

An Empirical Study of Consumer Buying Behaviour Towards Organised Retailing

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Abstract

The main objective of this study is to examine the consumer buying behaviour and to identify the factors involving in purchase decisions in organized retail sector. In order to establish a structure for consumer behaviour research towards organised retail, it is helpful to begin the study by taking into consideration different models and theories of consumer behaviour given by a number of authors. Under this article the researcher tried to identify a set of dimensions in the literature which can be used to exemplify and differentiate the various viewpoints on consumer behaviour research. During 1960s the consumer behaviour emerges as a different field of research and was characterized by two different aspects, the positivist and the non-positivist. The positivist model covers the economic, behavioural, cognitive, motivational, attitudinal, qualitative and situational perspectives; these aspects are referred to as the traditional models as they occur before the development of non-positivist models. The positivist factor, which is still the dominant factor, accentuates the dominance of human cause and that there is a single, objective fact that can be exposed by science. This paradigm regards the world as a rational and ordered place with a clearly defined past, present, and future. The assumption of rationalism is therefore fundamental to the traditional perspective.

Introduction

Consumer buying behaviour signifies more than just the approach of consumer towards buying a product. Marketing efforts therefore also emphasises on consumer's consumption of services, ideas and activities. The manner in which consumer buys a product is extremely important to marketers. It involves understanding a set of decisions (what, why, when, how much and how often) that the consumer makes over the time.

In general terms "consumer is a person who consumes", especially an individual belongs to a particular gender, age sex religion etc and who acquires goods and services for direct use or ownership rather than for resale or use in production and manufacturing of another product. In other words, it can be said that the consumer is an individual who buys products or services for personal use and not for resale. A consumer is an important person who can make the decision to purchase an item from a particular store, and can be swayed by marketing and advertisement. People usually consume things of daily use and also consume and buy these products according to their personal needs, priorities and buying power.

Globally India is among the top ten retail markets of the world. In 2012, the Indian retail sector accounted for over 20% of the country's GDP and contributes 8% to total employment. (The Indian Kaleidoscope-Emerging trends in Retail, PWC, 2012). In India the growing middle class and its nearly untapped retail industry are the key attractive forces for global retail giants looking to enter into newer markets, which intern will help the Indian retail industry to grow at a faster rate. Increase in Indian organized retail penetration will be driven by a combination demand, supply and regularity factors, which are expected to be the growth engines of the Indian consumers and retail market. In 2013, the Indian retail sector was estimated at US\$ 520 billion and was among the largest employer in the country. Food and grocery is the largest category within the retail sector with 60% share followed by the apparel and mobile phone segments (IBEF, 2013). As per the McKinsey Report, "The rise of Indian Consumer Market, the Indian consumer market is expected to grow fourfold by the year 2025.

The Indian retail industry has great potential as far as the growth and market development is concerned because the Government policies are also in favour of retail market development through technological

advancement.

Retail Industry can be broadly classified into two categories namely:

Organized Retailing: Organized Traders or Retailers, who are licenced for trading activities and registered to pay taxes to the Government.

Unorganized Retailing: It includes unorganized small shops, conventional Kirana Shops, Mom & Pop” stores, general stores, corner shops among various other small retail outlets, but remain as the main force of the Indian Retail Industry.

