

A Study of Factors Affecting the Change in Buyers' Behavior Towards Purchase of Gold in Pakistan

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Abstract

Everywhere in the world people, under different motives, like to purchase gold or gold ornaments, especially women. Gold has occupied prestigious place in human life. Consumers buy gold for self-liking, at wedding time, sometimes for investment purpose and for many other reasons. The main purpose of conducting this research is to study the factors affecting consumer buying behavior of purchasing gold jewelry in Pakistan. The objective of the study is to get insight about the consumer buying behavior and factors influencing it, such as cultural, inflation, law and order situation, increasing competition and customer loyalty etc. The primary data was collected through questionnaire and was analyzed using simple SPSS method. The study was restricted only to Karachi, the largest city of Pakistan and especially the area covered in this research is Clifton and Defense Housing Authority (DHA) which comes in the jurisdiction of the cantonment board Clifton (CBC). Our sample size is 200 and the technique we used is convenient sampling. Through our findings, we concluded that inflation is the main factor affecting the consumer buying behavior in purchasing gold jewelry. Gold is an expensive commodity and while purchasing it, the consumer is influenced by few other variables as well.

Keywords: culture, inflation, law and order situation, increasing competition, customer loyalty and consumer buying behavior

Introduction

Consumer Behaviour is basically a study of how, when and what people buy and what are factors and reasons which force them to buy or not to buy or in other words we can say what motivates or stops them to purchase. It helps to recognize the decision-making process which includes both individuals and in groups. There are certain patterns which influence the consumers in buying such as demographics, psychographics and Behavioural patterns. The Behavioural pattern of the consumer is generally shaped by the nature of the product for example luxurious items, commodity goods etc. Among the luxurious items Gold is somewhat considered as a safe investment in order to protect the economy and make profits and now it is also considered as a symbol of status for many people. Consumer is considered as the “king” in the market. Apart from its economic value, gold has always been a symbol of status for all generations across social levels mostly in the eastern part of the world and especially in Asian countries.

From ancient time, gold has been considered as the most demanded metals not only because it is used in making different ornaments but also as a common mean of investment, in other words it is considered as a good saving to be used when needed. In Pakistan there's no wedding which is complete without gold jewellery, which has customarily become the most expensive item. In Pakistan and in many other countries gold is not just considered as a symbol of beauty but there's more to it, many people demand gold in dowry and it is also considered as a symbol of joy for everyone especially women. Gold market in Pakistan is highly reliant on imported gold and the primary source is United Arab Emirates (UAE). The previous government granted license to only one importer, which was “ARY” now known as “Millat”, for the import of gold in Pakistan. Current government has granted license to three more countries accountable for the import of gold in our country. The thing is that the importer of gold is subjected to pay duty of \$1.00 per tola which is around (11.6 Grams), to which converts into about Rs.15.00 per Gram at current exchange rate which makes gold growing costly ever since (Azam, 2016).

Pakistan no doubt produces one of the best gold jewelleries which includes mostly studded and plain gold jewellery, which are handmade designs and probably the best in the world. Pakistan is enriched with huge range of precious metals and stones which include Rubies, Pink Emerald and Peridotate however, one major thing to consider is that now people are much more aware and they have a lot of knowledge when it comes to purchasing of gold and sometimes there are certain buyers who aren't that easily dealt with and they do give sellers a tough time but at the end of the day they aren't easily convinced. Back in the day where life

was a lot simpler and things weren't that complicated, there were many people who used to buy gold for their wives or daughters and there was a tradition where people used to gift gold to other people or to their relatives, seems like the trends haven't changed still such practices are followed in our society but now the only difference is that not many people purchase gold. Around 7.5% of the women say they are in constant need in searching for new designs. Understanding the consumers isn't an easy task because it is very difficult to infer what is going on in the mind of consumer. Hence, this study deals with the factors that affect consumers' buying behaviour in regards to purchasing of gold jewellery in Karachi which is the largest city of Pakistan.

This study is about the factors effecting consumer buying behaviour for gold jewellery in Karachi. There are many different reasons that are affecting consumer buying behaviour out of which we selected the most relevant from the literature available which are discussed in the literature review section of the paper.

