

## **An empirical study on customer preferences and buying patterns towards organised retailing**

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### **Abstract**

Business success in today's competitive markets requires a high understanding and respect of the customer. Customers are demanding, have more money to spend and have a wide collection of goods and services to choose from. This is the reason that many retail companies are today rethinking their customer strategies. While the existence of the customer is integral to the existence of the retailer, the ability to understand consumers is the key to developing a successful retail strategy. To able to satisfy the customer, it is necessary to understand them, their needs and how they respond to various marketing efforts done by the retail organization. As competition increases and customer becomes knowledgeable and demanding, the retailer needs this knowledge to stay ahead of his competitors and build a competitive advantage. The present study was done with the objective of identifying customer preferences and buying patterns towards organized retailing with reference to Spencer Retail Outlet in Guntur District.

**Keywords:** Organised retailing, Customer Preferences and Buying Patterns

### **Introduction**

Retailers are a part of a dynamic world today. The retailer faces a more knowledgeable and demanding consumer and since business exists to satisfy the needs of the consumers, the demands and expectations of the consumers often have forced retail organizations to change their formats and product offerings. While a large number of retail formats continue to exist in most markets across the world, what has also changed is the range of services offered. The customer demands convenience, and a certain level of comfort while shopping. Time required to shop and to a particular location is important factors that affect the consumer's decision. This has led to the rise of specialists and the increase in the services offered by the retailer. For example, the petrol pump not only retails petrol and diesel, but also has a speed mart and an ATM. A key challenge faced by the retailer is creating products and services which could be successful in the market. An accurate understanding of consumer needs helps the retailer create a product that is likely to be successful in the market. Consumer understanding or an understanding of the consumer buying behavior is the starting point of strategy creation. It is not only important to understand what consumers know about a product, but also what they do not know this helps in determining the channels of communication and the products that need to be created to cater to the needs of the customer. Understanding consumer knowledge can also help a firm assess how well it has achieved its products positioning goals. The firm needs to study consumers to see how its product is perceived, if there is a good match or not, and then the positioning strategy can be deemed a success.

### **Review of Literature**

Hotniar Siringoringo, Anacostia Kowanda (2009) carried out a research to analyze consumer shopping behaviour in different retail formats such as their shopping intention, attitude towards

modern retail outlet and shopping habit. The findings revealed that there was no difference in consumer shopping behaviour among hypermarket, supermarket and mini market. Furthermore they found that attitude towards retail outlet and shopping habit influences shopping intention.

Dr. G. Bharathi Kamath (2009) <sup>[4]</sup> in the article entitled, 'Consumer Preference of Retail Store Attributes: A Case Study of Mangalore' explored the consumer's preference of the specific attributes of retail store in Mangalore city. Understanding of the preference of the consumers on the attributes is considered of much significant. The knowledge of the factors such as shopping experience and ease, entertainment and gaming facilities, promotion, discounts and low prices, add-on facilities and services, variety of products and other factors for shopping convenience would be very useful to retailers and the strategists to plan the policy and formulate strategies accordingly for customer retention and improving loyalty towards their store.

Nisha Rathore (2010) <sup>[2]</sup> investigated consumer behavior towards organized and unorganized retailing analyzed the consumer behavior towards organized and unorganized retailing, their source of purchasing and the factors which influences their mall purchasing in India. The study also depicted the main drivers of the retail revolution in India and how this revolution changes the buying behavior of the customer, increase in disposable income of the middle class, infrastructure development and changing customer choice. It was observed that Consumer behavior in retailing is more unpredictable & volatile than ever before and retailers are striving to develop new effective strategies for satisfying needs and wants of consumers. Consumers are demanding a very large selection of producers with deep discounts. They are no longer as influenced by brand name but very cautious about quality & value.

## Objectives of the Study

The study was undertaken with the following objectives.

1. To analyze the preferences of customers and their buying patterns of varied demographic profiles with reference to Spencer retail outlet in Guntur District.
2. To examine the relationship between the various demographic variables with customer preferences and buying patterns in organized retail marketing with reference to Spencer.

## Hypothesis of the Study

Based on the objectives of the study the following hypotheses were formulated.

**Ho:** There is no significant relationship between various demographic variables with customer preferences and buying patterns in organized retail marketing with special reference to Spencer.

**Ha:** There is significant relationship between various demographic variables with customer preferences and buying patterns in organized retail marketing with special reference to Spencer.

