

## CONSUMER RISK PERCEPTIONS IN RTE (READY-TO-EAT) BREAKFAST CEREAL MARKET

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### Abstract

This article builds on past study of Mitchell and Boustani to assess the consumer risk perceptions in RTE Breakfast cereal Indian market. It aims to add to past research through: assessing the consumer risk perceptions analysing its influence on the buying behaviour. Consumers often perceive risks in making product selection due to the uncertainty regarding the consequences of their product decisions. The most frequent risks of Physical, Financial, Social, Psychological and Time risks are analyzed using SEM approach. Primary data was sourced through a structured questionnaire and the information regarding the topic was collected from 150 respondents. It concluded with a note that though RTE Breakfast cereals at the first sight seems to be less risky products, on a closer inspection risks does appear to play a significant role in the purchase decisions. The study also highlights the risk reducing strategies which could be adopted by marketers according to the relative importance of the risks identified.

**Key words:** RTE (Ready - To-Eat) Breakfast Cereals, Risk Perceptions, Buying behaviour

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### Perception

No two individuals are alike. Although two persons are exposed to the same stimuli under the same environmental conditions, each one of them would recognise, organise and interpret particular stimuli in an extremely personalised way. This phenomenon augments the relative importance of the role of individual Perceptions. Perception is defined as (Nair, 2010) the process by which individual selects, organises and interprets stimuli into a meaningful and coherent picture of the world. The study of perception focuses on these raw sensations in order to give appropriate meaning or interpretation. Perceptual filters based on our past experiences influence what we decide to process.

### Perception as a marketing tool

A perceptual map is widely used as a marketing tool that evaluates the relative standing of a product with other competing brands. Marketing stimuli have important sensory qualities which consumers rely on; such as colour, odour, sound, taste and even 'feel'. All sensations would not necessarily be successful in its perceptual process. Most of the stimulations compete to seek attention but majority of them go unnoticed or are not comprehended. People will have different levels of perception. A stimulus shall be presented at a certain level of intensity for the sensory detectors could detect it. It seems to be an important issue in many marketing contexts. In the current marketing scenario, most of the companies continuously engage to identify the consumer's differential threshold to determine the right amount of improvements to be made in the product.

### Perceived Risks

Perception influences a person's behaviour or action. Understanding the consumer perception is important for any product launch or development. This research study focuses on the area of risk perceptions. Perceived risk can be defined as uncertainty experienced by consumers due to their inability to foresee the consequences of their purchase decisions (Nair, 2010). Perceived risks which are considered for this research study will cover two relevant aspects, namely, uncertainty and consequences. The degree of 'risk' varies from person to person, depending on various factors such as individual

differences, type of product, the shopping method etc. Individual differences could be of physical and psychological aspects which vary from person to person. The product also characterizes/ differentiates itself with various features such as price, uniqueness, functional benefits etc. The type of shopping method chosen by the consumer also influences his or her notion of the perceived risk which could be a decision of choosing a particular retail outlet.

Against this background of significant effect of Perceptions in the Consumer market, this article builds on a remarkable former research (Mitchell and Boustani, 1992) and attempts to assess the Perceived Risk Perceptions in Indian RTE Breakfast Cereal Market. This study aims to measure various dimensions of risks such as physical risk, financial risk, social risk, psychological risk and time risk which would influence the purchase of RTE Breakfast cereals. The RTE Breakfast cereal products appeal to wide demographics that include varying ages, income levels because of many significant and accepted reasons. So we decided to choose RTE Breakfast cereals for our study which found significant with the past research studies associated to risk perceptions. In the modern world RTE Breakfast cereals are one of the common choices of breakfast. Breakfast cereals have already become a part of the regular course of meals in the developed nations. It is an important part of a healthful diet, as it facilitates energy balance over the day and typically supplies major nutrients (Castetbon et.al, 2011).

Increasing urbanization and per capita income in the developing countries is giving breakfast cereal industry a new horizon. Davies (2007) noted that increased interest and trends in healthier eating has become a mass market phenomenon that cannot be ignored by the major retailers. Bhaskaran and Hardley (2002) suggest that convenience and lifestyle factors would increase the consumption of functional foods. The fast pace of work and social schedules are leading ever more short cuts in cooking and food consumption. A reason could be that consumers are looking more and more to functional foods to improve their nutritional deficiency in their diets. According to Wheelock (1992) the growing proportion of consumers are becoming increasingly knowledgeable and sophisticated about food. If the industry is prepared to respond to these changes and reflect in their market strategies the bottom line aspect of quality would be taken care about itself.

