

## **A STUDY OF EMERGING PATTERN AND CONSUMER PURCHASE BEHAVIOUR IN ORGANIZED RETAIL OUTLETS – WITH SPECIAL REFERENCE TO MADURAI DISTRICT**

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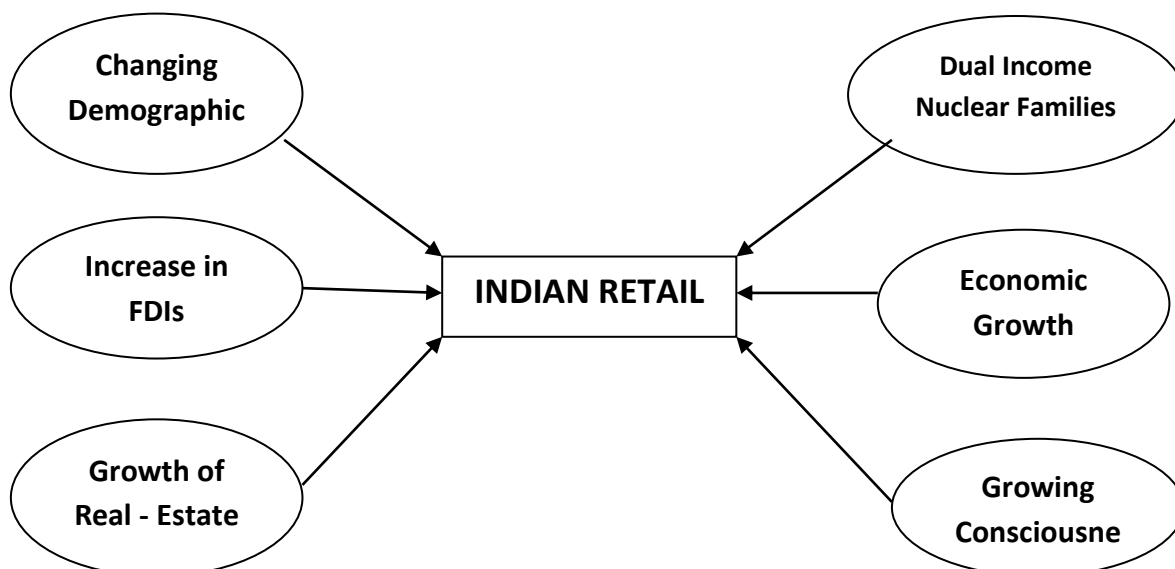
### **Abstract:**

The retailing business is greatly affected by the patronage behaviour orientations of shoppers. One important factor affecting consumer choice is the store image, an image shaped by store attributes. Due to the rapid growth of store brand market shares, researchers have looked into different influential factors, attempting to find out the reasons behind the success of these store products. There is a growing need to evaluate the drivers of retail store choice behavior in the Indian context. The study of consumer helps the retail outlets to improve the marketing strategies by understanding, how consumers consider different attributes and make purchase decision that differ among various retail outlets, based on the level of importance and interest. Retail is currently the flourishing sector of the Indian economy. This trend is expected to continue for at least the next two-three decades, and it is attracting huge attention from all entrepreneurs, business heads, investors as well as real estate owners and builders. Availability of quality, retail space, wider availability of products and brand communication are some of the factors that are driving the retail in India. Retail sector is also supporting to create huge employment while a new form of organized retail sector has emerged within the retail industry and it gave speedy phase to Indian retail sector. Hence, the present study focuses on emerging pattern and the consumer buying/purchasing behaviour towards organized retail outlets with special reference to Madurai district. Study based on both primary and secondary sources of data collections.

**Keywords:** Store Image, Choice Behaviour, Marketing Strategies, Level of Interest, Communication, Growing Need and Driving Force of Indian Retail Sector.

**Introduction:**

In the beginning there were only Kirana stores (called Mom and Pop Stores), the Friendly Neighbourhood stores selling every day needs. In the 1980s manufacturer's retail chains like DCM, Gwalior Suiting, Bombay Dying, Calico, Titan etc started making its appearance in metro cities and small towns. Multi brand retailers came into the picture in the 1990s. The Indian retailing sector is at an inflexion point where the growth of organized retailing and consumption by the Indian population is going to take a higher growth trajectory. The Indian population is observing a noteworthy demographics change. An increasing young working population under age of 24 years, sharp rise in the per capita income, an increase of dual income nuclear families in the urban areas, along with increasing working women population, internet revolution and emerging opportunities in the services sector are going to be the key growth drivers of the organized retail sector in India. The whole model of shopping has altered in terms of format and consumer shopping behavior pattern, which ultimately could lead to a shopping revolution in India.