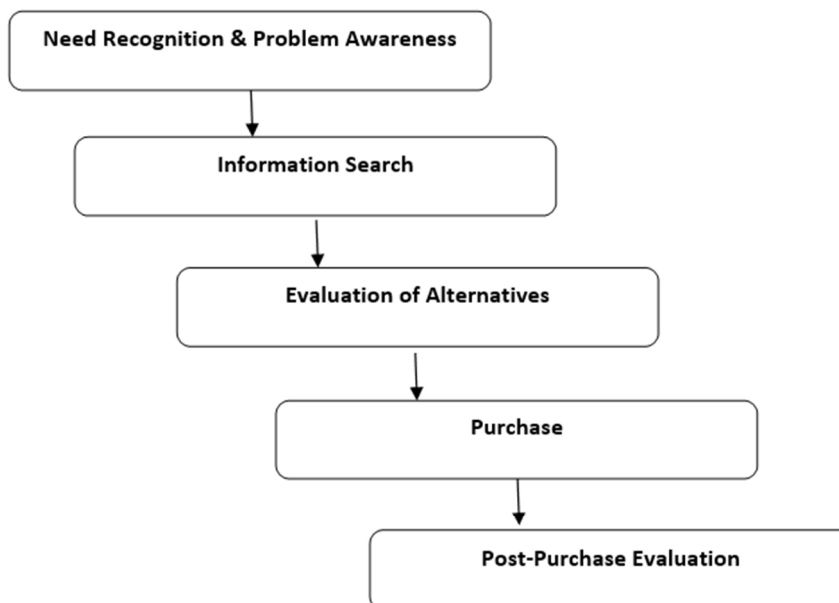
Table: 1 Comparison of Unorganized and Organized Retail Formats

| Criteria | Unorganized Retailing | Organized Retailing |
|-------------------------|--|--|
| Ownership | Household Businesses | Corporate Business Houses |
| Size of Operation | Small Stores | Comparatively Large Stores |
| Selling Price | MRP | Less than MRP |
| Nature of Employment | Generally Family Members | Hired Members |
| Store Ambiance | Poor | Excellent |
| Location | Located round the corner | Distantly Located |
| Product Availability | Selected Range of Branded and Non-branded Products | Wide Range of Branded and Non-branded Products |
| Promotions | Company Promotions Only | Joint Promotions |
| Tax Payments | Evasions of Taxes | Greater enforcement of Taxation mechanism |
| Market Experience | Long Term | Short Term |
| Supply Chain Efficiency | Inefficient | Efficient |
| Range of Products | Limited Products | Wide Range of Products |

Source: Asian Journal of Management & Research (Vol.2 Issue 1 2011)

Process of Consumer Buying Behaviour

The buying process is the series of steps that the consumer will take to make a purchasing decision. A standard model of consumer purchase decision making includes recognition of needs and wants, information search, Evaluation of choices, purchase and post-purchase evaluations.



Factors affecting Consumer behaviour

There are many factors affecting consumer behaviour which are:

- Cultural factors
- Social factors
- Personal factors
- Psychological factors

Research Methodology:

Research Objectives:

- To study the attitude of consumers towards organized retail sector
- To study the factors influencing the consumers to buy from organized sectors.

Research Design: Descriptive Research

Sample Design: consumers who purchase from organized and unorganized retails in India

Sample Unit: Consumers from different age groups, genders, locations, income levels and educational background

Sample Size: 100 Consumers

Data Collection: mainly secondary data is used which is collected from journals, and from various studies related to retailing industry by various agencies. Views of 100 consumers are also taken for study.

Literature Review

The retailers and marketers are very much interested in searching the consumers buying behaviour and habits of shopping. But the research on consumer decision making process is a very complex subject. The purchase of goods and services includes a number of behavioural and non behavioural factors that could affect each of the consumer decision. It becomes more important and complex nowadays as compare to the past. Consumers are exposed to advertising, innovative new products and direct mailing and provided an abundance of information. In addition, increase in the number and variety of goods, stores and shopping malls and the availability of multi component products and electronics purchasing capabilities; have broadened the sphere for consumer choice and complicated decision making (**Hafstrom et al., 2000**)

Most of the study that is available on this subject is primarily related with store choice behaviour rather than shopping malls. However, all these studies provide important input in analyzing the shopper's attitude towards selection, re-patronage and rating of various shopping malls. The choice of retail format has also been found dependent on socio-economic background of customer, their personality and past purchase experience.

Lumpkin et al. (1985) found that as compared to young shoppers, elderly shoppers were more price-conscious and proximity of residence to store was an important factor for them. The young shoppers considered shopping as recreational activity and thus choose a format that is perceived to be high on entertainment value. Experience is also affected by the personal characteristics of teenagers that in turn influence their shopping mall perceptions.

