The Psychology of Consumer Behaviour for Retail Sector: An Indian perspective

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Key Words

Organized and Unorganized Retail Format, Stock Carrying Unit, Grey Market, Patronage Behaviour, Grocery Retailing.

Abstract

Psychology of consumer seeks to explain human or consumer behaviour, in two basic ways: what the consumer wants? and what the consumer needs? Consumer behaviour involves the use and disposal of products/services. For every sector, the usage of products/services is often of great interest to the marketer, because this may influence how a product is best positioned or how we can encourage increased consumption. This paper provides detail information about the consumers' preferences for organized and unorganized retail formats of Indian retail industry. In India, retailing is one of the pillars of the economy and accounts for 13% of GDP. In this paper, an attempt made to investigate the preferences along with perception of functional benefits offered by the two formats of retailing along with demographic and personal factors. This study resulted in useful insights about better prediction of consumers' behaviour. Consumers' purchase from more than one outlet despite some preferred store or store format. This indicates that consumers' perception of outlets and preference do not result in patronizing of retail outlets. The paper also argues that situational factors should be considered for better predictability of consumers' buying behaviour.

Introduction

The Indian Retail Industry is the largest among all the industries, accounting for over 13 per cent of the country's GDP and around 15 per cent of the employment. The retail industry in India has come forth as one of the most dynamic and fast paced industry with several players entering the market but all of them have not yet tasted success because of the heavy initial investments that are required to break even with other companies and compete with them. The food and grocery retail sector is getting lot of attention from organized retail entrepreneurs. Food and grocery segment constitutes about 62 per cent of the total INR 12000 billion (USD 270 billion) of Indian retail market *(*Source: Processed Food Industry)*. This indicates that there is a huge opportunity for organized retail formats in food and grocery retailing as compared to organized retailing of other types of product categories. It is one of the reasons why big business houses in India show interest to enter into food and grocery retailing.

In India the vast middle class and its almost untapped retail industry are the key attractive forces for global retail giants wanting to enter into newer markets, which in turn will help the Indian retail industry to grow faster. Indian retail is expected to grow 25 per cent annually. Modern retail in India could be worth US$ 175-200 billion by 2016. The food retail industry in India dominates the shopping basket. The future of the Indian retail industry looks promising with the growing of the market, with the government policies becoming more favorable and the emerging technologies facilitating operations.

Review of Literature

Enis and Paul, 1970; Dunn and Wrigley, 1984 Economically poor people are likely to show store loyalty. Knox and Walker, 2003 Reports a weak but significant relationship between involvement and brand loyalty in grocery markets. Miranda et al., 2005 Consumer's intention to remain loyal to any store is influenced by factors like frequent-buyer reward schemes, travel distance, preference for an in-store delicatessen, size of the average grocery bill, store signage and the level of sale assistance. Shanon and Mandhachitara, 2005 Due to different culture, Indian grocery consumers are required to be investigated separately to determine, what kind of grocery store attributes influence store patronage. Taylor, 2003 Grocery retailing is strongly affected by price competitiveness. Sullivan and Savitt, 1997 Credit purchase is a predictor of grocery shopping expenditures. Carpenter and Moore, 2006; Teller et al., 2006 Product selection, assortment and courtesy of personnel are also very important in determining retail store choice. Cleanliness is the most important attribute regardless of the type of grocery store. Singh and Powell, 2002 Grocery consumers consider quality to be most important factor, followed by price, locality, range of products and parking. Fox et al., 2004 Spending vary much more across than within formats, and expenditures respond more to varying levels of assortment and promotion than price, although price sensitivity was most evident. Seiders et al., 2000 Consumers of food identified low price and assortment more often as the reason for store choice, traditional supermarket main consumers were less willing to sacrifice spatial convenience or, in some cases, quality and assortment. Shanon and Mandhachitara, 2005 There is difference in the result of the studies of different researchers. Grocery shopping patterns vary with culture. Baltas and Papastathopoulou, 2003 Private label is found to be a store selection criterion of low importance for grocery consumers. Bawa and Ghosh, 1999 For some households shopping may have a recreational aspect. Chetthamrongchai and Davies, 2000 Time orientation and shopping goals provide a clearer picture of consumer behaviour than socio-demographic data or information on shopping attitudes. Kim and Park, 1997 70% of consumers visit grocery stores with random intervals and 30% with relatively fixed intervals. "Routine" consumers spend more money for a given shopping trip but have difficulty in visiting grocery stores more often and in switching stores. Bergadaa, 1990; Berry, 1979, Umesh et al., 1989; Chetthamrongchai and Davies, 2000 Time-pressured consumers value certain specific store attributes. Darian and Cohen, 1995 Mostly poor consumers place a premium on saving mental energy & confirmed that they could be segmented on time pressure. Kenhove and Wulf 2000 Integrates the demographic

