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A STUDY ON SHIFT IN CONSUMER TRADITIONAL RETAILING DUE TO EMERGENCE OF ORGANIZED RETAIL BRANDS

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ABSTRACT

The paper studied the change in the consumer buying behaviour towards the conventional kirana stores or traditional retailing in terms of the monthly purchase of grocery or the household items due to the rise of the organized retail brands. Data were collected from 100 respondents at exit of different organised retail stores in Mumbai and Navi Mumbai. A well structured questionnaire has been implemented. For analysis of data, Factor analysis, one way ANOVA, Correlation and Regression calculated and SPSS used.

Result revealed that the main reason for consumers to prefer organized retail outlet for their monthly grocery shopping is one stop shop due to availability of multiple brand along with attractive sales promotion offers creates a pleasure in buying experience. This paper opens up the areas for further research to in-depth study on perception and its effects on buying pattern/preferences by detailed study of uniform sample group across urban, semi urban and rural population so that complete scenario can be understand. The implications of the findings have been discussed.

KEYWORDS: Changing Life style, Buying Pleasure, One Stop Shopping, Purchase Value, Preference of Organised Retail, and Attractive Promotions.

INTRODUCTION:-

Retail in India is one of the pillars of its economy and accounts for 10 percent of its GDP. The Indian retail industry has emerged as one of the most dynamic and fast-paced industries due to the entry of several new branded Retail chains. Total consumption expenditure is expected to reach nearly US$ 3,600 billion by 2020 from US$ 1,824 billion in 2017. India is the world's 5th largest global destination in the retail space.

In 210, larger format convenience stores and supermarkets accounted for about 4% of the industry, and those were present only in large urban centres. India's retail and logistic industry employs about 40 million Indians.

Until 2011, Indian central Govt. denied investment (FDI) in multi brand retail, forbidding foreign groups from any ownership in supermarkets, convenience stores or any retail outlets. Even single branded retail was limited to 51% ownership and a bureaucratic process.

In November 2011, Indian government announced retail reforms for both multi brand stores and single-brand stores. These market reforms paved the way for retail innovation and competition with multi-brand retailers such as Wal-Mart, Carrefour and Tesco, as well single brand majors such as IKEA, Nike, and Apple. The announcement sparked intense activism, both in opposition and in support of the reforms. In December 2011, under pressure from the opposition, Indian government placed the retail reforms on hold till it reaches a consensus.

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In January 2012, India approved reforms for single-brand stores welcoming anyone in the world to innovate in Indian retail market with 100% ownership, but imposed the requirement that the single brand retailer source 30%of its goods from India. Indian government continues the hold on retail reforms for multi-brand stores.

India's retail market is expected to increase by 60 % to reach US$ 1.1 trillion by 2020, on the back of factors like rising incomes and lifestyle changes by middle class and increased digital connectivity. Overall retail market is expected to grow at 12% per annum, modern trade would expand twice as fast at 20 % per annum and traditional trade at 10 %. In FY17, organised retail market contributed 7 % of the total sector and unorganised retail market contributed the rest 93 % of the sector.

Luxury market of India is expected to grow to US$ 30 billion by the end of 2018 from US$ 23.8 billion 2017 supported by growing exposure of international brands amongst Indian youth and higher purchasing power of the upper class in tier 2 and 3 cities, according to Assocham.

The modern retail market is expected to grow USD 60 billion to USD 180 billion during 2015-2020. So it would be three times in 2020 compare to present.

LITERATURE REVIEW:-

Researchers suggest that service quality offered by retail stores is a significant determinant for customer satisfaction (Berry et al., 1988; Boulding et al., 1993; Duffy and Ketchand, 1998; Fornell etal., 1996; Jun et al., 2004; Sivadas and Baker-Prewitt, 2000; Taylor and Baker, 1994) and customer retention (Bennett and Higgins, 1988; Dabholkar et al., 1995;Yong,2000).

Rees (1992) in his study revealed that factors influencing the consumer's choice of food are complex and must be added to variables such as flavour, texture, appearance, advertising etc.

Ragavan (1994) reported that quality, regular availability, price, accuracy in weighing and billing, range of vegetables and accessibility as the factors in the order of importance which had influenced purchase of vegetables by respondents from modern retail outlets.

Sundar (1997) study revealed that the Grocery Department of Saravana Bava Cooperative supermarket, Cuddalore was enjoying favourable images of consumers in the attributes such as equality of price, behaviour of sales persons, moving space, location, correctness of weight, packaging of goods, number of sales persons and convenient shopping hours. At the same time, the image is weak in the attributes such as quality of goods, availability of range of products, variety of goods, acceptance of returns, credit facility, and door delivery and in sales promotional measures.