Tabak, Ozgen and Aykol (2003) conducted a research study on teenagers shopping attitude and concluded that shopping practices at malls are perceived as a social experience. **Haytko and Baker (2004)** study on the shopper's attitude towards mall experience, found that several factors determine the selection of a mall. One of the factors was the image of the shopping mall. Image refers to how a format is perceived by the customer and others. To succeed, a firm must communicate a distinctive, clean and consistent image. Numerous factors contribute to a retailer's image, and it is the totality of them that forms an overall image (**Berman and Evans 2004**). In **Haytko and Baker's study (2004)**, five image attribute of the shopping mall found to influence the shopper's attitude of their experiences: comfort, safety, retail-mix, accessibility and atmosphere. Additionally, two characteristics, namely education cohort and trend consciousness affected how they perceived their experiences. Also the situational influence of mall companion and motivations for going to the malls were uncovered

According to **Catalogue Age (1999)** reports, teenagers have been considering the shopping activity as "an experience rather than a job, an event rather than a duty" (as cited by **Taylor and Cosenza, 2002**). Age is a factor affecting shopping motivations significantly. For example, the teen shoppers group has stronger diversion/browsing, and social experience shopping motivation as compared to other age groups. This age group has a vital importance for the marketers. Firstly, they have orientation because they provide a convenient/efficient way to compare shops across a variety of goods and/or a way to complete several purchase in one trip.

Available literature on shopper's buying behaviour assumes that all consumers approach shopping with certain decision making traits that combine to form a customer decision making style. Market researchers and academicians are always interested in identifying these primary decision styles of shoppers.

Further, there are researches that study relationship between mall shopping frequency and background variables, both demographic and those related to shopping motivations.

Grewal et al. (2003) used the classification of shoppers where they are divided into two broad categories as functional economic and recreational shoppers. A high degree of correlation was found between the visit frequency and degree of recreational shopping motivation. This support the hypothesis that people who shop to satisfy affective and cognitive needs, such as needs for affiliation, power and stimulation, visit malls frequently. Functional -discretionary spending power, secondly, when they spend, they use their parent's money and affect parents spending decision also.

Some research studies have reported gender differences in terms of shopping preference and behaviour for many years and research shows that men's and women's shopping behaviour differs on many levels like they

process information differently (Peter and Olson, 1999). Besides, they load different meanings to value and material possessions, go shopping for different reasons. Women go to shopping to browse and see shopping just to meet their needs seeing it as a duty. Available research on shopping behaviour seems to suggest that it is women who go shopping and that shopping is described as a "female typed" task. Dholakia (2001) also found a positive relationship between gender and liking shopping activities.

Meoti, Feinberg and Westgate (2000), discuss the plausible factors responsible for the attraction of customer towards the malls. According to them, there is a basis for assuming that consumers may be attracted to a mall by feelings evoked by qualitative aspects of a particular amalgamation of stores rather than a variety of stores with a limited depth and width.

Stoltman, Jeffery, J. James, W., Anglin, K.A. (2002) view mall shopping as a relative choice phenomenon i.e. a consumer choose to shop at mall over the other outlets and choose some mall over other malls where the choice is available. Patronage is contingent upon the choice variation. Mall shopping can also reflect more economical, or functional, shopping economic type shoppers might be induced to make secondary purchase when visiting the mall. A lot of these strategies are in fact being adopted by new malls that are coming-up, thereby creating perceptible differences for themselves in the market. The analysis of literature available on this subject so far, doesn't give us some conclusive evidence to understand about customer's attitude formation, their re-patronage intentions towards shopping malls. The buying behaviour differs significantly in a developed and developing market. Most of the research studies that are available in this regard are more applicable in European and American market which collectively represent the 'Western Model' of consumption behaviour which has narrow significance in Indian context. The rate, at which new developments are taking place in Indian retail market, fosters an urgent need to understand the shopper's attitude and perception in relation to emerging formats of retailing. The study becomes imperative keeping in view the reported dismal performance of various new formats which are unable to attract customer effectively in a period when international economy is facing a severe slowdown

Development of Organised Retail Sector

1. The Indian retail sector

A shopping revolution is ushering in India where, a large population in the 20-34 age group in the urban regions is boosting demand. This has resulted in huge international retail investment and a more liberal FDI policy making India currently the most attractive destination for global retailers with a GRDI score of 92 and a growth rate of 25 to 30% in the year 2007 (Global Retail Development Index, 2007). Since the time the Narsimha Rao Government kicked off reforms in 1991 and interest rate deregulation became a reality, the retail sector has been like a toddler waiting to grow big. It has taken some time but finally it seems that the evolution of organized retailing in India is picking up momentum.

