

A study on consumer buying behaviour towards branded retail outlets in India

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Abstract

Retailing in India came with evolutionary patterns from kirana store to super market. Initially it was un-organized, and after that it is carried forward and now it is growing organized sector such as supermarket, hypermarket, malls etc. The paper tries to find out the preference of the customer towards organized retail sector and how customer behaves at the time of product purchase. On the basis of research review of existing literature researcher shows that the availability of quality, retail space, wider availability of products and brand communication are some of the factors that are driving the organized retail in Indian will directly or indirectly affect the preference of the customer. This study shows that some of the specific elements like product information, customer involvement, atmosphere, customer attributions and choices play important roles during various stages of the customer decision process. So customer are now showing preference for shopping malls, enable them to shop variety of products under one roof with shopping experience in term of ambience and entertainment.

Keywords: Consumer Behaviour, Organized retail, unorganized retail.

Introduction

Retail business is a comparatively new phenomenon in India, and is still in the process of finding its feet in terms of location, size, format, product ranges, and segment targeting. Retail Industry in India, contributing over 10 per cent to the country's GDP and accounting for around 8 per cent of the employment, is the largest among all the industries. Over the years, it has come forth as one of the most dynamic and fast paced industries. More than 95 per cent of the Indian retail sector falls in the unorganized sector category. Organized retail is expected to grow from 5-6 per cent to 14-18 per cent of the total retail market by 2015. Organized retail sector's penetration level is 85 per cent in US, 80 per cent in France, 66 per cent in Japan, 20 per cent in China and, merely 5-6 per cent in India. This confirms that India is at an early stage of evolution in the organized retail space and has a huge growth potential. In the coming years both unorganized and organized retail will see a massive scaling up of their activities and are set to achieve rapid and sustained growth. At this juncture both the government and industry circles are taking efforts to boost the growth of the organized retail sector, but little is done for the growth of the unorganized retailers. In spite of this indifference, traditional retailers are making efforts to face stiff competition from organized retailers.

Customer Preference: Customer preferences are defined as the individual tastes, as measured by utility, of various bundles of goods. They permit the customer to rank these bundles of goods according to the levels of utility they give the consumer. Customer preference in India is almost changing and creating a tremendous potential for the retail industry to look for innovative ideas and bring in new products with creative marketing approach to tap the huge working population. New modern retailing concepts of western trends has entered into the retail market in India; in the form of active shopping centers, multi-storied malls and the huge complexes that offer shopping, entertainment and

food all under one roof are also called organized retail. The success of the organized retail store depends on the way the retailers would create and deliver the value to the customer through their distinct retail formats. The organized retail sector is all set to witness maximum number of large format malls and branded retail stores in different cities of India, with everything from groceries and vegetables to footwear, apparels, cosmetics, furnishings & home decors available under one roof. Organized retail stores like super market, hyper market, malls are not merely points of sales for different retailers but it is a place where several brands build their equity in coming together. Their main purpose is to focus on the target audience and increasing the footfalls in these retail formats. The organize retail formats are still in nascent stages in India when compared to developed and other developing countries. The retailing sector in India has undergone significant transformation in the past 10 years. For the current generation of customers, the meaning of shopping has changed because the decision making is more complex and even more important for consumers today than in the past. The changing consumer taste and preference, increasing disposable income and the propensity to spend are some of the factors affecting the changes in the retail scenario in India.

Retail Trends in Past Few Years

Before the decade of eighties, India with hundreds of towns and cities was a nation striving for development. The evolution was being witnessed at various levels and the people of the nation were learning to play different roles as businessmen and consumers. The foundation for a strong economy were being laid, youth were beckoning new awareness in all spheres. And this brought in an opportunity for retail industry to flourish. First in the metros and major cities later to impact sub urban and rural market as well. Retailing in India at this stage was completely unorganized and it thrived as separate entities operated by small and medium entrepreneurs in their own territories. There was lack

