interest, social activities, recreation, farming philosophy, status and family are the dimensions for study. Researcher defined four clusters by using 23 dimensions. They are Leading edge entrepreneurs 10%, progressive farmers 36%, traditionalist 14%, and the marginal majority 40%. The research was exploratory in nature worked on 430 farmer samples.

Jackie L.M. Tam, Susan H.C. Tai. London (1998) focused on defining and measuring the lifestyles of consumers. The title for research was the, 'Psychographic Segmentation of the Female Market in Greater China.' The study focused on female consumers in Greater China. The chosen sample was restricted to working females aged between 18 and 35. The objectives of this study are to generate the psychographic dimensions of female consumers in Greater China and to develop a typology of female consumers based on their psychographic patterns. The chosen sample was restricted to working females aged between 18 and 35. The questionnaire

was developed by researcher. The selection of the lifestyle statements for this study was based on three criteria: they had to be relevant to females; valuable to marketers; and measurable. Researcher defined four clusters. Each cluster was compared in terms of the mean scores on the lifestyle items and the demographic characteristics. These four clusters were labeled as 'Conventional Females' 40.7 %, 'Contemporary Females' 21.9%, 'Searching Singles' 19.4 % and 'Followers' 18.1%.

Townsend, Bickley; Ithaca (1985) focused on a lifestyle segmentation technique (VALS) technique developed by Stanford Research Institute in 1978 under the title of Psychographic Glitter and Gold. This psychographic profile divided the US population into size segments, organized along a hierarchy of needs. VALS is a psychographic system that links demographics and purchase patterns with psychological attitudes. However, businesses found it difficult to use the segments to predict buying behavior or to target consumers. As a result, SRI has developed VALS 2. Values and lifestyles have been dropped as the basis for its psychographic segmentation scheme. VALS 2 is based on a questionnaire that reveals unchanging psychological stances. This classification considers the time and money consumers spend. Self-orientation and resources are used as the basis for the vertical-horizontal axes to classify consumers into eight groups: fulfilled, believers, achievers, strivers, experiencers, makers, actualizers and strugglers.

Rohit Vishal Kumar, Amitava Sarkar, London (May 2008) focused on understanding the Indian Consumers under the title of Psychographic_Segmentation of Indian Urban Consumers. The objective of the study was to segment the metropolitan consumers on behavioral aspects and to understand their consumption pattern. The study was designed on the basis of VALS. By using cluster analysis of the Indian metropolitan consumers,

six behavioral categories, namely Well Settled, Strugglers, Enjoyers, Conservatives, Self Concerned and Realist were defined. The segments have been profiled in terms of their product ownership, Activities and Interests, Financial Investment avenues and Media habits. Researcher has conducted a survey amongst 560 respondents in the five metropolises in India.

Trusts & Estates, New York (1992) conducted extensive research under the title of Charitable Trusts: The Magic Bullet. The research aimed to determine the buying behavior patterns of the affluent, to understand the varying motivations of the wealthy with respect to donating. Also to understand the dynamics of the charitable network and the way in which they can skillfully integrate themselves into this network. For the study 471 affluent donors who established charitable trusts of \$1 million or more in 1989 are chosen. Four empirically-derived psychographic segments were identified by researcher. They are 'Affiliators' who are principally motivated to donate because of social ties as well as humanitarian reasons. 'Pragmatists' who tend to focus on the tax benefits in conjunction with the social benefits of establishing charitable trusts. 'Dynasts' who tend to be associated with "old money." Their motivation is a function of family tradition. 'Repayers' who have directly or indirectly benefited by the services of a charity. This psychographic segmentation scheme can be used by advisors to the affluent as well as the charitable institutions to dramatically improve their marketing efforts.