variable "income" and the situational variable time pressure" for grocery retail shopping. Schmidt et al., 1994 In some countries like Germany and UK, consumers practice two-stop grocery shopping by frequenting a multiple and a limited line discounter on a regular basis. Alawi,1986; Tuncalp and Yavas, 1990 Multi-store shopping patterns is a one of the aspects of grocery shopping behaviour pattern of consumers in developing countries due to dietary habits, preference for fresh food. Smith and Carsky, 1996 Consumers with high involvement are likely to shop at different stores. Park et al., 1989 Unplanned buying impacts grocery-shopping behaviour in a major way. Thomas and Garland, 1993 Written shopping list reduces the average expenditure whereas presence of children increases expenditure and time spent on shopping. Sinha and Banerjee, 2004 In India nearness to the home and personal relations with the retailers are the major drivers of retail shopping behaviour. Broadbridge and Calderwood, 2002 Traditional retailers should focus on local residents to beat modern retailers. Smith and Sparks, 1997 Consumers particularly who shop locally see local shops to performing social and community functions.

Factors that can influence the choice of retail format, identified from the above review of literature are: economic status, income, promotional schemes, loyalty programs, cultural differences, price competition, credit sale, store location, product assortment, courtesy of personnel, cleanliness, quality, private label, age, habit, time and time orientation, recreational aspect, multi-store shopping habit, consumer involvement, personal relationship, major and minor shopping and regularity of shopping.

One fact is very clear from the above literature review that consumers' buy from more than one outlet. So, the idea of having absolute loyalty towards any particular type of retail format is not true. Also going by the above review it can be said that there is no one single factor which influences the choice of consumers for retail formats. It is an indicator that researchers need to look at the problem of foot-fall prediction from the perspective of factors other than perception of any particular retail format as far as grocery retailing is concerned.

Objective of the Study

This study tried to understand that how people in an area, where both organized and unorganized retailers were operating, preferred to shop in the light of their perceptions of both types of retailers'. This study focused on three aspects:

i)   Customer characteristics.
ii)   Perception of organized and unorganized retailers in terms of functional benefits.
iii)   Preference for retailer type to shop.

This study can give insight regarding:
(1) Possibility of success of both types of retailers' working in similar marketing environment as considered by the study.
(2) Areas of improvement for becoming more competitive.

(3) To predict consumers' behaviour, both retail formats can survive since Indian population and prosperity both are growing provided retailers' differentiate themselves in valuable way to serve different segments of the market. Indian economy will do the best if both types of retail outlets functions profitably.

Research Methodology

While doing the review of literature important factors for the study were identified. Based on that, exploratory interviews of consumers' were performed to get the idea of how consumers think in terms of functional benefits. On the basis of insights gained, a questionnaire was prepared with mostly closed ended questions. It contains ten functional benefit factors related questions to seek responses from respondents regarding perception using a three-point scale for rating.

Factors considered in the study were – 1) Good discounts and gifts, 2) Easy replacement and exchange, 3) Helpful and courteous salesmen, 4)Rendering of personal treatment,, 5) Taking of suggestions into account, 6) Selling products on credit, 7) Special treatment for being loyal, 8) Better recommendation for products, 9) Free home delivery and 10) Adequacy of assortment.

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 100 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 can be assumed that all have been exposed to both organized and unorganized form of retailing. Convenience sampling was practiced for the purpose of the study. The survey was done in the month of February and March' 2011. For the purpose of data analysis SPSS software was used and relevant parametric and non-parametric tests were applied.

Research Questions, Data Analysis and Interpretation

Question 1: If there exists any difference between the perceptions of organized & unorganized retail formats among consumers in terms of functional benefits?

Age	15-25	25-35	35-45	Above 45	Total
Male	11	20	21	8	60
Female	8	17	6	9	40
Total	19	37	27	17	100

Table 1

Factors	Mean Org. Retail	Mean Un-Org. Retail	t-Test Signific—ance	Result	Higher Mean	Std. Dev. Org.	Std. Dev. Un-Org.
Good discount and gift	2.6	1.72	0.00	Sig. Diff.	Org.	0.61955	0.81749
Easy replacement and exchange	1.67	2.55	0.00	Sig. Diff.	Un-Org.	0.69711	0.53889
Helpful and courteous salesman	2.06	1.39	0.00	Sig. Diff.	Org.	0.58292	0.58422
Give personal treatment	1.63	2.32	0.00	Sig. Diff.	Un-Org.	0.54411	0.85138
Take suggestions in to account	1.44	2.12	0.00	Sig. Diff.	Un-Org.	0.55632	0.79493
Sell products on credit	1.22	2.33	0.00	Sig. Diff.	Un-Org.	0.3266	0.80472
Special treatment for being loyal	2.18	1.64	0.00	Sig. Diff.	Org.	0.38612	0.75935
Better recommendation for products	1.43	2.55	0.00	Sig. Diff.	Un-Org.	0.63968	0.57516
Free home delivery	2.66	1.48	0.00	Sig. Diff.	Org.	0.4761	0.577
Adequacy of assortment	1.62	1.85	0.041	Sig. Diff.	Un-Org.	0.64792	0.70173

* *Org. – Organized, Un-Org. – Un-Organized and Sig. Diff. – Significantly Different*
Table 2: Difference between the perceptions of organized and un-organized retail formats

From the table 2, it is evident that out of ten factors we considered for our study, respondents' perceptions of functional benefits of two types of store format were significantly different. Out of ten factors considered, it was found that unorganized sector has favorable mean as compared to organized grocery retailers. So the problem inherent in research question 1 has a solution that unorganized sector has favorable perception among respondents. It should be taken into account that not all factors have been considered but only functional benefits have been taken into account.

