

## Consumer behaviour in the Indian retail sector

<sup>1</sup> Pankaj Kumar Gupta, <sup>2</sup> Dr. Vipul Jain

<sup>1</sup> Research Scholar, Department of Management, Singhania University, Pachari Bari, Jhunjhunu (Rajasthan)

<sup>2</sup> Rorkee Engineering & Management Technology Institute, Samli (U.P)

### Abstract

Consumer behaviour is the study of when, why, how, and where people do or do not buy a products/services. It blends elements from psychology, sociology, social anthropology and economics. The Indian retail sector is highly fragmented with 91 per cent of its business being carried out by unorganized retailers like traditional family run small stores and corner stores (\* Source: India Brand Equity Foundation). The organized retail however is at a very nascent stage, though attempts are made to increase its proportion to 9-10 percent. Retail sector is the largest source of employment after agriculture and has deep penetration in to the rural India. Retail is India's largest industry, accounting for 14.2 per cent of the country's GDP and around 12 per cent of the employment. This study is an attempt to identify the consumer behaviour toward retail sector in India. The services offered by the retailers and the importance of recognition of consumer's value system and the discount offered by the retailer are also other important factors of the study.

**Keywords:** Organized and Un-organized Retail, Patronage, Consumer Value System, Attribute.

### Introduction

Retailing is one of the pillars of the Indian economy and accounts for 14.2% of GDP. The retail industry is divided into organized and unorganized sectors. Organized retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the corporate-backed hypermarkets, departmental stores, super markets, specialty retail chains and also the privately owned large retail businesses. Un-organized retailing, on the other hand, refers to the traditional formats of low-cost retailing like, kirana shops, owner manned general stores, convenience stores & pavement vendors etc.

The organized retail market in India is growing at 35 percent annually while growth of unorganized retail sector is pegged at 6 percent. The Retail Business in India is currently at the point of inflection. Rapid change with investments to the tune of US \$ 25 billion is being planned by several Indian and multinational companies in the next 5 years. It is a huge industry in terms of size and valued currently at about US\$ 427.96 billion to US \$ 928.12 billion by 2020 (\*Source: *BMI India Retail Report, Q 4, 2015*).

Robust economic growth, high disposable income with the end-consumer and the rapid construction of organized retail infrastructure are key factors behind the forecast growth.

The main factors for the growth of the retail sector in India are:

- Increase in per capita income which in turn increases the household consumption.
- Demographical changes and improvements in the standard of living.
- Change in patterns of consumption and availability of low-cost consumer credit.
- Improvements in infrastructure and enhanced availability of retail space.
- Entry to various sources of financing.

Retailing (organized & unorganized) can take place in any of the following possible formats like Mom and Pop, Mass Discounters, Warehouse Stores, Category Killers Department Stores, Boutique Catalog Retailers, E-tailors, Franchise, Convenience, Vending, Hypermarkets and Supermarkets etc.

### Literature Review

Retail is amongst the fastest growing sectors in the country and India ranks 1<sup>st</sup>, ahead of Russia, in terms of emerging markets potential in retail (Associated Chambers of Commerce and Industry of India). The retail environment is changing more rapidly than ever before (Bitner, 2012) [3]. Retail is characterized by intensifying competition from both domestic and foreign companies, a spate of mergers and acquisitions, and more sophisticated and demanding customers who have great expectations related to their consumption experiences (Baker, Berry and Parasuraman, 1988) [1]. There is general agreement that a basic retailing strategy for creating competitive advantage is the delivery of high service quality (Bellenger and Moschis, 2010) [2]. The shopper seeks the store whose image is most congruent with the image of him/her. Some stores may intimidate; others may seem beneath. A store may be acceptable for one type of goods and not for others (Martineau, 1958). The limits to enhancing loyalty can essentially be seen as the limited centripetal pull of a store/shopping centre (Bloemer, 2008) [4]. Customers give more importance to location related variables in analyzing both trade areas and retail patronage behavior (Burt and Carralero, 2000) [5]. Apart from distance, several other factors such as Income and social class perceptions have also affect retail centre patronage decisions (Chaudhary and Holbrook, 2014) [6]. Several studies (Kunkel and Berry-1968, Reynolds, Darden and Martin, Korgaonkar, Lund and Price-1985) have report direct linkages between store image and intensity of store loyalty. Thus, we can conclude that more positive the store image the greater is the degree of loyalty. Situational factors impact consumer characteristics and produce significantly

