

Consumer preference towards organized retailing

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Abstract

Consumer behaviour forms an integral part of human behaviour. Understanding consumer preferences has become imperative for the survival and success of the marketers, as buyers dominate the market. In the modern business world, any business to consumer interaction is retailing interaction. Retailing is the final step in the distribution of merchandise for consumption by the end consumers. Though, Indian retail industry is dominated by the unorganized retail outlets, there seems to be moderate change in consumer preference from unorganized to organized retail outlets. The study has focussed on consumer preference towards organised retailing and factors influencing the choice of organized retail shops in Kanniyakumari District. In a competitive market place, where businesses compete for customers, customer oriented study helps the service providers to improve and bring their products to the expectation of the customers. The present study is descriptive and analytical in nature. The study includes both primary data and secondary data. Primary data have been collected from 60 respondents through structured questionnaire using Judgement sampling method. Descriptive statistics, Freidman test and Factor analysis have been used for analysis. The growth in the Indian organized retail market is primarily due to the change in the consumer preferences and mindset backed by purchasing power. The study concludes that consumers' preference towards organised retailers due to product factor place and economic factors. The organised retailing has bright prospects and opportunity to flourish in the study area.

Keywords: retailing, organised retailing, consumer, consumer preferences, Indian retail, retailers, Kanniyakumari

Introduction

Consumer behaviour forms an integral part of human behaviour. Understanding consumer preferences has become imperative for the survival and success of the marketers, as buyers dominate the market. Availability of substitute products and multiple sellers have created intense competition. In the modern business world, any business to consumer interaction is retailing interaction. Retailing is the final step in the distribution of merchandise for consumption by the end consumers.

Retailing is one of the oldest businesses that human civilization has known. It acts as an interface between the producer and consumer, improves the flow of goods and services and raises the efficiency of distribution in economy thus, a well-organized and efficient retail sector is a must. Organized retailing in India refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax and to other relevant Acts. One of the major developments that have takes after liberalization was the entry of organized retail stores in different parts of India. The size of organized retail in India remained at 3 per cent and there is enormous scope for improving the share of organized retail in the market. The country witnessed the entry of a number of big retail stores established by some of the leading Indian industrial houses like Reliance and Tata.

Retailing in India

Retailing is one of the pillars of the economy in India and accounts for 35 per cent of GDP. Over 12 million outlets operate in the country and only 4 per cent of them being larger than 500 sq. ft in size. Most Indian shopping takes place in open markets and millions of independent grocery shops. Indian market has high complexities in terms of a wide

geographic spread and distinct consumer preferences varying by each region necessitating a need for localization even within the geographic zones. India has highest number of retail outlets per person. It is around 11 per thousand people. The traditional grocers, by introducing self- service formats as well as value added services such as credit and home delivery, have tried to define themselves. However, the boom in retailing has been confined primarily to the urban markets in the country.

Early retailing in India can be traced back to the weekly haats or gatherings at the market place and meals, where not only the local products, but also products for outside used to be on display for sale. They still continue to present in most part of the country and form an essential part of life and trade in various areas. Later on, local mom-and-pop stores (kirana stores) sprung up in the landscape to cater to the needs of the local population. Hence, the early Indian retail scenario was primarily dominated by local products and local vendors. There were no branded products at that time. The local manufacturer simply used to put up his wares for sale. Although this trading of goods was going on for ages, yet only in the recent past the buying and selling of goods has become more of finesse and brand dominated activity. Since liberalisation, the Indian economy slowly progressed from being state led to become market friendly. As the local stores are not able to satisfy the total demand, more and more players are coming in the market with new attractive retail formats like supermarkets, hypermarkets, departmental stores, malls, etc. these organised retail sectors are keeping almost all convenience goods under one roll which attracts more customers retail sector. So the organised retail sector is becoming large. The India market is currently witnessing a retail boom with organised retailers offering a whole assortment of goods to consumers under one roof with

congenial shopping ambience. Modern organised retailing competes based on the price and variety. The emergence of the modern Indian housewife, who managed her home and work, led to a demand for more products, a better shopping ambience, more convenience and one stop shopping. Hence, retailers have started providing some pleasant enjoyable experience to the consumers by providing improved facilities like shopping ambience, friendly layout and a single point-of-purchase laced with the lure of discounts. This is the beginning of a new era for retail in India.