Question 2: If store format choice is significantly related to demographic and personal factors?

Cross tabulation

		From where you purchase most of your requirement of grocery		Total
		Organized	Kirana and Mandies	
Perceptually which type of format is superior in terms of functional benefit	Organized	8	15	23
	Un-Organized	24	36	60
	Equal	6	11	17
Total		**38**	**62**	**100**

Table 3: Perceptually which type of format is superior in terms of functional benefit * from where you purchase most of your requirement of grocery.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.256(a)	2	0.880
N of Valid Cases	100		

(a) 0 cells (.0%) have expected count less than 5. The minimum expected count is 6.46.

Table 4: Chi-Square Test

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.255(a)	1	0.614
N of Valid Cases	100		

(a) 0 cells (.0%) have expected count less than 5. The minimum expected count is 15.20.

Table 5: From where you purchase most of your requirement of grocery * gender of the respondent Cross tabulation

From the Table 5, it is evident that gender has no impact on preference for any of the two types of retail format

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.463(a)	3	0.482
N of Valid Cases	100		

(a) 0 cells (.0%) have expected count less than 5. The minimum expected count is 6.46.

Table 6: from where you purchase most of your requirement of grocery * age of respondent Cross tabulation

From the Table 6 it is evident that age has no impact on preference for any of the two types of retail format

Chi-Square Tests

	value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.035(a)	1	0.852
N of Valid Cases	100		

(a) 0 cells (.0%) have expected count less than 5. The minimum expected count is 14.44.

Table 7: from where you purchase most of your requirement of grocery * are you a frequent shopper Cross tabulation

From the Table 7 it is evident that being a regular shopper has no impact on preference for any of the two types of retail format.

Chi-Square Tests

	value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.894(a)	4	0.421
N of Valid Cases	100		

(a) 0 cells (.0%) have expected count less than 5. The minimum expected count is 5.70

Table 8: from where you purchase most of your requirement of grocery * what is the monthly house hold income Cross tabulation

From the Table 8 it is evident that income has no impact on preference for any of the two types of retail format.

Chi-Square Tests

	value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.512(a)	4	0.972
N of Valid Cases	100		

(a) 2 cells (20.0%) have expected count less than 5. The minimum expected count is 4.56.

Table 9: from where you purchase most of your requirement of grocery * what is the respondent occupation cross tabulation?

From the Table 9 it is evident that occupation has no impact on preference for any of the two types of retail format.

Question 3: If store format preference is dependent on the difference in perception measured in the research question 1?

If we go by the Table 3 and Table 4 then it is evident that there is no association between perceptions of functional benefits and preference for retail shop format.

It can be argued that people may not shop just because of the fact that a retail outlet has superior functional benefits. Other factors do count.

Conclusion

From the data analysis it is clear that respondents have different perceptions of modern and traditional forms of grocery retailing, but it is not associated with their actual patronage behaviour. Also, individual demographic and personal factors are not related to the store patronage behaviour. Further, the benefits on the basis of which responses were sought regarding perception for grocery outlets were functional in nature. On the basis of above findings it can be argued that perception of functional benefits, demographic factors and personal factors have no impact on the overall patronage behaviour of consumers, towards different formats of grocery retailing.

In different words, it is evident that functional benefits have statistically insignificant impact on the grocery store format choice. It is also evident that demographics have little impact as well. It can be argued that actual choice of retail format is decided by factors other than functional benefits and it may include situational factors. The situational factors may be any kind of sales promotion, availability of products, opinions of relatives or it can be verity seeking tendency and similar factors which cannot be accounted by demographic and personal factors. It can also be argued that managers need to think in terms of benefits other than functional benefits, demographic factors and personal factors and should take into account situational factors driving consumer choice.

Also it become evident while collecting the responses of respondent that they purchase from more than one outlet, despite having preference for any particular type of retail format, which again emphasizes the importance of situational factors, else everybody will be purchasing from just one outlet and which is not the case. It can be concluded that retail formats may be designed to satisfy consumers' situational needs. Better predictability of consumers' behaviour can lead to better management and creation of shelf-space, which can benefit industry, economy and consumers as well.

Limitation and Direction for Further Research

Like all research works, this study has some limitation: First the sample size was relatively small. Second, the results are specific to the eastern part of Delhi and last but not the least maximum variables considered are based on an International Literature Review.

The present study is exploratory in nature, focusing on Psychology of consumer behaviour for retail sector in India. Further research can be undertaken to examine the impact of consumer behaviour on retailer's behaviour including situational factors.

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