The basic objective of this study is to find out how and with what intensity various socioeconomic and cultural factors impact buyer's decision in buying gold ornaments and to explore the elements which stimulate or hinder gold purchases.

To achieve this objective, the research is conduct to get answer for the following questions.

- What is the relationship between inflation and buyers' behaviour regarding purchase of gold?
- How cultural factors and social tradition impact the gold purchase pattern?
- How law and order situations effects buyers' behaviour towards purchase of gold and gold ornaments?
- How social and economic competition in the society is contributing towards the tendency of buying gold?
- Does customer loyalty, somehow, impacts behaviour of gold buyers?

Review of Related Literature

Buyer Behaviour

Buyer behaviour basically means the purchasing behaviour of final user or consumer. Many reasons, conditions and features influence the purchaser in his decision-making process, spending behaviours, purchasing behaviour and which brand and product are purchased. A purchase decision is the outcome of each and every one of these factors. A buyer or final user is controlled and influenced by various economic. culture, subculture, social and the demonstration of effect and social pressure of the family and the groups the buyer is

associated with. Also, buyers age, own personality traits including various mental factors and others societal environment influence the buyers purchasing behaviour (Rani, 2014).

Buyers' behaviour is a procedure which includes the way of gathering information, gathering information about choosing and purchasing product. Demographic, behavioural and psychographic factors help to understand what the buyer requires. Buyer behaviour of an individual focus that how they make choices to spend their resources, for example, time, money and effort on utilizing related goods or services. Buyer Behaviour is about realizing that how, what, when, why individuals purchase (Waheed, Mahasan, & Sandhu, 2014).

Buyer Behaviour is 'the behaviour that purchasers show in looking for, obtaining, consuming, evaluating and disposing items and administrations that they believe will satisfy their needs.' Study of Buyer Behaviour is the analysis of how people settle on choices to invest their available assets like energy, money and exertion on consumption related things (Ramdas, 2014). There are two major types of buyers:

Personal buyers. Personal buyer is the person who purchases merchandise and ventures for his or her own use, for household use, for the utilization of a relative, or for a companion.

Organizational consumer. Organizational buyer is a business, government office, or other organizations (profit or non-profit) that acquires the merchandise, managements, as well as equipment's vital for the organization to work. As per them human needs are the bases of all cutting-edge advertising. The way to organization's survival, profitability, and development in this exceptionally aggressive market is its capacity to recognize and fulfill customer needs better and sooner. The need of 32 a buyer is the reason for inspiration that prompts demand and buyer behaviour.

Types of Buying Behaviour

Different types of buying behaviors were found during review of related literature.

Complex behaviour. Buyer buying behaviour applies to high-involvement items, for example, PCs. Purchasers may not comprehend what credits to consider in these items, so they do research. Knowing this, marketers can help teach buyers about item properties, separate and depict the brand's highlights, and persuade store staff and others to impact the last brand decision.

Dissonance-reducing behaviour. Dissonance-reducing buying behaviour applies to high-involvement items, for example, Flooring. Flooring is expensive and self-expressive, yet the buyer may consider most brands in a given price bracket to be the same. After purchasing, the customer may encounter disagreement after seeing certain disturbing reviews or hearing

ideal things about other brands. Advertisers ought to consequently supply convictions and assessments that assist customers like their choice.

Habitual behaviour. Habitual buying behaviour applies to low-contribution items, for example, salt. Shoppers continue purchasing a similar brand out of habit, not because of solid brand loyalty, since they are latent beneficiaries of data passed on by advertising. Advertisement repetition makes brand recognition as opposed to brand conviction. Marketers of such items can utilize cost and deals advancements to tempt new clients to try their products.

Variety-seeking behaviour. Variety-seeking buying behaviour applies to low-involvement items, for example, cookies. In this classification, customers switch brands frequently in light of the fact that they need more variety. The market pioneer therefore in this manner try to cheer habitual buying behaviour by ruling the rack space, keeping racks loaded, and running continuous update advertisements. Competitor firms will energize variety seeking by offering lower cost to customers, coupons, free samples, and advertisements that offer explanations behind trying something new (Ramdas, 2014).