Organized Retailing in India

The modern, systematic and consumer oriented shopping culture is the foundation of organised retailing. This fuelled the growth of supermarkets, hypermarkets, departmental stores, malls, etc. This sector has modernized and expanded at a rapid pace in synchronization with India's economic growth. Retail industry is continuously going through changes on account of liberalisation, globalisation and consumer preferences. While multinational retail chains are looking for new markets, manufacturer are identifying, redefining or evolving new retail formats. The existing retail houses are also gearing up to face the emerging competition from the organised sector and the changing outlook of the consumers. For example, consumer spending is shifting from goods to services; accordingly the retailers too are fact adjusting to the changing consumer preferences.

Consumers are not only looking for the core products or functional benefits from the retailers but also the non-functional benefits, which need to be compatible with their lifestyles. For example, most of the traditional eating joints in India such as Haldiram, Ananda Bhavan have revised their product offerings and atmospherics on the lines of the multinational chains to compete with them and to serve changed expectations of the consumers. The retail sector is changing as new store categories have started dominating the marketplace. India retail industry is the most promising emerging market for investment. An increasing number of people India and turning to the services sector for employment due to the relative low compensation offered by the traditional agriculture and manufacturing sectors.

With liberalisation, privatisation, globalisation and modernisation, a modern competitive business is based on understanding the mind of the consumer and providing the kind of products and services that he wants. Considering the truth that the customer is the king, every organisation wants to increase market share and profit. The competitors are also following the same strategy. So, all of them try to get more customers which leads to increased market share and profit through different marketing activities. If the customers' wants matches with what the companies are offering, then the company will succeed.

Organized retailing got a fillip in 2004 with the opening of new format stores, new enervation shopping malls, FDI investment in retail and formation of retailer's association of India. The booming economy led to higher purchasing power of the consumers and market for consumer durables, clothing, automobiles, telecom products, etc. India is rapidly evolving into an exciting and competitive market place with potential target consumers in both the rich and middle class segment. Organised retailing is springing up in urban areas as to market consumer goods in a style similar to that of malls. Even though

big retail chains like shopper's stop are concentrating on upper segment and selling their product at higher prices some other big retailers like food world and big bazars tapping the huge middle class population.

Indian organized retailing is under transition today, bringing a lot of changes in the formats of retailing. The shoppers enjoy the privilege of shopping the goods and services required by him in variety of formats. The shoppers are exposed to various formats of shopping ranging from local Karana's shop, convenience stores, supermarkets and hypermarkets. The growth of retailing in India has impact on formats. While the traditional models of retailing-street-end pan hop, kirana shop, fancy shop and department store continue, the new formats like supermarkets, malls, hypermarkets and speciality stores are running parallel.

Growth Drivers of Organized Retailing in India

The phenomenal growth in the retail sector in India can be attributed mainly to:

1. The booming Indian economy.
2. Increasing proportion of young working population.
3. Increase in the number of working women providing for double income households.
4. Changing value orientations of the population from austerity to conspicuous consumption.
5. Increasing use of debit cards and credit cards.
6. Rapid urbanisation.
7. Provides an alternative investment opportunity.
8. Tremendous scope for expansion in tier II cities.
9. Sectors with High Growth Potential: Food and grocery (91 per cent), Clothing (55 per cent), Furniture and fixtures (27 per cent), Pharmacy (27 per cent), Durables, Footwear and Leather, Watch and Jewellery (18 per cent) are poised for very high growth in coming years.

The key drivers for growth of organized retailing in India are

- Growing consumerism paving the way for greater consumer enlightenment.
- Liberalised economic platform enabling the entry of global retailers to set up shops in India through joint ventures, franchisees etc.
- Expansion of organized retailing through scaling up to minimize cost and increase margin.