The world of retail merchandising has come a long way since the days when general stores, that stocked everything from groceries to stationery, and small shops that sold limited varieties of products, reigned supreme. There is a movement now from the unorganized to the organized sector. Several companies are setting up exclusive showrooms and large format stores such as Pantaloon, Shoppers Stop, Westside and several others are expanding. The whole concept of shopping has altered in terms of format and consumer buying behavior, changing the face of shopping in India. These trends indicate that retailing, as an industry, has come into its own.

According to the Global Edge report on Market Potential for Emerging Markets (2008), India ranks eleventh in the list and has been able to maintain itself around this Figure for quite some years now. Infact, according to Global Retail Development Index (2007), India is positioned as the leading destination for retail investment topping the chart above Russia and China. Indian organized retail is growing at a faster pace than was expected and could constitute 25% of the overall retail sector by 2011. According to a study on retail sector prepared by Deloitte Haskins and Sells, organized retail in India had 8% share of overall retail market (total retail pie) in 2007 in comparison to 5% in the year 2006 and is expected to grow still further in the future.

2. Reasons for growth

Favourable demographic and psychographic changes relating to India's consumer class, international exposure, increasing availability of quality retail space, wider availability of products and brand communication are all bringing forth major opportunities in the organized retail sector in India, which is poised for an emphatic phase of growth. For a successful retail story what is required is the proper exploitation of these opportunities.

Over the last few years, many international retailers have entered the Indian market on the strength of rising affluence levels of the young Indian population along with the heightened awareness of global brands and international shopping experiences and the increased availability of retail real estate. Development of India as a sourcing hub shall further make India as an attractive retail opportunity for global retailers. PricewaterhouseCoopers in its third edition of Retail & Consumer study, "From Beijing to Budapest: New Retail & Consumer Growth Patterns in Transitional Economies," assesses growth opportunities in fourteen countries in Asia, Central and Eastern Europe (CEE) and Russia; it has determined six countries with "GO"

recommendations in terms of investment: China, India, Turkey, Thailand, Malaysia and Hungary. The study determines that the most immediate opportunities in the retail and consumer sector lie in China and that India offers more long-term potential for investment in the sector.

The biggest positive point as far as the sector is concerned is that Indian population is witnessing a significant demographic transition. A large young working population with median age of 24 years, nuclear families in urban areas, along with increasing working-women population and emerging country. The highly fragmented structure of the Indian retail sector is also helping the growth of the sector.

There is a great potential for the organized retail industry to prosper in India, as a market for final consumption is very large. Many researches show that the total private consumption market in India is about Rs.15 trillion out of which about Rs 8.5 trillion is towards retail consumption. Though lucrative opportunities exist across product categories, food and grocery, nevertheless, presents the most significant potential in the Indian context as consumer spending is highest on food. While food and grocery represents about 6.5 trillion of retail consumption, clothing comes second with consumption of about Rs 600 billion (The Indian Retail Report 2005).

The next level of opportunities in terms of product retail expansion lies in categories such as apparel, jewellery and accessories, consumer durables, catering services and home improvement. These sectors have already witnessed the emergence of organized formats though more players are expected to join the bandwagon. Some of the niche categories like books, music and gifts also offer interesting opportunities for the retail players.