Barbara Oates, Lois Shufeldt and Bobby Vaught, (1996), ' A Psychographic Study of the Elderly and Retail Store Attributes' focused on the study that elderly has led many to question the wisdom of using age alone to segment the market. Psychographics, or lifestyle groupings, has emerged as a more robust technique of identifying distinct categories of the 65 and older market. An activities, interests, and opinions (AIO) questionnaire from 386 respondents provided data to identify five distinct groups of elderly shoppers. Significant differences were found among the five clusters with regard to the perceived importance of various retail attributes which sell over-the-counter drugs: quality of store and personnel, store characteristics, and use of coupons and discounts.

Horne, Julie Christine; Canada (1998), conducted a research on the information search activities of adult consumers of prescription drugs under the title, 'A Psychographic Segmentation Analysis of Prescription Drug Users.' The research aimed to identify the distinct groups of consumers based on different patterns of

attitudes regarding information search and prescription drugs. Eight underlying attitudinal dimensions were derived through Principal Axis Factoring of 32 attitudinal variables. They are information involvement, information avoidance, self-assured knowledge, self-care orientation, manufacturer-oriented information, doctor-oriented information, pharmacist-oriented information, and patient decision making. Data were collected using a self-administered mail questionnaire in a survey of 456 prescription drug users, who indicated they had taken a prescription medication over the last 12 months. Using cluster analysis, the prescription drug users were classified into different types according to the similarity of their scores on each of these eight attitudinal dimensions. They were the System Skeptics, the Confident Decision Makers, and the Uninformed Followers. Significant differences were found across the cluster groupings on a number of behavioral, demographic and situational descriptors.

Healthcare PR, Marketing News; Potomac (1998) conducted a research under the title 'Women's Audience'- Is A Myth Effective Segmentation Requires More Sophisticated Approach. This Research allowed to design public health education campaigns, create profiles to help physicians, understand how to most effectively communicate with patients with specific diseases and to identify which consumers are most likely to be interested in a specific drug. Smoking, physical activity, nutrition, alcohol consumption, health conditions, healthcare utilization, cancer risks, occupational safety and barriers to/motivations for healthy living were studied among respondents. Also data about psychological (antecedent) factors such as self-efficacy, outcome expectations, risk perceptions, motivations and intentions, and social factors were collected. Data had been collected with the help of Questionnaires. The seven segments were identified. They were Physical Fantastics, Active Attractives, Tense but Trying, Decent Doolittles, Passively Healthy, Hard-Living Hedonists and Non-Interested Nihilists.

Chin-Feng Lin, Santa Barbara (2002) focuses on multi-segmenting methodology. Demographic and psychographic variables based on the differentiation of consumer brand preference under the title, 'Segmenting Customer Brand Preference: Demographic or Psychographic'. The purpose of this research was utilizing multiple

segmentation variables to identify smaller, better-defined target sub-markets for enhancing business competitive advantages. VALS2 and LOV are used as the theoretical bases in this study. The researcher focused on nine product categories and collected 67 well-known brands in the market. The questions in the questionnaire fell into three categories. The first category concerned respondents' degree of agreement (scale: 1-5 on the Likert scale). A total of 35 and 32 items were selected from VALS2 and LOV measurements, respectively. The second category concerned gender, age, education and monthly family income of the respondents. The third category concerned consumer brand preference. Respondents could choose one, two or three brands they used most from each product category. Sample size was 1000 respondents. From LOV on the basis of values self-respect, warm relationships with others; sense of accomplishment; self-fulfillment; being well respected; sense of belonging and enjoyment of life were identified. On the basis of Self-orientation and resources (VALS2) classify consumers were classified into eight clusters. They were fulfilled; believers; achievers; strivers; experiencers; makers; actualizers; and strugglers.