Trends and Opportunities for Organized Retailing in India

1. Even though India has well over 5 million retail outlets of all sizes and styles, the country sorely lacks anything that can resemble a retailing industry in the modern sense of them. This presents international relating specialist with a great opportunity.
2. As much as 96 per cent of the 5 million-plus outlets are smaller than 500 square feet in area. This means that India's, per capita retailing space is about 2 square feet (Compared to 16 square feet in the United States). India's per capita retailing space is thus the lowest in the world just over 8 per cent of India's population is engaged in retailing
3. Given the size, and the geographical, cultural and socio-economic diversity of India, there is no role model for Indian suppliers and retailers to adapt or expand in the Indian context.
4. The first challenge facing the organised retail industry in India is competition from the unorganised sector. But there

is a boon in the retail trade in India the local kirana stores are growing at the rate of 8 per cent per annum but the need for retailing is growing at a rate of 25 per cent per annum.

5. Players in the organised sector have big expenses to meet, and yet have to keep prices low enough to be able to compete with the traditional sector. Organized retailing also has to cope with the middle class psychology that the bigger a sales outlet is, the more expensive it will be.
6. India's first true shopping mall- complete with food courts, recreation facilities and large car parking space- was inaugurated as lately as in 1999 in Mumbai. (This mall is called "Crossroads").
7. Local companies and local- foreign joint ventures are expected to more advantageously position than the purely foreign ones in capturing organized India's retailing industry, in India and benefit from it.

The current retailing revolution has been provided an impetus from multiple sources. These 'revolutionaries' include many conventional stores upgrading themselves to modern retailing, companies in competitive environments entering the market directly to ensure exclusive visibility for their products and professional chain stores coming up to meet the need of the manufactures. Attractiveness, Accessibility and affordability seem to be the key offerings of the retailing chain. The process of getting into newer forms of purchasing has been gradual. The growth and development of organised retailing in India will be driven by two factors namely low price and benefits the consumer cannot resist. Economies of scale will help the retailers to bring down the cost and increase the benefits offered to the consumer.

Statement of the Problem

The Indian retail industry is dominated by the unorganized retail outlets due to certain advantages such as credit facility, personal contact with the retailers and the same. Due to the emergence of organized retailing, consumers are slowly beginning to embrace organized retail formats. This seems to be moderate change in consumer preference from unorganized to organized retail outlets. In a competitive market place where businesses compete for customers, customer oriented study helps the service providers to improve and bring their products to the expectation of the customers.

Review of Literature

Babakus *et al.* (2004)^[1] link customer satisfaction to product and service quality with in retail stores and found that product quality has a six significant impact on store level profits. Store employees are facilitators of the sales process. Cherish Mathew (2009), the retail structure in India expected to settle at a new equilibrium accommodating both the organized and unorganized retails. As the government's intervention in the retailing business is likely to reduce in future, customer preference and market forces will determine the eventual outcome. U. Dinesh kumar and P. Vikkraman (2012)^[6] found that organized retail outlets provide better quality of service, product range as compared to the unorganized retail outlets. They are satisfied with self-service, product service, visual merchandising, home delivery and fast checkout. They feel that the store layout is easily accessible to find the products. Rajini Y. K shirshangar (2014)^[5] concluded that customers are changing their attitude from traditional retailing to organized retailing like supermarkets, discount stores. This shows

positive future opportunities for organized retail store. P. Ravilochanan and B. Shyamala Devi (2012)^[7] concluded that income and the young age customers are having a favourable effect on the choice of the retail store, apart from the occupation and adult customers. This implies that the organized retail stores need to analyse the customer data base thoroughly so as to determine the type of customers who prefer the store and monitor their buying behaviour.

Objectives of the Study

The study has the following objectives:

1. To study the profile of organized retail shoppers in Kanniyakumari District
2. To identify the factors influencing the choice of organized retail shops in the area of study.

Scope of the Study

The present study has been made to analyse the "Consumer Preference towards Organized retailing in Kanniyakumari district". In the study organized retailing cover mainly departmental stores, margin free stores and other organized retail outlets where the respondents have shopping experience.