Family Prestige/Emotions/ Sentiments

Another variable which influences the buyer in buying gold is the legacy to pass on gold to its next generation. Apart from the economic value of gold, there is also a sentimental and emotional value involved to the gold jewellery the bride wears. The jewellery is a family inheritance that the bride will one day pass on to kids of her own, and it is the thread that connects different generations of a family together. Therefore, gold is more than a mark of wealth, but also the transferor of family memories and identity (Shishmanian, Dempster, Wang, 2015). Culture is the most important reason for an individual's needs and wants. Human behaviour is generally learned. Experiencing childhood in a general public a kid learns necessary esteems, judgements, needs, and practices from the family and other vital institutions. Culture affects the buyer behaviour through family, friends which born into a mindset that influence a choice of an individual including their buying choice. A set of values that individuals poses are not the same as one get-together of a society to another, a social change turns into an incredible point effect the requests of customers in the general public (Gianie Abdu, 2013).

The broadest effect on the purchases of gold is the buyer's social attributes especially the buyer's culture, sub-culture, and social class recognizable pieces of proof. Culture is the most principal determinant of a people wants and behaviour. Each culture contains smaller gatherings or sub-cultures and each of these gives more particular distinguishing proof and

socialization for its individuals. These sub-groups are identified with groups framed because of various nationality, races or division because of land ranges (Srivastava, 2005).

Customer loyalty and Trust

Loyalty has become a contemporary surviving mechanism in a retail space that is extremely crowded and competitive. To the amazed buyer, loyalty makes purchase decisions stress-free and far less threatening. The consequence of this is that these buyers will spend twice as much on a good or service they are loyal to, compared with a good or service that has little or no loyalty. Moreover, loyalty isn't just essential when it comes to the early purchase, but to the whole sales cycle (Silva, 2015).

Trust is possibly the single most influential tool available for building customer loyalty. There is no durable buyer loyalty without trust. Customer trust, value and loyalty are relational exchanges. Trust refers to a 'willingness to believe on an exchange partner in whom one has confidence'. Factors affecting trust in market research relationships. In marketing, trust is conceptualized as having two major components, confidence and reliability, and is significantly influenced by customer satisfaction. Trust evolves through a dynamic process of exceeding buyer expectations and repeated satisfaction over time. Trust and the online relationship, and therefore plays a central role in determining loyalty and future behaviour (Cohen, Prayag, & Moitel, 2013).

Inflation

Inflation is at the point when speculators no longer trust money, it's normal to swing to gold, and that drives costs up. Low gold costs mean the economy is solid. The reason is because the speculators have numerous other more productive ventures like stocks, bonds, or land. If the income and savings of a customer is high, then he will purchase more expensive products and vice versa if the savings of buyer is low, then automatically he will purchase inexpensive products (Fool, 2013).

Law and Order situations

The law-and-order situation arises when there is uncertainty, threat of violence or violence arising due to a host of factors troubling the ordinary practices of life and businesses in a society. It may be a product of one or more of the following Factors / components:

- External aggression
- Internal disturbances
- Religious/sectarian extremism
- Labour unions/ strikes, boycotts, lock outs, and similar activities

- Ethnic/racial/linguistic cleavages
- Economy fact sheet (Khan, 2013).

Increasing Competition

Gold has the leading position in most of the jewellery marketplaces across the globe because of its worth as well as tradability factor. In 2008, although the total gold consumed as plain gold jewellery declined in volumes, the sales recorded increased in value terms. Demand for platinum jewellery has grown ground in the last few years, not only in the developed countries but also in developing countries like China, India, and Pakistan due to the 'elite' tag and 'high-end' value attached to the metal (Research and Markets Publisher, 2009).

Lifestyle

Lifestyle is an individual's standard of living as conveyed in this psychographics. It includes measuring buyers concern which leads to buying behaviour. Lifestyle captures something more than the individual's social class or personality. It outlines a person's whole pattern of acting and switching buyer values and how they affect buying behaviour (Gianie Abdu, 2013).