varying store choice and shopping trip behavior (Darden and Dorch, 2010) [7]. Evaluating Store Image on purely objective criteria without accounting for individual subjectivity would lead to insufficient and maybe erroneous information to retailers (Hirschman and Krishnan, 1981). Store choice and shopping trip timing decisions tend to differ for individuals and households (Sivadas and Jamie, 2015) [16]. Store choice is affected by the past experiences of the consumer (Osman, 1993) [15]. Store loyalty has been related to store patronage dimensions i.e. repeat purchase over time indicates loyalty as related to attitudes (Gutman and Mills, 2000) [9]. Brand loyalty as an attitude which may result in a purchase behavior (Meyer, 2006) [11]. Most often it has been taken to imply a mix of both behaviour and attitude. Loyalty is the relationship between relative attitude and patronage behaviour (Mitchell, 2006). Store loyal consumer's, spent a larger portion of their total expenditure at the store (Moye, 2006) [14]. A consumer could display patronage behavior and yet not be loyal. This 'spurious' loyalty is indistinguishable from intended loyalty in the short term and occurs due to price offers and heavy promotions. Deal prone consumers would shift to a store that offers the best price/discounts though over a short period of time they may have the same shopping patterns as loyal customers (Sandhusen, 2011) [17]. Given importance to the continuous growth of the Indian retail sector with different retail formats, this paper tries to study the consumer behaviour towards retail sector in India.

**Objectives of the Study**

- The present paper aims to focus on the scope of retailing by assessing the demographic profile of consumers, their

attitude and preference towards different types of store selection.

- To study the consumer's perception towards retail store and identify key attributes that affect image, patronage & loyalty of the store.
- To study the relationship between consumers' preferences with different factors, which they consider while selecting a particular retail shop.
- To assess the consumer attitudes toward retail preference.

**Research Methodology**

To collect the necessary information, various parameters were developed with the help of reviewed literature. The responses to these parameters were gathered, coded, tabulated and analyzed. To measure the intensity of parameters, open and close ended questionnaire was used. Certain attributes were measured on a five point scale and the final score has been calculated by using weighted ranking method.

Though location is an important factor driving consumer choice but in this study, special advantage does not play any role, since in the geographical, area of study both organized and unorganized retailers' were equidistant to the customer.

Sample size was 150 and all the respondents were residents of eastern part of Delhi. The respondents were the consumers coming out of retail outlets. Since all respondents were intercepted at modern format retail outlet premises, it was assumed that all have been exposed to both organized and unorganized form of retailing.

**Analysis and Discussion**

**Table 1:** Demographic Characteristic of Respondents

	<b>Characteristics</b>	<b>No of Respondents</b>	<b>%</b>
	<b>Total Number of Respondents</b>	<b>150</b>	<b>100</b>
<b>Age</b>	Below 25 years	70	46.67
	25 to 35 years	44	29.33
	35 to 50 years	28	18.67
	51 years and above	8	5.33
<b>Sex</b>	Male	84	56.00
	Female	66	44.00
<b>Marital status</b>	Married	82	54.67
	Unmarried	68	45.33
<b>Qualifications</b>	Metric and below	19	12.67
	Under Graduate	34	22.67
	Graduate	23	15.33
	PG	41	27.33
	Professionals and other	33	22.00
<b>Family size</b>	Below 4 members	55	36.67
	4to 6 members	87	58.00
	More than 6 members	8	5.33
<b>Occupation</b>	Student	40	26.67
	Business	16	10.67
	Service	70	46.67
	Professional	20	13.33
	House Wife	3	2.00
	Other	1	0.67
<b>Annual income</b>	Up to Rs.5000 PM	28	18.67
	Rs.5000-10,000PM	40	26.67
	Rs.10000-15000PM	46	30.67
	Above Rs.15000	36	24.00