Ullrich R. Orth, Mina McDaniel, Tom Shellhammer and Kannapon Lopetchrat (2004) a paper titled, 'Promoting brand benefits: The role of consumer psychographics and lifestyle' focused on the role of psychographics and lifestyle in promoting brand benefits. Consumers can vary greatly in their value composition; they may seek a range of different benefits from products and brands and hence will react differently to marketing communications emphasizing selected brand benefits. The present study adapts a scale for measuring benefits that drive consumer preferences for craft beer. As part of this process, five dimensions of utility are identified, such as functional, value for money, social, positive and negative emotional benefit. In order to support decisions on market segmentation and brand positioning, those dimensions of benefit are profiled against consumer brand preferences, lifestyle segments, demographic and behavioral variables. Based on the results, guidelines for communication strategies are offered that address the benefits sought by specific segments more holistically.

Miller, Shirley, Easterling, Debbie New York (1991) addressed a study to understand the needs in the banking industry under the title, 'Banking Segmentation Strategy: A Lifestyle Approach'. The research arrowed to the development of psychographic segmentation strategies, involving the determination of lifestyle dimensions relevant to bank services and the development of a bank user typology. . Factor analysis was used to confirm lifestyle dimensions. Ten factors were identified. They are 1. Financial Opinion, 5. Leadership, 2. Planning, 3. Information seeking, 4. venturesomeness localism, 6. Bargain seeking, 7. Innovation 8.Apathy, 9.Self-confidence, and 10.Financial following. Questionnaire was made to collect the data. Questionnaires were mailed to retail customers of 4 subsidiary banks of a bank holding company located in a major midwestern metropolitan area. Two market segments were identified that exhibited distinctive attitudinal differences. Banking customers in the first group expressed concern for banking and investing with local firms that have been in existence for some time and were more interested in safety than current interest rates. Bank customers in group 2 portrayed a more involved group of financial decision makers.

H.S.Srivatsa (2009) focused on Psychographic Segmentation in Banking Industry under the title Psychographic segmentation of Retail Banking Consumers in Karnataka. The study arrowed to attract more customers and to provide products and services that the customer really appreciates. For the study bank selection criteria, channel perceptions, product perceptions and lifestyles are studied. The population of 18 to 42 years in the state of Karnataka had been studied for their psychographic segmentation.

'Banking Psychographics: An Indian Empirical Study focused on understanding the customer better and proper psychographic study of retail banking customers in urban and semi urban area. The objectives for study were to find out the Psychographic attributes that would play a role in the bank selection, banking channel selection and banking product selection behavior of a customer for both urban and semi urban area. Stratified random sampling technique was used to sample the population. 248 samples of Bangalore in urban area and 288 samples of the o Hubli, Dharwad, Mangalore and

Mysore from semi urban area were studied. All samples were between 18 to 42 years age. For the study 26 variables were studied to segment retail banking customers. Exploratory Factor Analysis was conducted separately for each of the sections namely a) Bank selection criteria b) Channel selection criteria and c) Product selection criteria. The research was Empirical and Exploratory in nature.

William Boyd et al. (1994) have segmented customers based on demographic and behavioral profile and the importance that the customers placed on factors like reputation, modern facilities, quick services, hours of operation, interest changed on loans, availability of current accounts, interest on savings accounts, location in city, friendliness of employees and drive in service.

Rajarajan V. (1999) conducted study on stage in Life cycle and investment pattern on the basis of primary data collected from 405 individual investors. Prime objective of the study was to find out relationship between stages in lifecycle and their investment size and pattern. Study brings out that investment size below Rs. 50000 constitute the majority in all stages of life cycle. The association of investment size and investors stage in life cycle does have a specific pattern. The size of investment in financial assets and the percentage of risky assets in financial investment declines as the investor move up through the various stages in the life cycle.

Rajarajan V. (2000) undertaken study with an object to find out life style based segmentation of individual investors and analyze investment size, pattern and future investment preference on the basis of life style. Study identifies three life study clusters i.e. Active Inventors, Individualists, and Passive Investors. Study brought out the association between life style clusters and investment related characteristics. The said clusters has its demographic peculiarity and variations in investment related aspects viz. investment size, expected return, portfolio choice, risk bearing capacity, time perspective and the like.