## Research Methodology

The population for the present study constitutes all classes of customers who are the regular purchasers and occasional buyers of Spencer retail store in the Guntur District. Exit interviews of customers shopping from Spencer retail outlet located in Guntur District was taken for the study. A total of 915 questionnaires were distributed out of which 664 questionnaires were filled up in all respects. The sample for the present study was drawn by using Simple Random Sampling method. In order to elicit the views and opinions of the customers about their preferences, buying patterns towards organized retailing data was gathered directly from the customers of Spencer with the help of a self-structured questionnaire. Reliability analysis was carried out where the Cronbach's alpha was tested. Cornbachs  $\alpha$  coefficient is 0.785. Since this value is greater than 0.5 the data is more consistent. Descriptive and inferential statistics were used to analyse the data and interpret the results. These were computed with the aid of the Statistical Package for the Social Sciences (SPSS), version 20. Karl Pearson's Coefficient of Correlation and Chi-Square was computed to study the relation/association between Demographic variables (Age, gender, income) and the consumer preferences and the buying patterns of the consumers of Spencer's retail outlet in Guntur City.

## Results and Discussions

- The association between the income of the respondents and the frequency of their purchase at Spencer retail Outlet was examined by calculating Chi-Square. The calculated Chi-square value is 49.241. The table value at 16 degrees of freedom is 26.296 at 5% level of significance. Since the calculated value is greater than the table value at 5% level of significance hence it can be concluded that there is significant association among the Income of the

respondents and Frequency of purchase of customers. (Table 1)

- The Spearman's correlation between the variables Income and Average monthly Purchase is 0.243. Since the correlation is positive it may be understood that there is a positive relationship between the variables. (Table 2)
- The calculated Chi-square value is 46.717. The table value at 20 degrees of freedom is 31.41 at 5% level of significance. Since the calculated value is greater than the table value at 5% level of significance hence it can be concluded that there exist a significant association between Income of the respondents and the preferred retail format. (Table 3)
- The calculated Chi-square value is 70.618. The table value at 28 degrees of freedom is 41.337 at 5% level of significance. Since the calculated value is greater than the table value at 5% level of significance hence it can be concluded that there is significant association among Income and choice of Convenience goods. (Table 4)
- The calculated Chi-square value is 3.726. The table value at 4 degrees of freedom is 9.488 at 5% level of significance. Since the calculated value is less than the table value at 5% level of significance hence it can be concluded that there is no significant association among Gender of the respondents and purpose of visiting the Retail outlet. (Table 5)
- The calculated Chi-square value is 2.874. The table value at 4 degrees of freedom is 9.488 at 5% level of significance. Since the calculated value is less than the table value at 5% level of significance hence it can be concluded that there is no significant association among Gender and preference to shop from Spencer Retail outlet. (Table 6)
- The calculated Chi-square value is 38.96. The table value at 12 degrees of freedom is 21.026 at 5% level of significance. Since the calculated value is greater than the table value at 5% level of significance hence it can be concluded that there is significant association among Age and purpose of visiting. (Table 7)

## Conclusion

Organized retailing in India is at present in its initial stages and experiencing high growth. The results of the study revealed a positive correlation between the income of the customers and their preferred retail format, type of goods purchased, frequency of their purchase and average monthly purchase from the Spencer Retail Outlet. From the results of the study it was found that the largest age groups were 25 yrs and below, 26-35 yrs. These age groups were interested in fashion and prefer purchasing collections which were trendy. An in - depth understanding of customer behaviour as well as improvement in system - wide efficiency and productivity in the distribution chain is required among retail managers of India. The customer preference surveys have to take place on continuous basis, and the results has to be put into practice in the company's strategies and operations.

**Table 1:** Association between Income and Frequency of buying of the customers of Spencer Retail Outlet.

	Daily	Weekly	Fortnightly	Monthly	Once in six months	Total
Below Rs. 5,000	3	1	7	12	0	23
	7.7%	.4%	5.2%	5.1%	.0%	3.5%
Between Rs. 5,000 - Rs 10,000	12	65	65	83	5	230
	30.8%	26.3%	48.5%	35.3%	55.6%	34.6%
Between Rs. 10,000 - Rs. 15,000	6	54	23	52	2	137
	15.4%	21.9%	17.2%	22.1%	22.2%	20.6%
Between Rs. 15,000 - Rs. 20,000	7	67	13	33	2	122
	17.9%	27.1%	9.7%	14.0%	22.2%	18.4%
Above Rs. 20,000	11	60	26	55	0	152
	28.2%	24.3%	19.4%	23.4%	.0%	22.9%
Total	39	247	134	235	9	664
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