of international exposure and only a few Indian companies explored the retail platform on a larger scale. From overseas only companies like Levi's, Pepe, Marks and Spencer, etc., had entered targeting upper middle and rich classes of Indians. However as more than 50 % population was formed by lower and lower middle class people, the market was not completely captured. This was later realized by brands like Big Bazaar and Pantaloons who made their products and services accessible to all classes of people and today the success of these brands proves the potential of Indian retail market. A great shift that ushered in the Indian Retail Revolution was the eruption of Malls across all regional markets. Now at its peak, the mall culture actually brought in the organized format for retailing in India which was absent earlier. Though malls were also initially planned for the higher strata, they successfully adapted to cater to the larger population of India. And it no wonder, today malls are changing the way common Indians have their shopping experience. However there is still great scope for enhancing Indian mall culture as other than ambience and branding many other aspects of Retail Service remains to be developed on international standards. It is surprise that there was not a single mall in India a decade before and just a few years ago only a handful of them were striving, today there are more than 50 malls across different cities and 2 years from now around 500 malls are predicted to come up. Indeed this shows a very promising trend ahead, however before taking a leap into the future of Retail in India, let's see what the Indian retail Industry is currently occupied with.

Review of Related Literature

Rama Venkatachalam and Arwah Madan (2012) [6] in their have highlighted on level of prices, quality of fresh groceries & availability of exotic fruits and vegetables, display & cleanliness and hygiene, home delivery & credit facility provided by both the organized and unorganized retailer. Change in customer preference has been noticed while shopping fresh grocery from unorganized or organized retailers. The author has also mentioned that organized retailing is doing the right things to sustain, survive and grow.

Naganathan Venkatesh (2013) [9] in his paper has mentioned overall forecast from different researches have stated that retail growth will grow 15 to 20 percent over the next five years, based on strong fundamentals of macroeconomic conditions of India and its younger population rising disposable incomes and rapid urbanization. Key success factor for foreign retail investors are the younger population of india's who are under the age of 25, a huge potential market is waiting to explore and the internet accessibility is also a key factor where from rural to urban city everyone has the easy access to the internet. As many as 121 million Indians have internet access, and more than half of them access the web via their mobile phones.

Lakshmi Narayana k, Ajata Shathru Samal and P Nagaraja rao (2013) in their study unorganized retailers in the vicinity of organized retailers are heavily affected in terms of profit and volume. The factors which are attracting the customers towards unorganized retailers are location convenience, goodwill, credit facility, bargaining, loose items, convenient timings, and home delivery.

Dr. Seema S. Shenoy, Dr. Sequeira and Dr. Devaraj, K. (2013) India as a business opportunity for global retailers. The development of Indian retail has been discussed in the paper. The organized sector current situation has been also concluded as growing at a frenzied pace. From a simple activity of selling in small markets to a more sophisticated task of bidding on -line, retailing has showcased several successful forms and facets. India has been discussed as a young nation having 60% population within 35 years and a huge market.

SWOT Analysis of Organized Retail Industry of India

Strengths

1. Organized retailing at US\$ 3.31 billion, growing at 8 percent.
2. 2nd largest contributor to GDP after agriculture at 20 percent.
3. Pattern of consumption changing along with shopping trends.
4. Consumer spending increasing at 11 percent annually.
5. Almost 25 million sq. ft. retail space available.
6. Paradigm shift in shopping experience for consumers pulling in more people.

Weaknesses

1. Shortage of quality retail spaces at affordable rates.
2. Government regulations on development of real estate (Urban Land Ceiling Act).
3. Need to provide Value for Money-squeezing margins.
4. Lack of industry status.
5. Retail revolution restricted to 250 million people due to monolithic urban-rural divide.
6. Lack of huge investments for expansion.

Opportunities

1. Increasing urban population-more participants in retail revolution.
2. Increase in consuming middle class population.
3. Social factors, like dual household income has enhanced spending power.
4. Spends moving towards lifestyle products and esteem enhancing products.
5. Average grocery spends at 42 percent of monthly spends-presents a huge opportunity.

Threats

1. Rising lease/rental costs affecting project viability.
2. Poor monsoons and low GDP Growth could affect consumer spending drastically.
3. Archaic labor laws are a hindrance to providing 24/7 shopping experience.
4. Personalized service offered by Kirana stores.
5. Unavailability of qualified personnel to support exponential growth in retail.
6. Differentiate taxation laws hindering.