SEBI – NCAER Survey (2000) was carried out to estimate the number of households and the population of individual investors, their economic and demographic profile, portfolio size, and investment preference for equity as well as other savings instruments. This is a unique and comprehensive study of Indian Investors. Data was collected from 3,00,0000 geographically dispersed rural and urban households. Some of the relevant findings of the study are : Households preference for instruments match their risk perception; Bank Deposit has an appeal across all income class; 43% of the non-investor households equivalent to around 60 million households (estimated) apparently lack awareness about stock markets; and, compared with low income groups, the higher income groups have higher share of investments in Mutual Funds (MFs) signifying that MFs have still not become truly the investment vehicle for small investors.

Kiran, D. and Rao, U.S. (2005) had done research on “Identifying Investor Group Segments Based on demographic and Psychographic Characteristics” They tried to identify investor group segments using the demographic and psychographic characteristics of investors. A questionnaire survey was conducted and responses were obtained from 96 investors from all over India. The data obtained was then analyzed using two statistical techniques, namely - Multinomial Logistic Regression (MLR) and Factor Analysis (FA). MLR analysis brought out the characteristics of Investors which predominantly decide the risk-taking capacity of Investors. Factor analysis identified four major Investor segments based on their demographic and psychographic characteristics.

Gnana Desigan C, S. Kalaiselvi and L. Anusuya (2006) studied women investors' perception towards investment. An empirical study focuses on investment pattern of women investors. Research concluded with finding that age of the women investors and level of awareness about investment is not associated and no significant association between educational level and level of awareness about investment. Significant association was found between occupation and level of awareness, monthly income and level of awareness and absence of association between marital status and level of awareness.

Srinivasan Sakthi K, Lakshmi Devi S (2006), focused on rural investment with reference to post office savings schemes under title, 'Post Office Savings Scheme – An Impetus For Rural Investment'. Researchers had undertaken almost all savings schemes offered by post office savings banks. Study had been arranged to assess the saving habit of individuals, to understand the awareness of people towards post office savings scheme and to bring out the investors perception towards post office for their investment. Researcher has observed the significant relationship between gender and percentage of income saved by the respondents. Absence of relationship between age and percentage of income saved by the respondents. Significant relationship between status and percentage of income saved. Significant relationship between income level and percentage of income saved. Exist a significant relationship between ages and purpose of savings by the respondents. Exist significant relationship between income and purpose of saving. Absence of investment and its relationship with the status of the respondents. Absence of relationship between investment and income pattern. Majority of rural investors i.e. 61.9% invest in post office savings schemes followed by insurance 48.5% and bank savings account 46.4%. Security is a major reason behind investment in post office saving schemes. The research was descriptive nature worked on 291 rural investor samples.

Srivatsa. H. S. and Srinivasan. R., (2007), 'Banking Psychographics: An Indian Empirical study focused on understanding the customer better and proper psychographic study of retail banking customers in urban and semi urban area. The objectives for study were to find out the Psychographic attributes that would play a role in the bank selection, banking channel selection and banking product selection behavior of a customer for both urban and semi urban area. Stratified random sampling technique was used to sample the population. 248 samples of Bangalore in urban area and 288 samples of the o Hubli--Dharwad, Mangalore and Mysore from semi urban area were studied. All samples were between 18 to 42 years age. For the study 26 variables were studied to segment retail banking customers. , Exploratory Factor Analysis was conducted separately for each of the sections namely a) Bank selection criteria b) Channel selection criteria and c) Product selection criteria. The research was Empirical and Exploratory in nature.

2.3 Conclusion

Researcher has to study the psychographic segmentation of investors. Therefore, studies regarding psychographic segmentation used in various fields studied. Segmentation in financial service industry by using Demographic and Psychographic variables has been studied.

Researcher has found that there is a dearth of studies on 'Behavioral Finance' and little information is available about investors psychological aspects i.e. personalities, attitude, behavior, perception, learning and the investment pattern. It is found that there is sufficient scope for the studies based relationship between personality and investment pattern of investors.