**Table 2:** Relationship between Income and Average monthly Purchase of the customers of Spencer Retail Outlet.

	Below Rs. 1,000	Between Rs. 1,000-2,000	Between Rs. 2,000-3,000	Between Rs. 3,000-4,000	Above Rs. 5,000	Total
Below Rs. 5,000	5	7	7	3	1	23
	12.2%	4.4%	3.3%	1.5%	1.8%	3.5%
Between Rs. 5,000 - Rs 10,000	14	85	77	41	13	230
	34.1%	53.1%	36.8%	20.7%	23.2%	34.6%
Between Rs. 10,000 - Rs. 15,000	9	23	45	52	8	137
	22.0%	14.4%	21.5%	26.3%	14.3%	20.6%
Between Rs. 15,000 - Rs. 20,000	2	14	43	55	8	122
	4.9%	8.8%	20.6%	27.8%	14.3%	18.4%
Above Rs. 20,000	11	31	37	47	26	152
	26.8%	19.4%	17.7%	23.7%	46.4%	22.9%
Total	41	160	209	198	56	664
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

**Table 3:** Association between Income of the customers and the preferred retail format.

	Malls	Convenience store	Department Store	Hyper markets /Super markets	Discount store	Speciality Store	Total
Below Rs. 5,000	9	1	1	0	4	8	23
	2.4%	2.8%	5.0%	.0%	3.8%	8.7%	3.5%
Between Rs. 5,000 - Rs 10,000	136	19	11	10	25	29	230
	36.2%	52.8%	55.0%	28.6%	23.8%	31.5%	34.6%
Between Rs. 10,000 - Rs. 15,000	70	5	5	8	31	18	137
	18.6%	13.9%	25.0%	22.9%	29.5%	19.6%	20.6%
Between Rs. 15,000 - Rs. 20,000	71	5	0	2	28	16	122
	18.9%	13.9%	.0%	5.7%	26.7%	17.4%	18.4%
Above Rs. 20,000	90	6	3	15	17	21	152
	23.9%	16.7%	15.0%	42.9%	16.2%	22.8%	22.9%
Total	376	36	20	35	105	92	664
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

**Table 4:** Association between Income of the customers and Convenience goods

	Food and Grocery	Beverages	Personal care products	Confectionaries	Stationary	Books and Magazines	Gift Items	Toys	Total
Below Rs. 5,000	0	0	1	3	1	3	3	12	23
	.0%	.0%	3.4%	25.0%	3.4%	6.7%	3.0%	4.0%	3.5%
Between Rs. 5,000 - Rs 10,000	5	35	4	2	9	15	29	131	230
	21.7%	28.7%	13.8%	16.7%	31.0%	33.3%	28.7%	43.2%	34.6%
Between Rs. 10,000 - Rs. 15,000	8	32	8	4	8	6	23	48	137
	34.8%	26.2%	27.6%	33.3%	27.6%	13.3%	22.8%	15.8%	20.6%
Between Rs. 15,000 - Rs. 20,000	6	36	8	2	4	7	16	43	122
	26.1%	29.5%	27.6%	16.7%	13.8%	15.6%	15.8%	14.2%	18.4%
Total	4	19	8	1	7	14	30	69	152

Above Rs. 20,000	17.4%	15.6%	27.6%	8.3%	24.1%	31.1%	29.7%	22.8%	22.9%
Total	23	122	29	12	29	45	101	303	664
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

**Table 5:** Association between Gender and Purpose of visiting the Retail Outlet.

	Shopping only	Entertainment only	Shopping and entertainment	Window Shopping	Enjoying Food courts	Total
Male	92	48	92	58	129	419
	70.2%	60.0%	62.6%	61.1%	61.1%	63.1%
Female	39	32	55	37	82	245
	29.8%	40.0%	37.4%	38.9%	38.9%	36.9%
Total	131	80	147	95	211	664
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

**Table 6:** Association between Gender and Preference to shop from Spencer

	Economy	Lifestyle	Status related satisfaction	Location	Family/Friends	Total
Male	37	43	90	87	162	419
	58.7%	58.9%	63.8%	60.4%	66.7%	63.1%
Female	26	30	51	57	81	245
	41.3%	41.1%	36.2%	39.6%	33.3%	36.9%
Total	63	73	141	144	243	664
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

**Table 7:** Association between Age and Purpose of visiting

	Shopping only	Entertainment only	Shopping and entertainment	Window Shopping	Enjoying Food courts	Total
25 and below	36	43	62	38	96	275
	27.5%	53.8%	42.2%	40.0%	45.5%	41.4%
26-35 years	62	31	62	42	99	296
	47.3%	38.8%	42.2%	44.2%	46.9%	44.6%
36-45 years	25	4	13	7	9	58
	19.1%	5.0%	8.8%	7.4%	4.3%	8.7%
Age above 45 years	8	2	10	8	7	35
	6.1%	2.5%	6.8%	8.4%	3.3%	5.3%
Total	131	80	147	95	211	664
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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