Methodology

The present study is descriptive and analytical in nature.

Sources of Data

The study includes both primary data and secondary data. Primary data have been collected from the target respondents through structured questionnaire. Secondary data have been collected from different sources such as journals, books and internet.

Sampling Design

The sample size for the study is 60. The sample of 60 respondents have been selected using Judgement sampling method.

Period of Study and Geographical Area

The primary data have been collected from July 2016 – September 2016. The present study is confined to Kanniyakumari District.

Tools for Analysis

The collected data were coded, classified, tabulated and analysed. Descriptive statistics, Freidman test and Factor analysis have been used for analysis.

Limitations of the Study

The present study has the following limitations:

1. Due to time constraint, only sixty respondents could be selected.
2. The study is subject to memory bias as no records were maintained by the respondents.

Results and Discussion

The findings of the study have been discussed briefly in the following paragraphs:

Profile of the Respondents

The profile of the respondents include socio-economic and demographic variables such as age, gender, education, marital

status, type of family, family size, occupation, place of residence and monthly family income. Majority of the respondents belong to middle age- group, graduates, married, employed live in nuclear family in urban area with the family size of 4 to 6 members with the family income between Rs 30,0001-40,000 in a month dominates in the socio economic and demographic profile of the respondents in the study area.

Consumer Preferences towards Organized Retail Stores

The understandings about the preferences of consumers are important for the success and survival of the retail store.

Level of Consumer Preference Towards Organized Store

51.6 per cent of the respondents have preference towards organized retailers, 30.0 per cent of the respondents were highly preferable on organized shop,30.0 per cent of the respondents have moderate preference and 13.3 per cent of the respondents have high preference on organized store. Thus, all the respondents have preference towards shopping in organized retail stores.

Reasons for Shopping in Organized Retail Outlets

Table 1 shows the result of Friedman Rank test and their respective ranks.

Table 1: Reasons for Shopping in Organized Retail Shops

S. No	Particulars	Mean Score	Rank
1	Reasonable Price	3.22	IV
2	Variety of products	4.22	II
3	Location	3.35	III
4	All products under one roof	4.58	I
5	Self service	3.18	V

Source: primary data.

Table 1 revealed the mean scores and ranks ‘All products under one Roof’ was found to be most important reason for shopping in organized shops followed by ‘Variety of products’ and ‘Location’.

Frequency of Shopping

The frequency of shopping by the respondents shows the interest and patron towards the shop. 58.3 per cent of the respondents shop frequently 25.0 per cent of the respondents shop occasionally, 16.7 per cent of the respondents shop rarely. None of the respondents shop daily. Thus, majority of the respondents frequently shop in organized retail stores.

Amount Spent for Shopping in Organized Retail Shop:

The amount spent towards shopping shows the purchasing power of the respondents. 56.7 percent of the respondents have spent Rs.2001-5000, for shopping in organized retail shop during a month.21.6 percent of the respondents have spent between Rs. 5001-10,000. 16.6 percent of the respondents have spent below Rs.2000 and 5.0 percent of the respondent have spent above Rs.10,000. Thus, majority of the respondents spend between Rs.2001 to 5000 for shopping in organized retails outlet during a month.

Change in the Amount of Shopping After Shopping in Organized Retail Shops:

The amount of expenses towards shopping in organized retail shops may increase or decrease or the same every month. There is an increase in the amount spent by 75 percent of the respondents. 25.0 percent of the respondents revealed that there was no change in the amount spent towards organized retail shop. Thus, majority of the respondents’ amount of expenditure has increased after shopping in organized retail outlets.

Factors Influencing the Choice of Retail Outlets

Factor analysis can be applied to find out dominant factors influencing the choice of retail outlets. Inter correlation between the 16 variables were analysed using Principal Component Analysis (PCA) and Varimax Rotation of factor analysis.