The retail sector in India is witnessing a huge revamping exercise as traditional markets make way for new formats such as departmental stores, hypermarkets, supermarkets and specialty stores. Western-style malls have begun appearing in metros and second-rung cities alike introducing the Indian consumer to a shopping experience like never before. The sector is at an inflexion point where the growth of organized retailing and growth in the consumption by the Indian population is going to take a higher growth trajectory. The Indian population is witnessing a significant change in its demographics.

Organized retail is on all time high in India. The growth is boosted by various factors such as availability of professional practices, media proliferation, various brands which are gaining value thereby enhancing industry growth, availability of various funding options, regulations like VAT implementation to make processes simple, sea change in demographics of country and international exposure. The retail sector is one of the fastest growing ones in India, catering to the world's second largest consumer market. The Indian consumer market is estimated to grow at 13 percent annually from \$322 billion in 2006-07 to \$590 billion in 2011-12. Organized retail, which constituted a low 4 percent of total retail in 2006-07, is estimated to grow at 45-50 percent per annum and attain a 16 percent share of the total retail market by 2011-12.

#### Research Objectives:

The study has been conducted with the following objectives:

- To study about the Consumer Purchasing Behavior.
- To know about the Organised Retail Outlets in India.
- To analyse the factors influencing the buying behaviour of the consumers and the emerging patterns of organized retailing in Madurai district in relation to consumer behaviour.
- To know about the recent trends of Consumer Purchasing Behavior towards organised Retail Outlets and for giving the suggestions based on the findings.

#### Reviews of Related Literature:

Ramanathan & Hari (2011) observed from their study that due to the recent changes in the demographic system of consumers, and the awareness of quality conscious consumption, consumers preferred to buy different products both from the organized and unorganized retailers.

Another study by Ali, Kapoor., & Moorthy, (2010) in their study indicated that consumers shopping behavior was influenced by their income and educational level while gender and age had no significant impact on their behavior.

While Dodge, Robert, Summer, & Harry, (1969) and Aaker, Jones, David, & Morgan, (1971) concluded that consumers socio economic background, their personality, and past purchase experience were those factors upon which the customers' decision lied.

Nair & Nair, (2013) in their study revealed that the perception of service quality was influenced by various natures among various customers and some of the general factors like personal interaction, physical aspects on which customer perception remained constant and common.

But Singh & Agarwal, (2012) revealed that customer's preferences for grocery shopping were gradually shifting from local kirana stores to organized convenience stores. Brand choice and credit card facilities were the main determinants which influenced preferences from kirana to organized retail. Payment through credit cards increased purchases from organized retail store.

### **Operational Definitions:**

Consumer behavior is defined as "The dynamic interaction of affect and cognition, behavior and the environment into which human beings conduct the exchange aspects of lives".

Retailing includes "all the activities involved in selling goods or services to the final consumers for personal, non-business use. Selling to the final consumers whether it is by a manufacturer, a wholesaler or a retailer-is retailing irrespective of the fact that the goods or services are sold by person, mail, telephone, vending machine or internet or where they are sold in a store, on the street or in the consumer's home".

Organised Retail is "the retail sector is presently undergoing a transition in India. Previously, customers used to go to kirana stores to purchases their necessities. This later changed to bigger shops run by one man with a few employees".

## **Consumer Buying/Purchase Behaviour**

"Consumer buying behavior" is a term used to describe the actions and behaviors of the people who buy and use products. This behavior is widely studied in business, economics, psychology, and sociology, and such research has a large influence on how products are marketed and sold. The central focus of the study of consumer buying behavior is determining why people make some purchases and not others. Upon making this determination, the next step is to identify particular factors that influence consumers to make purchasing decisions. Understanding these factors and the reasons behind a consumer's purchasing trends is an essential part of developing a focused and effective marketing strategy. Consumers go about purchasing different types of products in a few different ways. When purchasing a product that will be consumed immediately or only used once, for instance, consumer buying behavior may only involve a quick on-the-spot decision. Most consumers do not spend a great deal of time researching and planning for the purchase of a candy bar or paper plates. Consumers planning to purchase more costly products that they will use over a long periods of time, such as cars and computers, tend to display more complex consumer buying behaviors that involve a great deal of research and comparison.