Wholesale trading is another area, which has potential for rapid growth. German giant Metro AG and South African Shoprite Holdings have already made headway in this segment by setting up stores selling merchandise on a wholesale basis in Bangalore and Mumbai respectively. Manufacturers in industries such as FMCG, consumer durables, paints etc are waking up to the growing clout of retailers as a shift in bargaining power from the former to the latter becomes more discernible. Already, a number of manufacturers in India, in line with trends in developed markets, have set up dedicated units to service the retail channel. Also, instead of viewing retailers with suspicion, or as a 'necessary evil' as was the case earlier, manufacturers are beginning to acknowledge them as channel members to be partnered with for providing solutions to the end-consumer more effectively. Rural Retailing has also being encased into by many companies. Of late, India's large rural population has caught the eye of retailers looking for new areas of growth. ITC launched the country's first rural mall 'Chaupal Saga', offering a diverse product range from FMCG to electronic appliances to automobiles, attempting to provide farmers a one-stop destination for all their needs. There has been yet another rural retail initiative by the DCM Sriram Group called the 'Hariyali Bazaar' that has initially started off by providing farm related inputs and services but plans to introduce the complete shopping basket in due course. Other corporate bodies include Escorts, and Tata Chemicals (with Tata Kisan Sansar) setting up agri-stores to provide products/services targeted at the farmer in order to tap the vast rural market. With IT being the buzzword today how can Electronic Retailing be far behind. Videocon Group has entered the organized retail sector through an electronic retail chain, „Next“, under the venture Emart India. The two other electronic retail chains in the country have a regional or city presence: Viveks and Vijay Sales. Thus, with the growing popularity of Internet electronic retailing presents a golden opportunity to retailers.

Highly Contribution to the India's Retail Sector

Pantaloon is one of the biggest retailers in India with more than 450 stores across the country. Pantaloon launched the country's first hypermarket, Big Bazaar, which has the following retail segments: food & grocery: big bazaar, food bazaar, home solutions: hometown, furniture, bazaar, collection-I, consumer electronics: e-zone, shoes: shoe factory, books, music & gifts: depot, health & beauty care: star, sitara, e-tailing: futurebazaar.com, entertainment: bowling co.

Tata Group is another major player in Indian retail industry with its subsidiary Trent, which operates Westside and Star India Bazaar. Established in 1998, it also acquired the largest book and music retailer in India, 'Landmark', in 2005. Trent owns over .04 million sq. ft retail space across the country.

RPG Group is one of the earlier entrants in the Indian retail market, when it came into food and grocery retailing in 1996 with its retail Food world stores. Later it also opened the pharmacy and beauty care outlets 'Health and Glow'

Reliance Group is one of the biggest players in Indian retail industry. With more than 300 Reliance Fresh stores and Reliance Mart, these stores are quite popular in the Indian retail market. It is expecting to reach sales of US\$ 20.32 billion by 2010.

AV Birla Group has a strong presence in Indian apparel retailing. The brands like Louis Phillipe, Allen Solly, Van Heusen and Peter England are quite popular. It is also investing in other segments of retail. It will invest US\$ 1800-2030 million by 2010

Findings & Conclusion

Consumer behaviour is a vast topic and many factors are responsible for purchasing a particular product. In India organised retailing speeds up very fast but the ratio of unorganised to organised is between 70%---30%. A wide scope for organised retailing is there in Indian market.

In India both contemporary and traditional retailers are likely to co-exist for some more time to come as both of them have their own set of competitive advantages. Modern retailers offer product width and depth and a better shopping experience whereas Kirana Stores have low cost structure, convenient location, and customer intimacy. One of the prime objectives of this study was to find the consumer attitude towards organized sector across different demographics segments. The study revealed that convenience of buy and proximity to the shop were major comparative advantages of organized outlets. However unorganized retailers are having advantages because of their ability to sell loose items, bargaining and home delivery facilities and provision of credit. The organized retailers are having a greater advantage because of the store image, variety of product availability and discounts and offers.

The retail sector is presently undergoing a transition in India. Presently organized retailing has become an experience characterized by comfort, style and speed. It is something that offers a customer more control, convenience and choice along with an experience. Driven by a combination of demand, supply and regularity factors, The Indian retail industry is set to grow rapidly with a gradual shift towards organized retailing formats.

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