Devlin et al. (2003) conducted a study on means-end chain analysis of the food sector and explored the extent to which the findings made can be used to inform the retail positioning strategy of food retailers in the UK, the study identified the linkages between food retail store attributes and personal values. The findings of the study presented a more personally relevant representation of consumer's perceptual orientations towards food retail store image. At the attribute level "good quality products", "good reputation", "store has additional services", and "value for money", are most sought after. These were linked to the consequences "feel good" and to "save time". Overall, the findings support previous value driven research, concluding that "happiness" and "quality of life" were the most strived for personal values.

Haese et al. (2005) study revealed that since late 1990s, the number of supermarkets in South Africa has been steadily growing. Due to a more effective and efficient management and procurement system, the supermarkets can benefit from economics of scale and sell food at a relative low price.

PROBLEMS TO BE RESEARCHED:-

➢ **Is** the purchase value of Monthly House Hold items (grocery) from conventional Kirana stores decreasing due to the purchase shift from Kirana to Organized Retail?

➢ **D**o the Consumers prefer to purchase from Organised retail rather than the next door Kirana stores? Why?

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RESEARCH OBJECTIVES:-

- To study the change in the purchase value of the monthly household items or grocery from the conventional kirana stores because of the emergence of multi brand outlet or organized retail sector.
- To investigate if the the radical change in lifestyle is stimulating the purchase shift from the kirana stores to the modern (organized) retail outlets.
- To investigate whether attractive and appealing sales promotions influence switch over from kirana stores to organized retail outlets.
- To investigate whether the pleasure in buying experience influences the purchase shift from kirana stores to organised retail outlets.

HYPOTHESIS:-

H_{01}: Attractive and appealing sales promotion does not influence switch over from kirana stores to organised retail outlets.

H_{11}: Attractive and appealing sales promotions influences switch over from kirana stores to organised retail outlets.

H_{02}: There is no reduction in the monthly purchased value of the household items (grocery) from the conventional kirana stores due to the one stop shopping at the organized retail outlet.

H_{12}: There is reduction in the monthly purchased value of the household items (grocery) from the conventional kirana stores due to the one stop shopping at the organized retail outlet.

H_{03}: Pleasure in buying experience at organised retail outlets does not play an important role in the reduction of the monthly purchase of household grocery (functional products in daily use) from the conventional Kirana stores.

H_{13}: Pleasure in buying experience at organised retail outlets plays an important role in the reduction of the monthly purchase of household grocery (functional products in daily use) from the conventional Kirana stores.

H_{04}: Availability of kirana store in the neighbourhood affects customer's preference to visit organized retail outlets

H_{14}: Availability of kirana store in the neighbourhood does not affects customer's preference to visit organized retail outlets

H_{05}: There is no reduction in the monthly purchase value of the household items (grocery) from the conventional kirana stores due to the emergence of organised retail outlets.

H_{15}: There is reduction in the monthly purchase value of the household items (grocery) from the conventional kirana stores due to the emergence of organised retail sector.

H_{06}: The availability of the multiple brands at the organized retail outlet does not play a major role in the reduction in the purchase value of the grocery from the conventional Kirana stores.

H_{16}: The availability of the multiple brands at the organized retail outlet plays a major role in the reduction in the purchase value of the grocery from the conventional Kirana stores.

H_{07}: The radical change in lifestyle does not stimulate the purchase shift from the kirana stores to the modern (organised) retail outlets.

H_{17}: The radical change in lifestyle is stimulating the purchase shift from the kirana stores to the modern (organised) retail outlets.

RESEARCH METHODOLOGY:-

This study was conducted at Mumbai & Navi Mumbai in the organised retail outlets of – Food bazaar, More, D-Mart, Reliance Fresh. The close ended 8 pages Questionnaires were filled by the customers outside the retail stores. The target respondent were Youth, couple, single, and elder people who shop at any of the major organised retail stores in and around Mumbai. For collection of data survey method has

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been used. Both primary & secondary data has been used. Sample size was 100. The analysis uses both qualitative & quantitative techniques. For indicating choices of preference Five point Likert scale has been used. The data initially stored in Ms Excel from where further fed to SPSS to prove the Hypothesis.