Several different behaviors and activities are common elements of consumer buying behavior for complex and costly purchases. The first part of this behavior is the recognition of a problem or need of some kind. A potential consumer then determines what type of product is necessary and examines the alternatives, such as different brands or different models. After conducting research, the consumer decides which specific product to buy and how and where to make that purchase. After making a purchase, consumer buying behavior often includes evaluating the purchase in order to decide if it's satisfactory or not. Several factors can affect consumer buying behavior. Personal psychological preferences and motivations are highly significant in prompting a buying decision, but they are by no means the only relevant factors. Many purchases have distinct social implications and can alter the way one is seen by one's social connections, such as by suggesting that one belongs to a certain culture or socioeconomic group or that one supports a certain brand over another. Even inherent traits such as age, race, and gender substantially affect consumer buying behavior. Young people spend money

differently than old people, for instance, and a man's purchasing decisions are likely to differ from a woman's.

### **Organized Retail in India:**

The drivers for the growing retail boom are many. The increasing purchasing power of the Great Indian Middle Class is the major reason for retail rush that is being witnessed. Fueling this fact is the changing demography of the Indian populace. The percentage of young people in the country is increasing. It portends well for the retail business as it is the young people who buy more than the old. Again the percentage of women consumer in the population is showing an increase. This again is good news for the retail market as general perceptions that women are more avid shoppers compared to men folk. The spread of the visual media is contributing its might in spreading visibility of various consumer goods to the public which heighten their aspirations to consume more and to shop in more congenial and luxurious environment. The increasing number of double income family who has more disposable income is another contributing factor for this Phenomenon. Modern retailing provides an ideal shopping experience through consumer preference analysis, excellent ambience and choice of merchandise. Changing lifestyles, strong income growth and favorable demographics are the drivers for the fast growth of this sector. Rising income level, education, acceptance of smart and credit cards and global exposure have an impact on the Indian consumer's shopping habits (Baseer and Laxmi Prabha, 2007). The main objective of this research is to know the consumer perception towards organized retail and unorganized retail while shopping.

**Table 1: Journey of Organized Retail in India**

<b>Year</b>	<b>Growth</b>	<b>Function</b>
2000	First Phase	Entry, Growth, Expansion, Top Line focus
2005	Second Phase	Range, Portfolio, Former, Option
2008	Third Phase	End to end supply chain management, Backend operation, Technology, Process
2011	Fourth Phase	M&A Shakeout, Consolidation, High Investment

The Indian consumer has undergone a remarkable transformation. Just a decade or two ago, the Indian consumer saved most of his income, purchased the bare necessities and rarely indulged himself. Today, armed with a higher income, credit cards, exposure to the shopping culture of the west and a desire to improve his standard of living, the Indian consumer is spending like never before. Organized retail with its variety of products and multitude of malls and supermarkets is fueling his addiction. His new mentality, in turn, is fueling the growth of organized retail in India. Some of the features characteristic of these consumers is their tendency to borrow money in order to buy the upscale items – contrary to the traditional line of thought that Indian consumers are indisposed to credit. But these consumers not only have price and quality on their minds but also the fact that their brands effectively reflect their local environment and are consonant with their life style. And this is where the foreign multinationals coming into the Indian consumer market has to pay attention. Selling global brands in India at global prices is a road to perdition. Companies who have tailored their products to the Indian environment and customer have reaped high rewards.

At the same time, Indians will find it hard to give up their old habits of shopping at the local corner-store or buying goods from the street-vendor. The next section describes the unorganized and organized retail sectors in detail. It is critical to understand these sectors individually to speculate about possible the nature of interaction between them. While the traditional form of retail in India is sure to suffer a setback from the entry of large organized retailers, it is possible for both forms to co-exist serving the new personality and old-habits of the Indian consumer simultaneously. The retailer in order to stay in the market and face the competition he should understand consumer shopping behavior. This is possible by analyzing the factors that affect behavior. These factors could be demographic, psychological, environmental or related to the lifestyle of the customer. The retailer also needs to identify the various stages in the customer decision making process and the major influence stage. To understand the concept from the 1950s to 1980 Indian shoppers were

used to shop at Haat, Mandis, Melas and at small family run stores kirana shops. After liberalization, privatization and globalization Indian government lifted the restrictions from private companies and Indian economy slowly progressed from being state-led to market friendly. This was the beginning of modern India. The growth of middle and higher middle class, growing trend of call centers and BPO, increasing number of dual income nuclear families,

convenience of shopping from one place to another, reasonable pricing and a good place to pass the time fuelled the growth of supermarket, hypermarkets and concepts of organized retailing in India.

### **Factors Influencing the Behavior of the Consumer**

The behavior of retail consumer is a subject of study across the world. In India retailers and retail formats are evolving on a great extent. Understanding the reasons for consumer's behavior is very important for retailer. Following are the factors which influence the customer's decision making process.