A detailed literature review was undertaken to draw out findings of past studies related to the topic helped to identify the gaps.

Mitchell and Boustani (1992) has revealed that although at the first sight the purchase of RTE Breakfast cereals seems to have little risk associated, on a closer inspection, it proved that risk does play a significant role in purchase. They found the taste to be the most important risk followed by nutritional concerns. They also discussed the various risk relievers of which choosing the best brand and trying the free samples as the most important ones. They discussed various perceived risks such as Physical, Financial, Social, Psychological and Time risks. Costa Font (2009) tested the risk attitudes and perceptions in determining consumer acceptance of GM (Genetically Modified) food. The role of attitudes towards food is found to be important in the formation of consumer's perception towards GM food. It was found that influence of risk perceptions is higher towards GM food consumer intentions. It's very much noticeable that consumers follow different processes for purchasing RTE cereal where they move from awareness to consideration and then to trial. If the experience is positive, then they make the brand part of their stable though with the added risk of high purchase price. Marketers must always distinguish what drives the consumer movement from one stage to another. In RTE Breakfast cereals perceptions can include product's texture, taste, packaging, price etc. By these elements, consumers can assess how wholesome the product is and how healthy it makes them to feel (Chaudhury, 2010)

## Methodology

Structural equations modelling (SEM) is an important tool for consumer psychology researchers. SEM is chosen to test risk perceptions as moderators which seems to be the predictors (Figure 1) of RTE breakfast cereal purchase.

We applied a survey method using questionnaire, descriptive in nature, to investigate if the consumers are considering the possible risk dimensions as a reason for the purchase RTE Breakfast cereals. Reliability coefficients were obtained to support the questionnaire's validity and reliability. The target population for this study was hypermarket RTE Breakfast cereal purchasers in Kochi. The sample of 150 respondents by a simple random sample procedure is adopted to obtain the information. In terms of bias reduction a sample of 150 will usually be sufficient for a convergent and proper solution (Iacobucci, 2009). The sample selected was from leading hypermarket RTE Breakfast cereal purchasers from the selected city, Cochin (Kochi) in the West coast of India. It is the most densely populated city (B1 grade City)<sub>3</sub> in the state of Kerala and is a part of an extended metropolitan region, which is the largest urban agglomeration in Kerala. The product is been selected due to the noticed change in the food habits among People of Kerala. Reasons can be noted as high influence of modernization and Western culture which seems to get influence in the lifestyle, choice of multinational brands and even in the practice of cooking.

The survey instrument was developed by the researchers after an extensive review of literature and scales used indifferent educational backgrounds guided by the theoretical base of the study. This instrument was reviewed by experts who were working in the field of management to determine its face and content validity. The instrument was improved in the light of the feedback from these experts. The questionnaire consists of 10 constructs (Table 1) which are based on a past research study (Mitchell and Boustani (1992)). The data were analysed via SPSS 20.0 for Windows. Descriptive statistics were used to describe and summarize the properties of the mass data collected from the respondents.

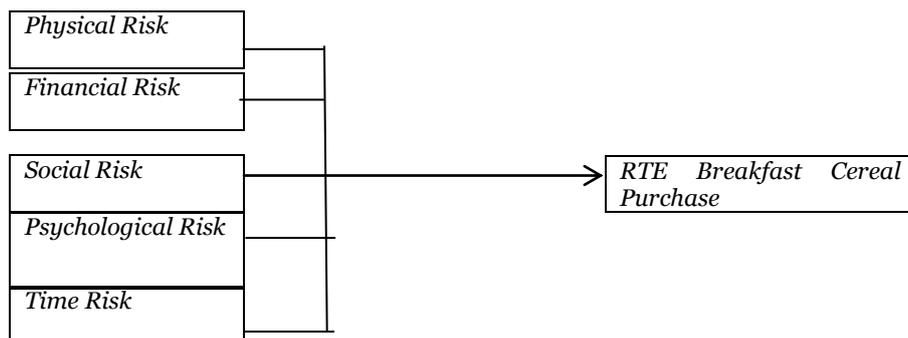
Table 1: Perceived risks and variable codes anticipated in a RTE Breakfast cereal purchase