DATA ANALYSIS AND INTERPRETATION OF RESULT:-

The total number of responses were 100, and out of 100 respondents, 37(37%) having strong preference towards organised retail, 17(17%) respondents prefer to shop from organised retails, 26(26%) respondents were neutral and 20(20%) respondents do not prefer to shop from organised retail stores. Therefore, at least 54(54%) respondents prefer organised stores over unorganised stores.

1.   Factor Analysis:-

The Principal component analysis and Rotation matrix have been used in order to identify the factors affecting the preferring the organised retail stores over traditional retail stores. As per the latent root criterion, only the factors having latent roots or Eigen values greater than 1 are considered significant; and all the other factors with latent roots less than 1 are considered insignificant and disregarded.

Table 1: Total variance Explained:

Component	Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %
1	4.145	20.727	20.727
2	2.934	14.668	35.395
3	2.766	13.828	49.223
4	2.440	12.199	61.422

There are only 4 factors each having Eigen value exceeding one. The index for the present solution accounts for 61.422% of the total variations for preference of organised retail outlet over traditional. It is a pretty good extraction because we are able to economize the number of choice factors, i.e. from 20 statements to 4 underlying factors.

Table 2: Extracted Four factors

Factor No.	Factors	Factor Loading
F1	Availability of multiple brands,	0.867
	One stop shopping,	0.793
	Pleasure in buying experience,	0.758
	Attractive discounts and sales promotions	0.728
F2	Freshness of food products,	0.765
	Reasonable prices	0.725
F3	Saves money on transportation	0.896
F4	Availability of others Services like Ice cream parlours, Cinema hall; Attraction for children like Gaming Zone	0.817
		0.707

Therefore based on the above table the alternate **hypothesis H_{11}, H_{12} and H_{13}** can be **accepted** as all lie within the F1 which is being most important factor.

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2. One Way ANOVA: -

A. Here we wanted to investigate the reasons of consumer's preference to visit the organised retail outlets based on the availability of the Kirana store in their locality.

ANOVA

Do you prefer to shop from the organised retail outlet as compared to traditional kirana store?

Table3:

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	7.351	2	3.675	3.813	.025
Within Groups	93.489	97	.964		
Total	100.840	99			

Here we have tried to prove a hypothesis that customer's preference to shop from organized retail does not vary based on availability of kirana store in the locality. The significance level is 0.025 << 0.05, therefore we can say that the null hypothesis H04 is rejected and hence **alternate hypothesis H $_{14}$ is accepted** i.e. Availability of kirana store in the neighbourhood does not affect customer's preference to visit organized retail.

B. The below scatter plot for total spend vs kirana store spend clearly shows that as the total expenditure increases the share of valet for kirana store keeps on reducing. The trend line has a slope which is very less than 1. Hence we can deduce that the spend pattern in kirana store reduces as the total spend (expendable income) increases.

Scatter plot - total spend vs. Spend in Kirana store:
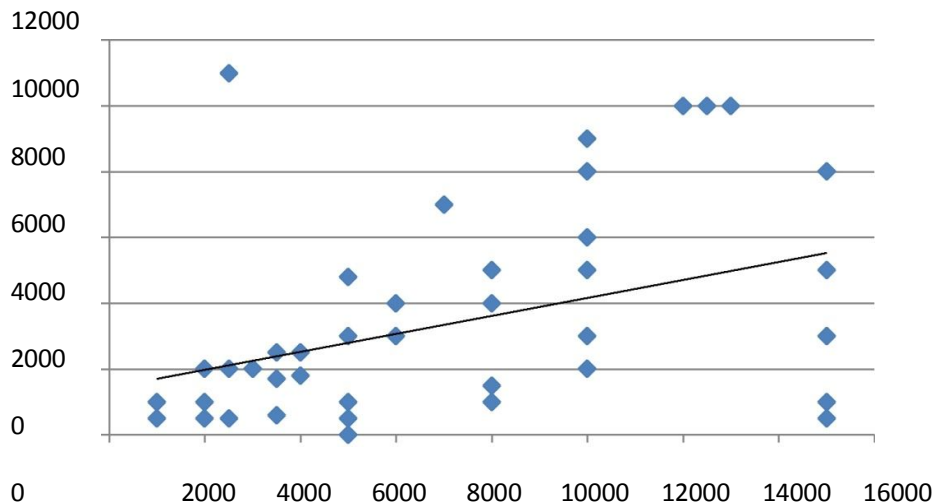
Thus based on the above charts and the ANOVA test carried out we can deduce that the monthly purchase value from kirana store is reducing as consumers prefer to shop from organized retail outlet

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irrespective of presence of kirana store in their locality and the share of the valet for the kirana store keeps on decreasing even though the total expenditure is increasing. Therefore the alternate **hypothesis H_{15} is accepted.**

3. Correlation:-

People prefer to shop from the organised retail outlets and the purchase value of the monthly household grocery from the kirana store is coming down, are highly correlated. We find Pearson correlation coefficient of 0.692(significant at 0.01 level, 2-tailed), which shows that people prefer to shop from outlet and also reducing their spending on kirana store.