Table 2: Rotated Component Matrix

	Component					Communalities
	1	2	3	4	5	
Quality of products	.779	.300	.097	.106	.112	.730
Variety of products	.731	.319	.214	.081	.118	.703
Display of products	.700	.240	.427	-.051	-.073	.738
Reliability of products	.568	.149	.133	.306	.020	.276
Location	.027	.705	.195	.120	-.201	.590
Parking facility	.406	.679	.118	-.167	.122	.683
Price of the product	.018	.079	.906	-.030	.050	.824
Offer and discounts	.066	.465	.578	.170	.121	.598
Customer card benefits	.527	.263	.556	.113	-.014	.669
Spacious	.072	.098	.187	.791	-.021	.676
Convenient & Comfortable	.104	-.180	.225	.720	.157	.637
Cleanliness	.201	.127	.125	.568	.035	.125
Staff behaviour	.056	-.260	.063	-.057	.708	.580
Knowledge of employee	.090	.581	.068	.082	.596	.712
Music	.293	-.163	.350	.311	.516	.597
Door delivery	.280	-.044	.005	.050	.509	.237

Extraction method: Principal Component Analysis
 Rotation method: Varimax with Kaiser Normalization
 Source: primary data.

Table 2 exhibits the rotated factor loading of 16 variables and their respective communality. It is observed that five factors were generated out of 16 variables

Influential Factors in the Choice of Retail Outlets

Factor analysis of attributes relating to organized retail outlets identified five influential factors. The influential factors in the choice of retail outlets by the respondents along with the Eigen value, percentage of variance and cumulative percentage of variance are presented in Table 3.

Table 3: Factor Influencing the Choice of Retail Outlets

Influential factor	Eigen Value	Percentage of variance	Cumulative percentage of variance
Product Factor	3.815	23.842	23.842
Place Factor	1.651	10.319	34.161
Economic Factor	1.416	8.847	43.008
Ambience Factor	1.346	8.410	51.418
Support Factor	1.148	7.176	58.594

Source: Compiled data.

It has been observed from Table 3 that the factors such as Product Factor, Place Factor, Economic Factor, Ambience Factor, and Support Factor were extracted. These factors accounted for about 58.594 per cent of variance in the data. Eigen value for the factor, 'Product Factor' was 3.815 and percentage of variance was 23.842. This factor provides the maximum insight for the choice of organized retail outlets. It is interesting to find that retail outlets consumer give more emphasis to product factor of retail outlets, as product satisfies the expectation, needs, and status of the respondents. Eigen value for the factor, 'Place Factor' was 1.651 and percentage of variance was 10.319. This factor states the importance of place aspects among the respondents. Eigen value for the factor, 'Economic Factor' was 1.416 and percentage of variance was 8.847. This factor gives importance to value for money spent by the respondents. Eigen value for the factor, 'Ambience Factor' was 1.346 and percentage of variance was 8.410. The ambience factor is another important influencing factor, where comfort and convenience of the respondents is considered. Eigen value for the factor, 'Support' Factor' was 1.148 and percentage of variance was 7.176. The Support factor enables the respondents to have smooth and tensionless shopping. Thus, Product factor followed by Place factor is found to be dominantly influencing factors in the choice of retail outlets by respondents. It is surprising to note that Economic factor is considered after product and place factor by the respondents in organized retailing.

Conclusion

The growth in the Indian organized retail market is primarily due to the change in the consumer preferences and mindset backed by purchasing power. This change has come in the consumer due to favourable increased income, changing, lifestyles and patterns of demography. Consumers are not only looking for the core products or functional benefits from the retailers but also the non-functional benefits, which need to be compatible with their lifestyles. Indian organized retailing is under transition today, bringing a lot of changes in the formats of retailing. Today consumers prefer to shop at a place where he can get food, entertainment, and shopping all under one roof. This has given Indian organized retail market a major

boost. The shoppers are exposed to various formats of shopping ranging from local Karana's shop, convenience stores, supermarkets and hypermarkets. The growth of retailing in India has impact on formats. While the traditional models of retailing-street-end pan hop, kirana shop, fancy shop and department store continue, the new formats like supermarkets, malls, hypermarkets and speciality stores are running parallel. The study concludes that consumers' preference towards organised retailers due to product factor place and economic factors. The organised retailing has bright prospects and opportunity to flourish in the study area.

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