Variable code	Determinants - Items measuring Risk factors (Physical risk, Financial risk, Social risk, Psychological risk and Time risk)
PR1	I like the taste of the breakfast cereal ( <i>Physical Risk</i> )
PR2	I will look into the nutritional value while choosing the breakfast cereal ( <i>Physical Risk</i> )
PR3	I will consider the quality of the cereal ( <i>Physical Risk</i> )
TR1	RTE Breakfast cereals are easy/quick to prepare ( <i>Time risk</i> )
FR1	I will choose the cereal which proves to be the best value for the money ( <i>Financial risk</i> )
FR2	Breakfast cereals are low-priced ( <i>Financial risk</i> )
SR1	I will prefer the breakfast cereal favoured by family/friends ( <i>Social risk</i> )
PSR1	I am feeling good about buying the cereal ( <i>Psychological risk</i> )
PSR2	I will check the design/ style/illustration of packaging of breakfast cereals ( <i>Psychological risk</i> )
PSR3	I will favour the breakfast cereal which is similar to that consumed by people I respect/admire ( <i>Psychological risk</i> )

## Theoretical framework and Hypotheses development

The research hypotheses have been designed on the basis of the risk perceptions towards RTE Breakfast cereal purchase. The following figure 1 is a pictorial representation of the adapted hypothetical determinants from Mitchell, V.W and Boustani, P. (1999) Consumer Risk Perceptions in the Breakfast Cereal Market. Based on these determinants the following hypothesis is proposed.

*Hypothesis: All the determinants are positively correlated with RTE Breakfast cereal purchase.*



Source: Mitchell, V.W and Boustani, P. (1999) *Consumer Risk Perceptions in the Breakfast Cereal Market*  
 Figure 1: *Perceived Risk Framework* used for Research

### Results and Discussion

Assessing a model is the examination of some fit statistic. R<sup>2</sup> is a descriptive index, but the evaluation of goodness- of-fit is somewhat subjective.

Table 3: The regression Coefficients for RTE Breakfast Cereal purchase

	Independent Variable	Regression Coefficient (R <sup>2</sup> )
	<b>RTE Breakfast Cereal Purchase</b>	Financial Risk
	Psychological Risk	.739
	Social Risk	.695
	Time Risk	.336
	Physical Risk	.324

From the above table all risks are hypothetically positively related but the most influencing risk in RTE Breakfast Cereal purchase is Financial Risk with regression weight 0.765, Psychological Risk with regression weight 0.739, followed by Social Risk with regression weight 0.695. The Time risk with regression weight 0.336 and Physical risk with regression weight 0.324 and comes in the last two positions.

From the Table 3 we have the regression equation for RTE Breakfast Cereal purchase as  
*RTE Breakfast Cereal purchase* = Financial Risk 0.765 + Psychological Risk 0.739 + Social Risk 0.695 + Time Risk 0.336 + Physical Risk 0.324