4. Regression Model:-

Multi regression is used to check the relationship between a dependent variable that the customer prefer to shop from the organized retail outlet,

A.   On the basis of 5 parameters (independent variables) **to disprove hypothesis H_{06}**
Five Parameters are; Attractive discounts and sales promotions, One stop shopping, Availability of multiple brands, Pleasure in buying experience and availability of other services (like Ice cream parlours, cinema hall).
We found the significant level of third independent variable (availability of multiple brands) is 0.000<<0.05 (t=4.510, beta=0.508). Thus, alternate **hypothesis H_{16} is accepted**, i.e., the availability of the multiple brands at the organized retail outlets plays a major role in the reduction in the purchase value of the grocery from the conventional Kirana stores.

B. On the basis of 4 parameters to **disprove H_{07}**. Dependent variable for both is; Do you prefer to shop from the organised retail outlet as compared to traditional kirana store.
Four parameters are; It is located near my house and I can shop while I am going back home from office, I need to maintain my social status, It is kind of stress buster for me as I get so involved in investigating and comparing the different brands and options available in almost all the categories in organised retail outlet that I forget my tensions for a while, and In organised retail outlet the shopping seems to be more hassle free as compared to kirana store.
We found the significant level of last independent variable is 0.000<<0.05(t=4.730, beta=0.412). Thus the **alternate hypothesis H_{17}** is accepted, i.e. The radical change in lifestyle is stimulating the purchase shift from the kirana stores to the modern (organised) retail outlets as in today's hectic lifestyle consumers want to have a pleasant buying experience which is hassle free as most of the people do the monthly purchase of the grocery items on the weekends and they want to make their shopping experience pleasant and entertaining.

General Observation:-

Availability of multiple brands and one stop shopping are the major reasons for the preference of organized retail. Sales promotions are second major driver for organized retail .Even though people have a kirana store near their house, they prefer to do shopping from organized retail due to the aforementioned reasons .With increase in total expenditure the share of valet for kirana stores reduces. Respondents did not have a strong preference for future change in their buying habits. As the disposable income increases the consumers tend to spend more time on hobbies and like spend time with their family more. Ancillary entertainment services like cinema halls, gaming zones play a vital part in making the organized retail shopping a more pleasurable experience.

RECOMMENDATIONS:-

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- Kirana stores can sustain their absolute revenues by focusing on the following short term/quick fix factors:
A. Increase the breath of products.
B. Passing on more sales promotions to the customers.
C. Provide home delivery service to the customers.
- Since high income groups tend to have more hobbies and like to spend time with their families the most, kirana stores can subtly emphasis the home delivery option to enable them to spend more time with their family.
- Organized retail outlets are perceived to be more modern i.e. perceived to be visited if you have to change with time hence kirana store owners need to change the perception by making their outlets more aesthetic.
- Organized retail outlets are not convenient to the consumer in terms of vicinity to their homes; kirana stores can capitalize on this fact to increase their share of revenue from the consumers.
- Organized retail outlets have increased spend done by consumers as their income increases. Kirana store lose out on the high spending consumers, they can reach out the customer by providing regular reminders by providing them pamphlets and promotional offers along with the message that they can make the delivery at the door step of the consumers.
   There is a negative perception about freshness of fruits and vegetables in organized retail outlet due to which consumers tend to shop from other avenues for these. Retail outlets can provide a standee near such goods providing information about the received date so as to change the perception.
- Kirana stores can start accepting other forms for payment i.e coupons and cards to increase the spending by the customers.

LIMITATION OF THE STUDY:-

8 pages long questionnaire was uneasy for respondents. Found difficulty in finding of respondents. To Waiting for the respondents outside the organized retail stores was not easy. Too much money spent in travelling & questionnaires print out. Analysis was complex. Data Feeding & cleaning was a daunting task.

SCOPE FOR FURTHER WORK:-

In this study we have considered a limited number of motivational factors which affect the consumer preferences. Also the sample group selected was urban only (Mumbai). A more detailed study with uniform sample group across urban, semi urban, 2- Tier towns needs to be done to understand the complete scenario. There is lot of scope for in-depth study on perception and its effects on buying pattern/preferences.

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