

Analysis of Urban Customer Purchase Decision Making parameters in Organized Retail Sector in India

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Abstract: Retail in India has emerged as one of the dynamic and fast-moving industries with several players entering the market. Retailing appears to be on its way to become the next boom industry. The whole concept of shopping has altered in terms of format and consumer buying behaviour, ushering in a revolution in retailing. The Indian retail sector is highly fragmented, with majority of its share of business being run by unorganized retailers like the traditional family run stores and corner stores. The Indian population is witnessing a significant change in its demographics. There is a need to study the perception of consumers towards this change in terms of new retail formats, products and brands availability and how it affects the shopping pattern and decision making process of the consumer. Our paper is an effort to understand the changes that are brought about by this change in demographics. We have conducted a survey in the various retail formats of Gurgaon. Data collected from this survey has been analysed using various methods including factor analysis to identify those factors that actually affect the choice of urban consumers while purchasing from an organized retail outlet. Our study shows that major factors affecting consumer purchase decision are lifestyle, motivation, personality, convenience and value delivered to the customer.

Keywords: *Organised Retail, consumer, buying behaviour, perception.*

1 Introduction

The Indian retailing sector is at an inflexion point where the growth of organised retail and growth in consumption by Indians is set to adopt a higher growth trajectory. The Indian population is witnessing a significant change in its demographics. A large young working population and nuclear families in urban areas, along with increasing numbers of working women and emerging opportunities in the service sector provide the key growth drivers of the organised retail sector.

Retailing, in a layman's language involves the procurement of varied products in large quantities from various sources/producers and their sales in small lot for direct consumption to the purchaser. The term retailing applies not only to the selling of tangible products like loaves of bread or pairs of shoes, but also to the selling of service products. Companies who provide meals, haircuts and aromatherapy sessions are all essentially retailers, as they sell to the final consumer, and yet customers do not take goods away from these retailers in a carrier bag. The consumption of the service offering coincides with the retailing activity itself.

The retail industry in India is of late often being hailed as one of the sunrise sectors in the economy. India's strong growth fundamentals, high saving and investment rates, fast growth in labour force and increased consumer spending has made it a very favourable retail destination globally(1). Retailing is one of the pillars of economy in India and accounts for 35% of the GDP. According to ICRIER report, organized retailing was predicted to extend to ten percent by the year 2010 and then estimated to grow at 13% from \$322 billion to \$590 billion by 2011-12.

India's middle-income group (popularly called the middle-class) is currently around 25 percent of the total population (over 300 million) and is estimated to increase to 400 million by 2025. This middle-income segment would have about USD 2.8 trillion a year to spend.

Organised retailers are trying a variety of formats, from discount stores to supermarkets and hypermarkets through to specialty chains. Modern retail has entered India in the form of sprawling shopping centres, multi-storeyed malls and huge complexes offering shopping, entertainment and food all under one roof.

The services, ambience and product offering of Shoppers' Stop and Lifestyle have increased the expectations of customers. Similarly, Giant, Subhiksha and Big Bazaar have reinvented the low price option for their customers. By the emergence of new retail formats, the whole concept of shopping has altered in terms of consumer buying behaviour, ushering in a revolution in retailing.

The big names such as Reliance, Tata, AV Birla Group and ITC, has announced huge investments in retail because of the presence of vast market, growing consumer awareness about product quality and services, and higher disposable income. This has marked the beginning of the 'retail revolution' during 2006 and 2007. India is currently the twelfth largest consumer market in the world. According to a study by McKinsey Global Institute, India will improve its position in consumer markets by 2025.

2 Literature Review

The Indian retail industry is divided into organised and unorganised sectors. The Indian retail sector is highly fragmented, with a major share of its business is being run by unorganised retailers like the traditional family run stores and corner stores. The organised retail however is at a very emerging stage, though attempt is being made to increase its proportion bringing in a huge opportunity for prospective new players.

Organized retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses. Due to dynamic change in various factors of consumer buying behaviour such as demographic, psychological, social, cultural etc., there is a tremendous boom in the organized retail in the Indian market.

A perceptible structural change towards an organised format is foreseeable in the retail sector. These organised and modern retail formats generally consist of supermarkets/convenience stores, hypermarkets, discount stores, speciality stores and departmental stores. New Retail Formats in organized retail chains have enabled consumers to feel and compare the product at his own leisure time before buying it. It has given a way to analyse the information available on the product on various angles such as ingredients and its nutritional value, comparison of brands and its prices.