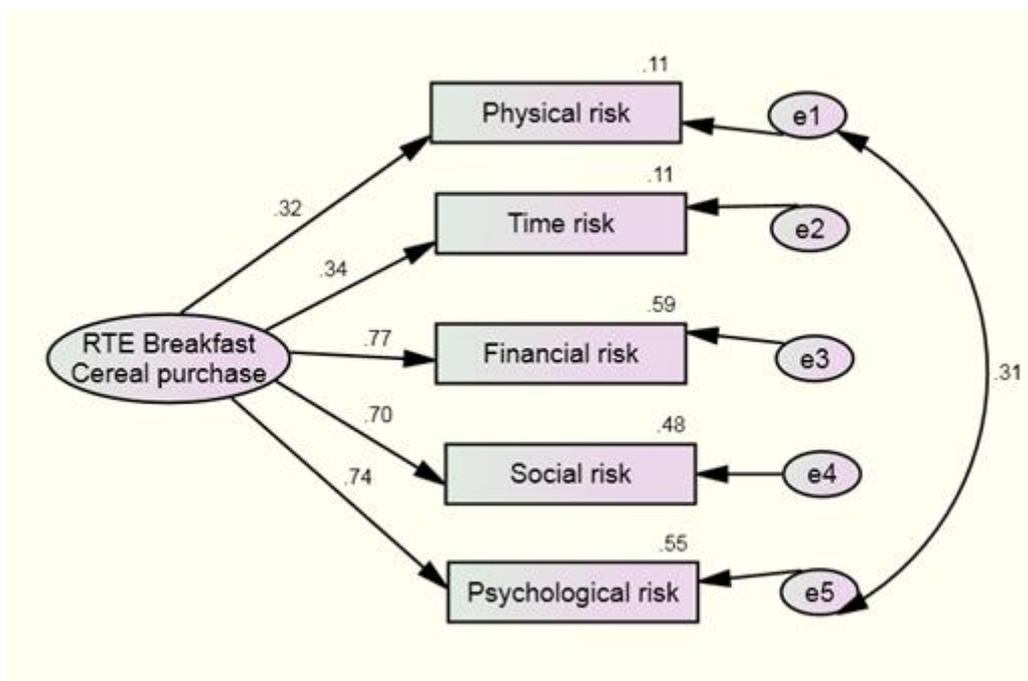


Figure 2: Structural model – results of hypotheses of selected five constructs

### Measurement model

The analysis carried out above is based on the sample which gives only the sample information and is not free from personal bias, group effect and the psychological condition of the respondent. The method to resolve these issues is by applying the scientific principle of a control. Because of this we use the structural equations to measure various dimensions of risks such as physical risk, financial risk, social risk, psychological risk and time risk which would influence the purchase of RTE Breakfast cereals in Indian scenario.

Confirmatory factor analysis (CFA) is a type of structural equation modelling (SEM), which deals specifically with measurement models, that is relationship between observed measures or indicators (e.g.; Test items, test scores etc.) and latent variables or factors. A fundamental feature of CFA is its hypothesis –driven nature. In CFA, the researcher specifies the number of factors and the pattern of indicator factor loading in advance, thus the researcher must have a firm a prior sense, based on past evidence and theory of the factors that exist in the data. CFA is used for four major purposes 1) psychometric evaluation of measures (questionnaires) 2) construct validation 3) testing method effects and 4) testing measurement in variance (across groups or population).

In using SEM, it is a common practice to use a variety of indices to measure model fit. In addition to the ratio of the  $\chi^2$  statistic to its degree of freedom, with a value less than 5 indicating acceptable fit, researchers recommended a handful of fit indices to assess model fit. These are the Goodness of Fit (GFI), Normed Fit Index (NFI), Standardized Root Mean Residual (SRMR), and the Comparative Fit Index (CFI). Table 4 shows the level of acceptable fit and the fit indices for the proposed research model in this study.

Table 4: Model fit Indices for CFA

	$\chi^2$	DF	P	Normed $\chi^2$	GFI	AGFI	NFI	TLI	CFI	RMR	RMSEA
<b>Recommended</b>			>0.05	<3	>0.90	>0.90	>0.90	>0.90	>0.90	<1	<0.5
Regression	2.006	4	0.735	.501	.995	.980	.988	1.031	1.00	.032	.000

The significance of  $\chi^2$ , AGFI (Adjusted goodness-of-fit index) and all other values satisfied the recommended level of acceptable fit.

The most significant risk according to the above analysis shows financial risk as the most significant and influencing one followed by psychological and social risks. The main determinants of financial risks while choosing the cereal proved that the consumers look into the best value from the product for the money spent with a focus on the low-priced. Psychological risks which are found as second significant one, rated one's feeling while buying the cereal, the importance of design/ style/illustration of packaging and the choice for products similar to that consumed by people whom they respect/admire. Other risks such as physical and time rated relatively less significant as per the results, which does not mean that they are absent in the RTE cereal purchase.

The reasons for these ratings can be interpreted as follows according to their relative importance:

*I will choose the cereal which proves to be the best value for the money (Financial risk) & Breakfast cereals are low-priced (Financial risk)*

Indian consumer market considers financial risk as one of the most important risks because the consumer purchase is very much dependent on the household income. A family which is with single income may likely feel the prices are comparatively more compared to the traditional breakfast. When it comes to the breakfast cereals they tend to purchase well-known brands and expensive ones assuming that they would offer better quality. So the cheapest brands are often left unnoticed though they may offer greater value. So as per the study it is revealed that though Indian consumers are interested in trying westernized food products, their main concern remains the financial one. Though life styles have changed people still tend to be more concerned with affordability. To overcome this scenario, specific strategic styles can be adopted to change the basic perceptions towards these products. Though manufacturers are trying to adopt ethnic innovations in the product more attractive methods can be adopted to concentrate more on retail mix strategies with price and promotion.