The demographic data presented in the above table no.1, indicates that the sample is primarily dominated by those respondents who are in the age upto 25 Years. The analysis elaborates that the sample includes 56% male and 44% female respondents. It signifies that the sample has been dominated by the male respondents. The information pertaining to marital status of respondents reveals that sample includes 54.67% married and 45.33% unmarried respondents. It signifies that the sample has been dominated by the married respondents. The data related to the level of education depicts that the sample is dominated by the respondents who are educated up to post graduate and above as it was indicated by almost 49.33% respondents in the sample. The analysis indicates that the sample includes 12.67%, 22.67%, and 15.33%, respondents respectively educated upto matric and below, under graduation, and graduation level. The analysis indicates that the sample is dominated by the respondents of service categories as 46.67% of them fall in this category. Another 26.67%, 10.67%, 13.33% and 2% respondent who are respectively students, businessmen, professional and housewives. Analysis significantly highlights that most of the users of cable TV network system belong to the service category in the sample. The data pertaining to the income of respondent presented in the table 1, projects that the sample includes 18.67%, 26.67 %, 30.67% and 24% respondents respectively representing the group of respondents with monthly income, upto Rs.5, 000, Rs.5, 000-10,000, Rs. 10,000–15,000 and Rs. 15,000 & above. This signifies that the sample is dominated by those respondents whose monthly income is between Rs.10000-15000 PM. The analysis suggests that the sample includes 36.67%, 58%, and 5.33% respondents whose family size is less than 4 members, 4-6 member and more than 6 members respectively. Analysis clearly signifies that the sample is dominated by the respondents whose family size is between 4 to 6 members.

**Table 2:** Purchase Nature of Consumer

S.No.	Description	No. of Respondent	Percentage
1	Cash	111	74
2	Credit	6	4
3	Cash and Credit (Both)	33	22
	Total	150	100

Consumer buying behaviour is the process by which individuals select, purchase, use, and dispose goods and services, in satisfaction of their needs and wants. An understanding of consumer behaviour is very important to all marketing personnel. This understanding enables the marketers to find behaviour of consumers, to influence their behaviours and to manipulate the influencing variables to gain advantage. The consumer behaviour is the focal point of marketing and is being researched very widely throughout the world. It is desirable by all the organizations to assess the consumers' behaviour and their preferences in order to remain competitive in the market. Keeping these into consideration, an attempt was made to know the nature of purchase by the consumers. The information presented in the table no. 2 indicates that maximum no. of the respondent in the sample prefer to purchase their product on cash as it was indicted by 74% respondents in the sample. Very few respondents prefer to

purchase on credit, as it was indicated by 4% respondents in the sample and 22% respondents indicated that they prefer both cash and credit, depending upon the situation.

**Offerings: Sales Promotion Schemes**

A sales promotion is a tool used to get customers to buy a product or try a service. Sales promotions can come in the form of coupons, rebates, sweepstakes, contests, discounted pricing, point-of-purchase displays, trade shows, demonstrations, premiums and sampling. Typically, before a sales promotion is put into action, company evaluates its market. If a sales promotion is warranted, the company comes up with a clear, measurable objective they'd like to accomplish through the promotions. Sales promotions can create excitement and involvement among the targeted segment. Introductory offers with either discounts or sales promotion enable the consumer to try out a new brand in a familiar category.

With the culture of freebies and discounts spreading widely in the Indian context, brands need to consider their implications before embarking on a discount strategy. Price discounting not only affects the profitability of brands but it also affects their equity.

An aspect; offering of unique bundles of sales promotions to the middle or upper middle class of the society may be a compelling reason for consumers' to visit the departmental stores. A consumer may plan for "an unplanned impulse" in a departmental store known for offering such bundled sales promotions schemes. Study depicts that, service factor offered by the retailers was considered first while making purchase decision by the respondents followed by product, convenience, promotional and luxury factors.

**Consumers Attitude for Retailing**

Consumer attitudes are a composite of their beliefs, feelings, and behavioral intentions toward some object, within the context of marketing, usually brand or a retail store. These components are viewed together, since they are highly interdependent and represent forces that influence how the consumer will react to the object. So, as a main objective of the study, an attempt was made to assess the consumer's attitude toward retailing. Resulted, the originality of the product was given highest preference by the respondents and they believe that retail showroom offers original product. The relationship and services offered by the retailer is another important issues which were given due consideration and scored better in their preference list. The importance of recognition of consumer's value system and the discount offered by the retailer are another important factor which respondent has considered in selecting the retail showroom.