2.1 Organized Retailing

Organized retail may broadly be classified into different formats like Malls, Specialty stores, Discount stores, Category killers, Departmental Stores, Exclusive Stores, Hyper Markets, Super Markets, and Convenience Stores etc.

Malls are the largest form of organized retailing format, as they make available the wide variety of products and services all at one place. This format ranges from approximately 60,000 sq ft to 7, 00,000 sq ft and above. With almost no malls in India in the year 1998 to about 600 malls in 2010, this form has seen a sea change.

Specialty Stores are specialized in a specific category of product, they have medium sized layout in strategic location. They offer customers a better selection and sales expertise in specific category. Examples: Mumbai's bookstore Crossword, etc.

Discount Stores are stores or factory outlets that provide discount on the MRP, which mainly focus on lower and middle income consumers. They focus on mass selling and reaching economies of scale. Mega mart is a popular example in India.

Category Killers are retail outlets that offer several brands across a single product category; this format utilizes the self-service approach. These usually do well in busy market places and Metros. Examples: Planet Fashion and Reliance Footprint.

Departmental Stores are huge stores ranging from 20,000- 50,000 sq. ft that cater to a variety of consumer needs. It has an extensive assortment of goods and services that are organized for the purpose of efficient buying and ease of shopping for the consumer. They are the most popular retail format in India and are also found dealing in localized departments such as apparel, toys, home decor, groceries, gift items etc. Shoppers Stop is the first one to open a department store in the early 1990's.

As per the data released by ICI, organized retail market size was to the tune of US\$12.1bn in 2006, accounting for only 4.6 per cent of the total retail segment in the country. The late diffusion and low share of modern retail is mainly attributable to the severe restrictions on foreign direct investment (FDI) for retailing in our country till end of 2005.

India has allowed foreign companies to own up to 51 per cent in single-brand retail joint ventures (JVs) in 2006 which has given a boost to organised retail in India. Though multiple-brand foreign firms are still barred in retail, they can set up wholesale operations. The growth in organised retailing in the present decade may be gauged by the rise in number of shopping malls. In 1999, India had just 3 shopping malls measuring around 1 mn.sq.ft. and by the end of 2006, the total mall space rose up to 28 mn.sq.ft. with an average annual addition of 3.9 mn.sq.ft. Post 2006, on an average 8 mn.sq.ft. of retail space has been added annually pan India taking the mall space to over 52 mn.sq.ft by the end of 2009.(2)

2.2 Factors Affecting Consumer Buying Behaviour

Consumer behaviour is the study of individuals, groups, or organizations and the processes they use to select, secure, and dispose of products, services, experiences, or ideas to satisfy needs and the impacts that these processes have on the consumer and society (18).

According to Hawkins, Best and Coney (2001), a consumer buying behaviour or decision making process influencing the purchase of a product or a service can be distributed over two different parameters i.e. Internal and External factors. Internal influence such as motivation, learning, memory, emotions, perceptions, attitude, personality and lifestyle and on the other hand the external influence can be categorized on the basis of cultures, demographics, family background, leaders, reference groups, social class and marketing groups.

A theoretical model of buyer behaviour. According to the relationship shown by Philip Kotler, a consumer is influenced by the marketing mix and other stimuli which effects the decision making process of the consumer.

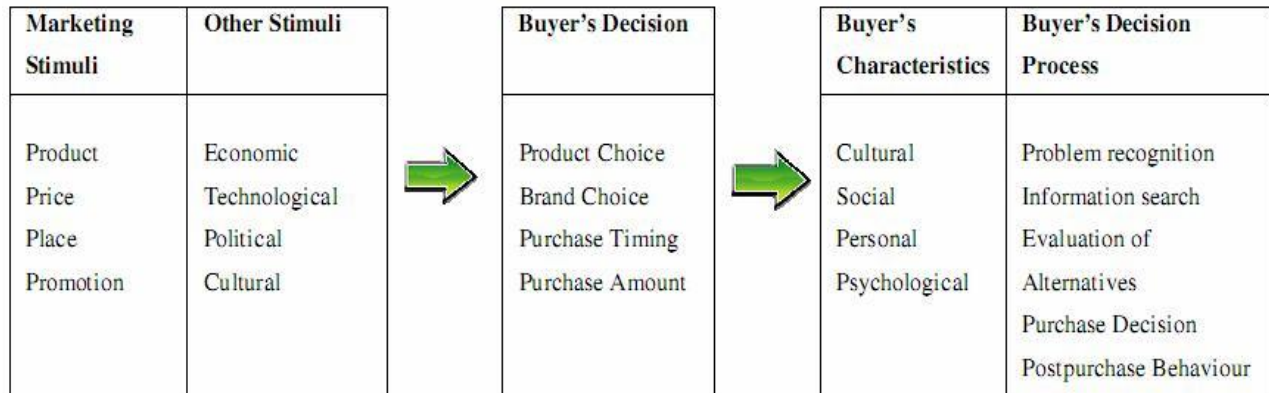


Figure 1 [Kotler, P., 2000, Marketing management, Millennium edition, U.S.A.: Prentice-Hall, p.161.]