***Range of Merchandise:*** The range of merchandise is perhaps the most important reason for customers to patronize a particular outlet. The initial curiosity of the store may draw a consumer to a retail store, but converting him into a buyer and retailing him over a period of time is largely dependent on the quality and the range of merchandise offered by the store. The range of merchandise offered plays an important role in case of categories like devalues, books and music.

***Convenience of Shopping at a Particular Outlet:*** The element of convenience is a fast gaining promises in the world of organized retail. This is especially true in case of items like grocery/fruits and chemists. For example, while buying medicines most patients would prefer the buy from the chemist near the doctor clinic or near the hospital.

***Time to Travel:*** The time required to reach a particular retail location is again fast becoming critical. This is very much relevant in cities or metros like Mumbai, where travel time is high. This has resulted in many local areas developing in terms of shopping to facilitate buying.

**Socio Economic factors:** Socio economic factors are seen as a fundamental to development. India is a nation which has a large middle class a youth population which is happy spending and a steady rate of growth of G.D.P. The Socio-economic background of the consumer largely determines his lifestyle. Consumer buying behavior varies from market to



market and is largely influenced by the culture of the region. This can be explained with the help of an example. That is a culture of Asia is different than Western Culture, therefore accordingly consumer behavior also shifts. The retailer needs to understand that the need hierarchy is different for each market.

### **Emerging Patterns of Organized Retailing in Madurai District in Relation to Consumer Behaviour**

The patterns of organized retailing in India and their consequential reciprocal relationship with consumer behavior can be observed through a deeper insight into the Indian market there exists two type of shopping which analyses the consumer behavior as mentioned below:

1. Add-on features in modern retail stores have an insignificant impact on actual sales conversion, as majority of the consumers still prefer 'value for money' while shopping.
2. Retail service quality has assumed the central role in shaping the consumers' perception, sales conversion rate, and repeat sales and overall shopping satisfaction.
3. Socio-cultural differences, coupled with other demographic and psychographic factors, are influencing buying behavior and choice of the store even after the emergence of egalitarian shopping malls.
4. The hedonic shopping value differs across product categories and also in case of consumables and durables.
5. Utilitarian shopping has started giving way to hedonic shopping with the emergence of organized retailing. Yet the majority still prefers utilitarian shopping.

The Indian retail sector is still predominantly unorganized. However, organized retail units are fast emerging and becoming the preferred choice of consumers, especially in urban areas. This development is attributed to a number of factors. Firstly, economic liberalization has facilitated the entry of multinationals into the cash-and-carry business and single brand retailing. Multinational companies are also taking advantage of India's low cost labor and raw materials to make India a sourcing hub, as well as a market for their products. Secondly, increasing income levels and a growing sense of brand consciousness among India's middle and higher income groups have led to increased popularity of organized retail units. The changing consumer

behavior is increasingly shaping organized retailing and is, in turn, evolving with new found options and opportunities. On the socio cultural side, the growing number of nuclear families, general improvement in education levels and, most importantly, continuous rise in women's economic independence through jobs, as well as entrepreneurship, has made women play a more proactive role in shopping for the family. This has led to an increasing number of customers availing of convenience options such as super markets, where most of the shopping for daily necessities can be done under one roof. Changing income levels and occupation have resulted in a change in the consumer's buying behavior. More urban women are seeking employment resulting in dual income families. This results in more disposable income that in turn spawns consumerism. Moreover, in households with working women there is greater work pressure and increased commuting time resulting in adjustments being made to the food habits (cooking vs. ready to eat) as well as clothing. The focus shifts to convenience and comfort. The size and composition of the shopping basket has changed over time. Today's consumers are looking for shopping convenience and want to have all their requirements under one roof, coupled with speed in the retail store operations. Due to time constraints, families are now looking for shoppertainment combining shopping with entertainment. This is one of the causes of increased footfalls at malls with multiplexes. As India moves into modern retailing with several changes with regard to its markets, brands and consumers there are unique challenges that a multinational company entering India has to come up with, whether it is a fast moving consumer goods (FMCG) company or a multinational retail chain like Tesco or Wal-Mart. There are unique retailing aspects that need to be studied in detail by these companies. While the world over the retail density (number of shops per 1000 consumers) is on the decline, the retail density in India is on the increase. This is because of the fact that small neighborhood shops called kirana shops about eleven million in India. They have been a part of the Indian shopping culture for several decades and even today organized retailing (modern retail outlets) contribute just 2-3 percent of the total retail sale in the country. Point of Purchase (POP) materials are used both by kirana shops and by organized supermarket retail outlets. This study investigates the impact of POP materials on kirana shop purchases and the purchases of consumers from supermarkets. Given the importance of POP material on the purchase of FMCG purchases, the authors feel that this study will be useful to bridge the gap between theory and practice and will provide valuable insights to managers involved in retailing.