**Conclusion**

The retail sector has played a phenomenal role throughout the world in increasing productivity of consumer goods and services. It is also the second largest industry in US in terms of numbers of employees and establishments. There is no denying the fact that most of the developed economies are very much relying on their retail sector as a locomotive of growth. The India Retail Industry is the largest among all the industries, accounting for 14.2 per cent of the country GDP and around 10 per cent of the employment. Retail companies try to attract the consumers' and boost the sale with the permutation and

combination of different retail format. The attempts of this paper as to correlate the distinct store features as perceived by respondents with the true motivations of various consumers in patronising various stores. In the process, an insight provides, as to whether the average Indian consumer values the new store dimensions offered by retailers as a part of the new formats emerging in the market place. The study reveals that majority of the customer prefers to purchase the product from retail shop on cash payment mode which indicates the greater scope for the retail industry to grow in future. The analysis also indicates that service factor offered by retailer was considered first while making purchase decision by the consumer's. So, it is suggested that retailers must focus on improving their services in order to strengthen their customer base. The analysis of Consumers attitude toward retailing indicates that originality of the product was given highest preference by the respondents and they believe that retail showroom offers original product. The importance of recognition of consumer's value system (CVS) and the discount offered by the retailer are another important factor which respondent has considered in selecting the retail showroom.

### References

1. Baker J, Berry LL, Parasuraman A. The marketing impact of branch facility design. *Journal of Retail Banking*. 1988; 10(2):36-42.
2. Bellenger DN, Moschis GP. A socialization model of retail patronage, 2010; 9:373-378.
3. Bitner MJ. Services Capes: The impact of physical surroundings on consumers and employees. *Journal of Marketing*. 2012; 56(2):57-71.
4. Bloemer J, de Ruyter K. On the relationship between store image, store satisfaction and store loyalty. *European Journal of Marketing*. 2008; 32(5, 6):499-513.
5. Burt S, Carralero-Encinas J. The role of store image in retail internationalization. *International Marketing Review* 2000; 17(4, 5):433-453.
6. Chaudhuri A, Holbrook M. The chain of effects from brand trust and brand affect to brand performance: the role of brand loyalty. *Journal of Marketing*. 2014; 65:81-93.
7. Darden WR, Dorsch MJ. An action strategy approach to examining shopping behavior. *Journal of Business Research*, 2010; 21:289-308.
8. Dotson M, Patton WE. Consumer perceptions of department store service: A lesson for retailers. *Journal of Services Marketing*. 2015; 6(2):15-27.
9. Gutman J, Mills MK. Fashion life style, self-concept, shopping orientation, and store patronage: An integrative analysis. *Journal of Retailing*. 2000; 58(2):64-86.
10. Levi Weitz. *Retail Management*. New Delhi: McGraw-Hill Companies, 2006.
11. Meyer-Waarden Lars, Christopher Benavent. The impact of loyalty programs on repeat purchase behaviour, *Journal of Marketing Management*, 2006; 22(1, 2).
12. Mitchell VW. Re-conceptualizing consumer store image processing using perceived risk, *Journal of Business Research*, 2007; 54:167-172.
13. Morgan R, Hunt S. The commitment-trust theory of relationship marketing. *Journal of Marketing*. 2004; 58:20-38.
14. Moye LN. Relationship between age, store attributes, shopping orientations, and approach-avoidance behavior of elderly apparel consumers, 2006.
15. Osman MZ. A conceptual model of retail image influences on loyalty patronage behaviour. *The International Review of Retail, Distribution and Consumer Research* 1993; 3(2):133-148.
16. Sivadas, Eugene, Jamie Baker-Prewitt. An examination of the relationship between service quality, customer satisfaction, and store loyalty, *International Journal of Retail & Distribution Management*. 2015; 28(2):73-82.
17. Sandhusen, Richard L. *Retail Marketing*, 2011, 58-81.