There is no doubt that the consumers are the king and are very paramount to the economy. To market the products better and cater the maximum amount of the segments, the marketers need to understand why the consumers behave in a specific manner towards different products and services.

There are three different types of mall shoppers -namely a) Relaxed shoppers, b) demanding shoppers c) pragmatic shoppers. (Mohammed Ismail El-Adly (2007) The consumers had the following priority while choosing a shopping place like cleanliness/freshness of food products, price, variety, quality, non-seasonal availability and packaging. Shoppers preferred to shopping market, where there were additional services available, children's attraction, basic amenities and the place should be affordable (Jabir Ali et.al, 2010). The perceived value of the shoppers is based on the characteristics of the shopping mall. These are subjective and sometimes influenced by the visitor's characteristics like the location, lifestyle, social class, price sensitivity and the situation of the buyers (Yusniza et.al, 2010).

The six major factors that can influence the consumer of the mall like comfort, diversity, entertainment, mall essence, luxury and convenience. Different brands have segmented on the basis of the behaviour of shopper, demographics and attractiveness of the mall. (Mohammed Ismail El-Adly (2007)

Results of the study conducted by (Jabir Ali et.al, 2010) suggested that the grocery items and food items are purchased in loose from nearby outlets and the fruits and vegetable are purchased more than once in a week because they were of perishable nature and the grocery very purchased quite less often.

Whereas in a different study focusing on the characteristics domain of the shopping mall (Yusniza et.al, 2010) results shows that the branding of the mall will also affect the preferences of the shoppers. It is an attractive aspect of the mall which appeals to the shoppers along with availability of the brand and the product. In the future research on shoppers' behaviour we can consider the intrinsic measures of a shopper to better understand the shopper behaviour.

Awareness of quality, awareness of price, innovative characteristics, diversity, loyalty to store, and planning influence consumer's buying behaviour and so these variables have direct and significant relationship with consumer's buying behaviour (Ali Mollahoseyni et.al, 2012). Also other variables including financial limitation, loyalty to brand, and time limitation, don't play major role in influencing consumer's buying behaviour.

Consumer Attitude means the behaviour which a consumer shows while purchasing. The consumer shows different consumer attitude because of different names. New-Age Young Indians are main benefactors of India's growing economy which are driving the growth in retail industry.

Consumer attitude helps the organization to understand local Kirana store (Mom & Pop store) as location of store is the convenience factor for them. The main reason for the existence of retailer is customer and if the retailer comes to know what exactly is the reason of purchasing so the retailer can change the store and the products accordingly.

By and large, there have been many factors that have impacted the buying decision of a consumer, but in today's changing consumption patterns due to higher disposable income and increase in the middle class in the society one of the most important factors that can impact the Indian market is the Lifestyle. Lifestyles can be defined as the consistent patterns that people follow in their lives, including how they spend their time and money, and they are identified through people's activities, interests and opinions of themselves and the world around them (Schoell and Guillinan 1992). Lifestyle characteristics tend to provide a richer view of the market and a more life-like portrait of the consumer, compared to other marketing information and segmentation variables such as classic demographics and socioeconomics (Meidan 1984; Vyncke 2002).

2.3 Changing Demographics of India

Changing Demographics of India is the trigger point of our study. We have reviewed multiple papers written on this topic to understand the viewpoints of other researchers.

As per Nicholas Eberstadt in "Asia-Pacific Demographics in 2010-2040: Implications for Strategic Balance", Asia-Pacific including India is undergoing a major demographic change not only in terms of number of humans, but also in human profiles. These changes would have impact on international economics, their economic productivity and on military potential. This paper reflects that India will have a relatively positive outlook due to this shift in demographics. Thus, we feel demographics of India should be carefully studied from different perspective and its effect should be properly understood for utilizing it in enhancing the growth of Indian economy. In this paper we have analysed the impact changing demographics have on organized retail sector of India.