*I am feeling good about buying the cereal (Psychological risk) & I will check the design/style/illustration of packaging of breakfast cereals (Psychological risk) & I will favour the breakfast cereal which is similar to that consumed by people I respect/admire (Psychological risk)*

Though the results showed the positive intensity of these risks comparative to the financial were not so evident. This can be because of the rational nature of Indian consumer. He is attending towards the psychological vibrations but not to extend towards financial consideration. The design and style could be a major factor in case of children becoming the decision makers during the purchase. Care should be taken when designing packaging in case the product is focused towards children. Though people are concerned with the products consumed by other people whom they admire or respect the financial risks out beat other considerations.

*I will prefer the breakfast cereal favoured by family/friends (Social risk)*

Social risks are also considered to be the least important risk compared to psychological and financial risks. The information from their dear ones is concerned by every potential consumer but they also tries to gather sufficient support from other secondary sources. This rates the rational behaviour of Indian consumers. This point stresses more on the habit of purchaser assuring that the buying of the breakfast cereal will not be a waste of money.

*RTE Breakfast cereals are easy/quick to prepare (Time risk)*

Majority of the consumers have not considered time to prepare RTE Breakfast cereals as a risk. This could be the reason that most of them feel it is comparatively easy to cook so there is no risk involved. Most of the Indian families are used to the long-time cooking activity in the mornings and it is deeply rooted in their culture. So the cooking time for breakfast cereals according to them is negligible and not at all considerable. So the strategies that are promoting this point cannot find much success in the market.

*I like the taste of the breakfast cereal (Physical Risk) & I will look into the nutritional value while choosing the breakfast cereal (Physical Risk) & I will consider the quality of the cereal (Physical Risk)*

It is surprising to note that physical risks are perceived less by the majority of consumers which shows that quality, taste and nutritional value is not at all risky in their eyes. This could be under the assumption that all RTE Breakfast cereals are categorized under westernized food products and consider them as having good quality. They must be feeling that the products under this category are from well-known food manufacturers. So they believe that quality and the nutritional value of the products will not be compromised. This could be taken as an advantage by the manufacturers that they need not worry much about the risk perceptions of Indian consumers in this regard as they are positive to these aspects.

### **Risk reducing strategies in RTE Breakfast Cereals**

Seeking information about product and product category through word-of-mouth communication from sales people and from general media proved an ideal vehicle in spreading good word about the cereal. Personal influence is often used when the risk is high. Taking recommendations from family and friends could be a better risk reliever. Remaining loyal to a brand with which they have been satisfied would be a better option to reduce risks. Choosing a well-known brand appears to confirm the use of advertisements in this product category. Consumers feel more confident with the purchase of well-known brand from a well-known store.

Promotional strategies must be concerned with the reduction of perceived risk. Promotional strategies have to be effective in case of some need for the product has to exist. It includes the aspects of advertising, personal selling and sales promotion. Packaging information is also one of the best risk reliever in case of a new brand purchase. It must be informative and educative to help them for their purchase. The concept of perceived risk has important implications for marketers, who can facilitate the acceptance of products by risk-reducing strategies in their promotional campaigns.

### **Conclusion**

A study of the of the purchasing of RTE Breakfast cereals using primary and secondary data has revealed that risks seems to have an influence on the purchasing decisions of Indian consumers. The most important risk is the financial risk which needs a further justification from manufacturers in shaping consumers' behaviour. It ensures that RTE Breakfast products are categorized as significantly low risk product in all other aspect other than financial perceptive by the consumer. So it is significant that the product and quality steps taken by the manufacturers are well accepted but the price related aspects needs further investigation so as to eliminate these risk perceptions of the prospective and current RTE Breakfast cereals' consumers.

The study could be further continued with a detailed investigation on information search and brand preference with reference to risk attitudes and perceptions, the reasons and perceptions of consumers who have never consumed RTE Breakfast cereal, correlation of socio-demographic characteristics and risk perceptions etc. which would further value this study.

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