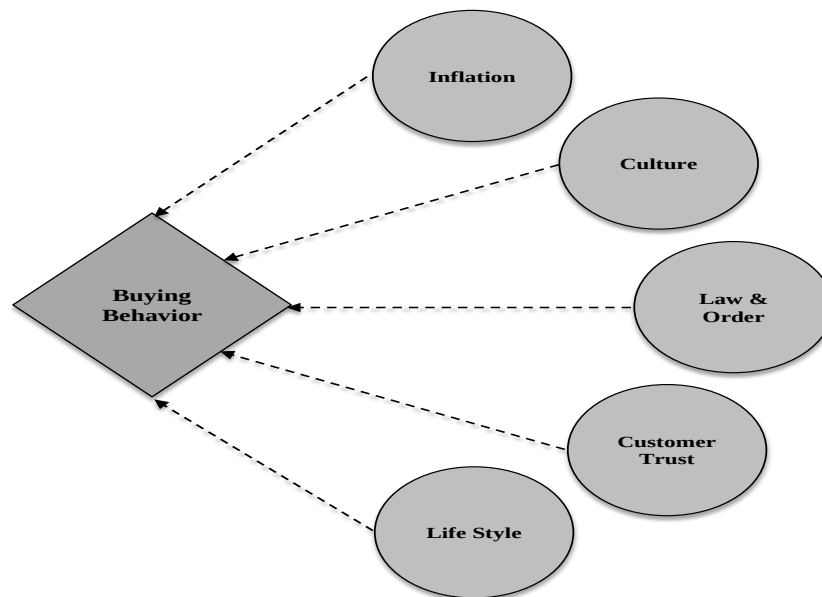
Research Methodology

Sample

Pakistan is one of the largest marketplaces for gold, and it has a difficult and vital role in the country's cultures. In Pakistan, gold is a collection of value, a symbol of wealth and status and an essential part of many rituals. In the country's rural population, a deep attraction for gold goes hand in hand with practical considerations of the transferability and security of jewellery as an investment. This research has been carried out under the geographical boundaries of the city of Karachi in Pakistan. Moreover, the target population and area is the Clifton Cantonment Board localities Clifton and Defence Housing Authority (DHA). The main reasons of choosing Clifton and DHA are is because it is the most affluent and posh area and it consists of a vast variety of markets to give a better understanding as what prompts buyer in purchasing of gold jewellery.

Karachi's population is ethno-semantic gatherings from all parts of Pakistan. After the freedom and partition of India when Pakistan came into existence, a huge number of Indian Muslims, mainly Urdu speaking individuals, relocated to Karachi. The social class of people residing in Clifton and DHA areas of Karachi belong to upper class and rich families. They comparatively earn well and spend luxuriously. People in this area are more likely to spend more on luxury and fashion accessories. People residing here are relatively more educated,

more well off, better spending capacity and stronger purchasing power so they are the most appropriate sample to study their behaviour towards the purchase of gold and gold ornaments.



Conceptual Framework of Research
Independent Variable: Buying Behaviour
Dependent Variables: Inflation, Culture, Law& Order Situation, Customer Trust, Life Style

According to the official website of CBC the approximate population of these two areas is 350,000. Our sample size for this study is 200. The sampling technique which we are using is convenient sampling.

Description of instruments

In this research we used questionnaire survey as instrument to gain information from respondents. The questionnaire was developed from the review of available literature to encompass the concepts to measure. The study involved five main independent variables which are inflation, culture, law and order situation, increasing competition and customer loyalty. The dependent variable was buyer buying behaviour of purchasing gold jewellery. The questionnaire consisted of two sections where the first three questions are based on demographic information and there are other 14 questions to measure independent variables and 5 questions to measure dependent variable. The research survey used a 5-point Likert scale: 1(strongly agree), 2(Agree), 3(neutral), 4(disagree), and 5(strongly disagree).