**Recent Trends:**

- ✓ Retailing in India is witnessing a huge revamping exercise as can be seen in the graph
- ✓ India is rated the fifth most attractive emerging retail market: a potential goldmine.
- ✓ Estimated to be US\$ 200 billion, of which organized retailing (i.e. modern trade)
- ✓ makes up 3 percent or US\$ 6.4 billion
- ✓ As per a report by KPMG the annual growth of department stores is estimated at 24%
- ✓ Ranked second in a Global Retail Development Index of 30 developing countries
- ✓ drawn up by AT Kearney.
- ✓ Multiple drivers leading to a consumption boom:
  - ❖ Favorable demographics
  - ❖ Growth in income
  - ❖ Increasing population of women
  - ❖ Raising aspirations: Value added goods sales
- ✓ Food and apparel retailing key drivers of growth.
- ✓ Organized retailing in India has been largely an urban
- ✓ Phenomenon with affluent classes and growing number of double-income households
- ✓ More successful in cities in the south and west of India. Reasons range from differences in consumer buying behavior to cost of real estate and taxation laws.
- ✓ E-retailing slowly making its presence felt

**Suggestions:**

- ✓ One of the key observations by customers is that it is very difficult to find the uniqueness of retail stores. Uniqueness in retailing require innovation leading to distinct retail models through an appropriate mix of physical stores and online formats, aided by technology drivers like mobile phones, could be used by companies to create unique retail models that reach out to a wider customer base in shorter times and at lower costs. Companies in India should seriously consider leveraging existing lines of business into retail formats, whether through a chain of stores or online sales models. There are ample niche

opportunities for companies who wish to enter the retail business and develop unique value propositions for their customers.

- ✓ Organized retail outlets may take necessary steps to home delivery to cater to the needs of consumers.
- ✓ Organized retailers provide credit schemes to increase sales potential.
- ✓ Organized retailers should take effective steps to avoid about long queues for billing.
- ✓ The main characteristics of a Nuclear Urban Family are the members are highly individualistic, they have adequate spending power, the members have divergent tastes and they have unique needs that require its solutions. These consumers receive pleasure in addition to merchandise as outcomes of a shopping trip and expect the visit to be entertaining and pleasurable. The organized retailer should model his outlet to meet the requirement of these target consumers who constitute the major portion of their customer base.
- ✓ Work out a strategy to build franchise model to control the rent and employees costs which are biggest operating costs of organized retail business.

### **Conclusion:**

India is in the crossroads with regard to the retail sector. Several emerging market economics have gone ahead and reaped the benefits of modern retail. Politics is an unfortunate reality that has been coming in the way of success of organized sector and ultimately the overall retail sector. The hue and cry created by unorganized sector against Reliance Fresh, Wal-Mart especially in U.P., Jharkhand etc. is not appreciable it is the major hindrance in the growth of retail sector. There is need of balanced approach to retail & govt. has to play a very vital role in shaping the future course. Though tradition retail has been performing a vital function in the economy, but it has to shed off its shortcomings and inefficiencies and this is actually happening. Thus, the organized sector is not only impacting the other sectors positively but also it has benefited its own competition i.e. unorganized sector. So, organized sector becomes the growth mantra of Retail sector. Numerous business groups are attracted in the past few years, including some renowned business groups like Bharti, Future, Reliance, and Aditya Birla to establish hold, showing the future growth in times to come. In addition, organized retail sector has also grabbed the attention of foreign companies, showing their interest to enter India. After looking up these

facts, the paper strategically analyzed the Indian retail Industry. The results of the study depict that infrastructure, economic growth and changing demographics of consumers are the major driver of organized retail in India. The location of the retail store, management style and adequate salaries to personnel enhance the effectiveness of retail business and are important factors for retailers' success. The study further reveals that younger generation, emerging retail formats, increasing awareness and innovation in new products are the strengths and opportunities of organized retail in India. On the other hand, Demographic changes, shrinking of markets, high real-estate cost and increasing price competition among retailers are some of the threats and weaknesses of Indian retail Industry. Hence, there is an urgent need to overcome the threats and weaknesses and grab the opportunities by retailers for the success of retail sector in India.

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