Population Dynamics in India and Implications for Economic Growth by David E. Bloom from Harvard School of Public Health also studied the changing dynamics of India and reflects that this change in demographics will open up more economic opportunities for India. With decline in infant and child mortality rate, India will find itself with higher share of working population vis-à-vis dependents. This paper considers various factors that shall have impact on economic growth of India, like, age-structure, population health among others.

Retail has been an interest area for researchers from quite some time now. Some of the eminent scholars and researchers have performed research and analysis in this area. One such study is done by CMA JayashreeRamanan and Dr. K.P.V. Ramanakumar from SCSVMV University, Kanchipuram, Tamil Nadu India. In their paper "Changing Demographics and the Challenges to Indian Retailers", they have mentioned that India is among the youngest and largest consumer market in the world. A lot of factors contribute to increase in consumer spending, like, high disposable income, marriage at late age, longevity of life, increase in divorce rate, children settling abroad etc. Challenges that Indian Retail sector shall face due to change in demographics includes late retirement of aged population because of inefficient pension system, lack of logistics infrastructure, requirement of cost optimization on a continuous basis, adopt new manufacturing practices that will curb wastage, multi-channel presence etc. Regarding urbanization, paper maintains that India is seeing a rapid urbanization rate and that would enable growth in India urban retail as well due to paucity of time that urban people have and their high purchasing power.

We shall consider the factors as mentioned in above papers to enhance our analysis of consumer decision making in organized retail.

3 Primary Research

We have conducted primary research to understand the decision making parameters in Organized Retail in India. Our target segment is urban customer of India. Data has been collected through questionnaire and analysed using factor analysis. This section explains our methodology and results/ conclusion of our primary research. While conducting our research, we have used the knowledge we acquired through background study.

3.1 Research Methodology

Due to this paradigm shift in the choice of the organized retail over the unorganized retail and the increasing demand of more and more organized retail outlets, there is a need to study and identify the attributes of consumer buying behaviour that influence the consumers in buying across the modern retail formats.

3.2 Objective of the Study

Objectives of our study are as follows:

- To study the various factors that are involved in the consumer buying behaviour
- To study the impact of psychological factors on consumer preferences towards different modern retail formats.

3.3 Sampling Design

A survey has been done in the various retail formats of Gurgaon. Non Random stratified sampling is being used to collect the data. Respondents selected are from different age groups and gender to capture the opinion in totality.

Component Matrix

Components	1	2	3	4	5
impress_or	.489	.458	.419	.367	.075
particular_or	-.081	-.049	.923	.007	.137
needs_or	.594	-.486	-.270	-.026	.408
price_or	.310	-.281	-.243	.755	-.108
quality_or	.638	-.274	.296	.302	.112
variety_or	.520	.581	-.422	.043	-.311
locality_or	.717	.329	.316	.073	.092
service_or	.702	-.141	-.319	-.022	.176
brand_or	.535	.583	.020	-.236	-.348
proximity_or	.229	.393	-.176	-.395	.682
storebrand_or	.566	-.360	.265	-.541	-.290
adv_t_or	.497	-.631	.025	-.255	-.279

3.4 Data Analysis

Data collected has been analysed and factor analysis is used to find the important factors affecting the choice of consumers.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.285	27.376	27.376	3.285	27.376	27.376
2	2.092	17.431	44.808	2.092	17.431	44.808
3	1.729	14.407	59.215	1.729	14.407	59.215
4	1.375	11.461	70.676	1.375	11.461	70.676
5	1.099	9.161	79.836	1.099	9.161	79.836
6	.688	5.734	85.571			
7	.647	5.392	90.963			
8	.504	4.199	95.162			
9	.243	2.021	97.183			
10	.162	1.346	98.529			
11	.130	1.083	99.612			
12	.047	.388	100.000			

Table1: Eigen values and extracted sum of loadings for 12 factors

Table 2 : Eigen values in component matrix

Factor I - (3, 5, 7, 8) grouped together to form 'Component I'. Needs of the consumer, quality and service of the store should match so that consumer is willing to buy it from that store. Component I is 'Lifestyle'.

Factor II - (6, 9, 12) grouped together to form 'Component II'. Variety of the products, different brands and advertisements by the store can be clubbed together to form the 'Motivation to buy products'

Factor III - (2) is consumer likeness about the particular store due to convenience, store service, availability of the product etc. Personality of the consumer should match with store personality and they should have a match in their requirements 'Personality Match' is the Component III.