Models showing the organized retail strategies and the impact on consumer behavior

On the basis of the following models which are expected to show the impact of organized retail outlets on consumer behavior and the reasons for the popularity of organized retail

outlets, the models further give a complete view of the concept of retail outlets and its strategies. Figure-1 give a clear view of the retailing concepts and its strategies. Retailing in India is gradually inching its way toward becoming the next boom industry. The whole concept

of shopping has altered in terms of format and consumer buying behavior, ushering in a revolution in shopping in India. Modern retail has entered India as seen in sprawling shopping centers, multi-storied malls and huge complexes offer shopping, entertainment and food all under one roof.

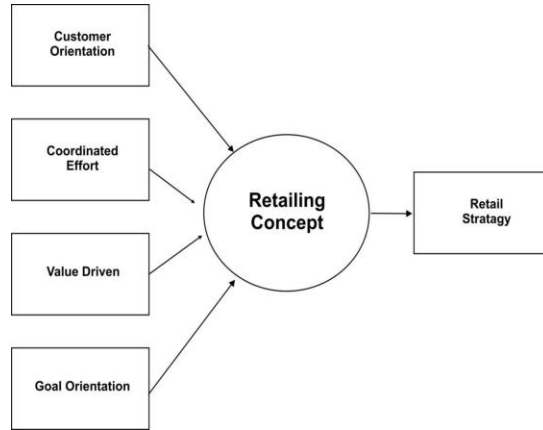


Fig 1: Retailing Concepts and Strategies

Figure-1 shows the retailing concepts and the strategies to be followed by the retailers in order to be successful. It specifies that it is through proper customer orientation that a retailer can delight his consumers and can have loyal consumers, further a coordinated efforts of marketing variables will help the retailer to have a value driven program and ultimately a streamlined goal orientation will help the retailer to frame a proper retailing concepts and further a successful strategies can be framed.

promotion, competition etc, these further results in choice of retail formats that are made by the Indian consumers as per their demographic necessity and requirement. Indian customer is looking for an emotional connection, a sense of belonging. Hence, to be successful any retail outlet has to be localized. The customer should feel that it is a part of his culture, his perceived values, and does not try to impose alien values or concepts on him. Indian customer is not keen to buy something just because it is sold by an international company.

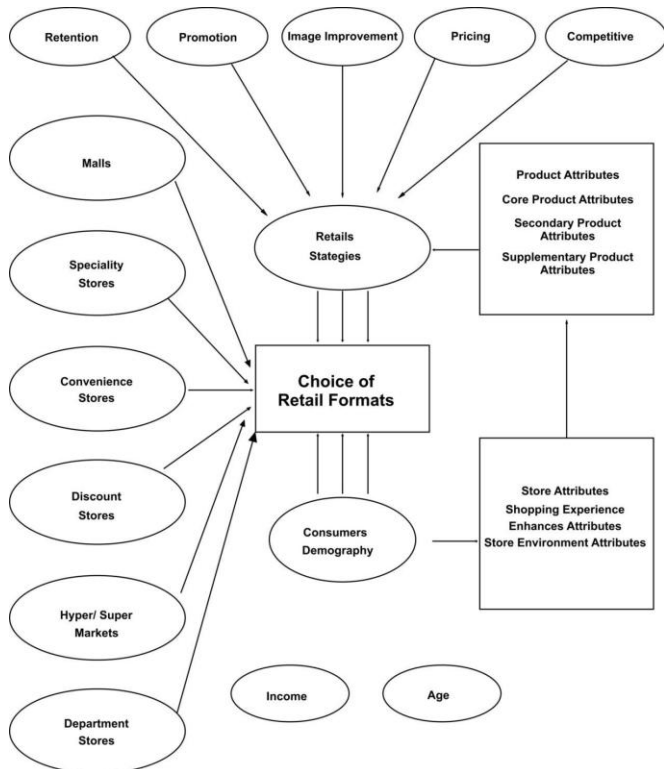


Fig 2: Framework showing choice of Retail Formats

Figure-2 shows the retail strategies which are the result due to various marketing attributes like the retention, price,