Reliability and validity

Table 1: Reliability Statistics

Cronbach's Alpha	N of Items
.862	19

Data Analysis & Results

Table 2: Pearson Correlation

	Gender	Age	Infl.	cult	LOS	CLT	LS	CBB
Gender	1	-.022	-.012	-.019	.048	-.033	.111	.149
Age	-.022	1	-.008	-.010	.025	-.067	.000	.103
Infl.	-.012	-.008	1	.130	.251*	.250*	.074	.235*
Cult	-.019	-.010	.130	1	.082	.414**	.446**	.420**
LOS	.048	.025	.251*	.082	1	.169	.163	.253*
CLT	-.033	-.067	.250*	.414**	.169	1	.468**	.514**
LS	.111	.000	.074	.446**	.163	.468**	1	.536**
CBB	.149	.103	.235*	.420**	.253*	.514**	.536**	1

Table 3: Variables Entered / Removed

Model	Variables Entered	Variables	Method
1	LS, Infla, LOS, cult, CLT ^b	.	Enter

a. Dependent Variable: CBB

b. All requested variables entered

Table 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.648 ^a	.420	.385	.43052	.420	12.027	5	83	.000

a. Predictors: (Constant), LS, Infla, LOS, cult, CLT

Table 5: ANOVA^a

Model		Sum of	df	Mean Square	F	Sig.
1	Regression	11.146	5	2.229	12.027	.000 ^b
	Residual	15.384	83	.185		
	Total	26.529	88			

a. Dependent Variable: CBB

b. Predictors: (Constant), LS, Infla, LOS, cult, CLT

Table 6: Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.845	.225		3.759	.000
	INFL	.080	.073	.097	1.096	.276
	CULT	.093	.062	.147	1.519	.133
	L&OS	.071	.051	.120	1.373	.174
	CL&T	.191	.075	.257	2.556	.012
	LS	.206	.064	.323	3.210	.002

Discussion and Conclusion

The objective of the study was to find out which factors would affect buyers' buying behaviour in purchasing gold within Karachi. Buying behaviour of buyers are of different types which are complex buying behaviour, dissonance-reducing buying behaviour, habitual buying behaviour, and variety-seeking buying behaviour. The study largely found that the main variables that affect buyer buying behaviour are culture, customer loyalty & trust, inflation, law and order situations and lifestyle. The research was done through quantitative design and questionnaires were used as the instrument in order to achieve the information that was required. Through our research we have learned that the main factor that is affecting the buyer behaviour in purchasing gold is inflation. For instance, rise in inflation would impact the standard of living and the cost of doing business therefore, affecting the purchasing power of buyers. The results show that inflation is the factor that impacts most as it has affected the price of gold as well. The standard of living has gone down in Karachi which makes it difficult for the buyers to purchase gold as the price has increased drastically.

There are few limitations which have been faced by the study. Due to limitation of time and budget a limited area was selected and sample was taken using our own network and our network's network. Random sampling was used which probably affected the research and may have over generalized the findings as it makes it difficult to find out that to what extent the population is representative. Secondly, the research was conducted through close ended questionnaires, so the buyers or the respondents were not given a choice to add something from their experience. Lastly, the available literature with present study was exceptionally constrained. And the sample size for this research was relatively small as only Clifton and DHA respondents were taken into account in our survey so it is difficult to generalize these to all areas and to all income groups.

Recommendations

This research provides important information to marketers and retailers, that they can understand the purchasing behaviour of buyers and increase purchasing of gold in Karachi. According to the research finding, to increase the purchase of gold in Karachi, the purchasing power needs to be enhanced by value expansion of our currency that is Pakistani rupee which would expand the buying of gold.

Moreover, the law-and-order situation should be controlled so people are not scared to buy gold and other valuable products. The law-and-order situation makes it difficult for buyers to buy valuable products as they do not feel safe. This factor is really important, affecting buyer buying behaviour in purchasing gold.

Lastly, the quality of gold really matters in the eyes of buyers. The Pakistan Gold and Jewellery Development Company (PGJDC) should pass the law for all the gold retailers and suppliers to sell only the hallmarked gold and the standard of gold should be maintained which, resultantly, will create customer loyalty and trust. Buyers would be able to purchase from anywhere if the gold is hallmarked. This could change couple of factors affecting buyer buying behaviour in purchasing gold jewellery.

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