Factor IV - (4, 11) grouped together to form the 'Value Delivery from the store'.

Factor V- (10) is 'Convenience' of the consumer.

3.5 Results and Discussion

Lifestyle segmentation approach begins with people instead of products and classifies consumers into different lifestyle types, each of which is characterised by a unique style of living based on a wide range of activities, interests and opinions (Wells and Tigert 1971; Plummer 1971) Lifestyles can be defined as the consistent patterns that people

follow in their lives, including how they spend their time and money, and they are identified through people's activities, interests and opinions of themselves and the world around them (Schoell and Guiltinan 1992).

Motivation is the process of developing intent, energy, determination, and action to carry out certain behavior. Motives push people to perceive, think and act in specific ways that attempt to satisfy needs.1 Motives often stay unconscious in a person, as the person doesn't know exactly what they want,yet these motives remain a powerful influence behind thoughts, feelings and behaviors.2 People differ in their types and strength of motives, taking them on different lifetime journeys with different outcomes.

The elements of a buyer's brand choice decision are (1) set of motives (2) several alternative courses of action and (3) decision mediators by which the motives are matched with the alternatives.(John A.Horward, Jagdish N.Sheth) Funder defines personality as "an individual's characteristic patterns of thought, emotion, and behavior, together with the psychological mechanisms—hidden or not—behind those patterns" (2001: 2).

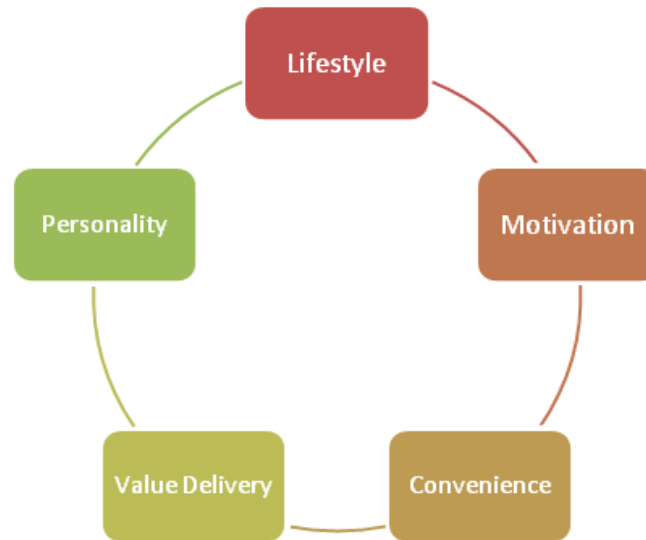


Figure 2 : Consumer Purchase Decision Making Model

Customer satisfaction with a service is related to the size of the disconfirmation experience; where disconfirmation is related to the person's initial expectations. If experience of the service greatly exceeds the expectations clients had of the service, then satisfaction will be high, and vice versa

Convenience was defined as the consumer's perceived degree of avoidance of time and effort and was exhibited as a multidimensional construct covering the entire shopping process (Berry, Seiders, & Grewal, 2002).

Keaveney (1995) and Pan and Zinkhan (2006), have focused on the link between shopping convenience and customer retention. Inconvenience has been shown to be a reason that customers exit a relationship (Keaveney, 1995; Pan & Zinkhan, 2006), and convenience has been shown to be a major reason that customers intensify a relationship (Seiders, Voss, Godfrey, & Grewal, 2007).

4 Conclusion

The factors that can potentially impact the success of organized retail are lifestyle, motivation, personality, convenience and value delivered. Howard and Sheths' theory of the buyer behaviour process provided original and powerful insights into the psychology of buying process by considering how learning theory can be applied to consumer behaviour. The buyer behaviour consist of stimulus inputs (example price, quality, service and social setting) which feed into a perceptual process where inputs are received and considered and which then interact with the person's attitude, motives and existing choice criteria. This may or may not lead to purchase intentions and other outputs including changes in attention given to a product extend to which consumer understands what the brand stands for and their attitude towards the brand.

With modern retail entering into a new era of growth in India, things have never looked better and brighter. Retailers need to discover and experiment with new customer segments and design innovative formats. Big corporate firms have to look out for all the changes in the society and consumer mind set and deliver accordingly. Consumer thinking and perception is no longer constant in this fast changing world. Consumer is more aware of his rights and

the marketing and advertising of the products and it's difficult to retain customer loyalty towards one brand when so much is offered in the organized retail market. Ethical practices, openness and transparency will lead to high market value and sustainability in the long run.

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