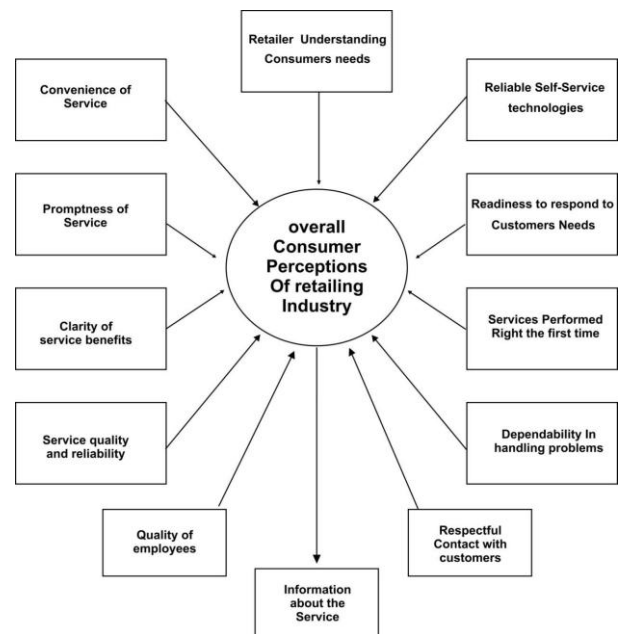


Fig 3: Framework showing consumer’s perception of retailing

Figure-3 showing the overall consumer perceptions of retailing industry. A customer is someone who makes use or receives of the product or service of an individual or organization the historically derived from “custom” meaning “habit” a customer was someone who frequented a particular shop, who made it habit to good of the short the shop sold

their rather than elsewhere and with whom the shopkeeper had to maintain a relationship to keep his “custom “meaning expected purchases in the future.

Retail is an emerging sector in India. Marketers are leaving no stone unturned to influence the customers by offering them in various ways, at various locations, in various forms resulting in emergence of various retail formats throughout the country. Customers are highly influenced by image of the retail outlet, its attributes, product range, variety, services, employee’s behavior, décor, music and marketing strategies.

For this, the retailer need to understand the process of outlet selection, consumer choice and shopping behavior, the shopping process, shopping types and shopping strategies, choice decisions during shopping process, attempts made by marketers to close the gap between expectation and performance and so on. This is clearly shown in the framework given in the above mentioned chart.

This can be seen and understood with the help of the following Table which show the summary of consumer preferences towards emerging retail formats.

Table 1: Summary of consumer preferences towards emerging retail formats

| Sr. No | Formats | Attributes | Why Consumer’s prefer outlets |
|--------|----------------------------|---|---|
| 1 | Malls | Collection of shops, wide variety, amalgamation of products, service and entertainment, all at one place | Due to variety, different brands of products and services at one place, along with entertainment. |
| 2 | Convenience Stores | Small stores located near residential areas, limited line of high-turnover convenience products, charge high prices due to convenience. | Due to easy availability of products, less time consuming while shopping. |
| 3 | Departmental Stores | Systematic division of products with in different departments well managed merchandise and easiness for consumers. | Due to better shopping experience without any inconvenience. |
| 4 | Hypermarkets/ Supermarkets | Large self-service outlets carries wide product range- Food and Grocery, Home-ware, Appliances, Clothing, Furniture, Sports etc. | Due to changing lifestyle, better environment of the outlets, better products at normal prices. |
| 5 | Discount Stores | Offer discounts on MRP but lack of variety due to reaching economies of scale and stock cancellation or excess stock left over. | Due to price reduction. |
| 6 | Specialty Stores | Carry a single product line, customers have wide variety to choose due to Specialization in particular product like music stores; apparel Stores, book stores, sporting goods stores etc. | Quality preference and all brands at one place. |

Conclusion

The retail sector in India is witnessing a huge revamping exercise as the traditional retailers are making way for new formats. These modern retail formats provide wide variety to customers and offer an ideal shopping experience with an amalgamation of product, entertainment and service, all under a single roof. Now the consumer has multiple options to choose-ranging from the shopkeeper to the most sophisticated supermarkets, departmental stores, plazas and malls which provide the latest, quality products. The food and groceries; health and beauty; apparel; jewelry; and consumer durables are the fastest growing categories of organized retail. The hypermarkets, malls, supermarkets are the preferred kind of stores by consumers. International exposure and availability of products and brands communication are the attributes that are driving the organized retail in India and organized retail is preferred due to convenience and variety. The dynamics of the demographics, double income, urbanization and internet revolution are the factors contributing to retail growth in India. Many studies highlight that younger generation prefer to visit malls and hypermarkets more often. The reason for the visit is not necessarily for shopping but for hedonic pleasure and for stress relieving purpose.

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