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A study on consumer behaviour with emphasis on perception with reference to organised and conventional retail stores- A comparative study

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Abstract

Urban Indian Shoppers today are witnessing a rapid change in the shopping options available to them. Today's consumers don't want to waste their time by buying fruits and vegetables in Raithu Bazaars, provisions in general/ kirana stores and household items in some other shops. Rather they want to reduce the risk and time by purchasing all items under a single roof. From "Serviced Retailing", where the customer approaches the retailer and asks for specific item which the retailer fetches from behind the counter, the urban Indian consumers are slowly switching to "Self Service" models of retailing. At the same time, the conventional/unorganized stores are also trying their best to retain their customers by offering them merchandise of good quality at discount rates. The present study was conducted in Guntur and Krishna districts of Andhra Pradesh. The study majorly aims at studying consumers' perception towards organized retail stores and conventional retail stores. The study also attempts to study the effectiveness of Point of Purchase (POP) Advertisements & Displays in organized and conventional retail stores. A sample of 500 respondents was selected by using Stratified Random Sampling Method and the data was collected with the help of a structured questionnaire. The findings of the study reveal that there was not much of difference between the consumers' perception towards the Organised and Conventional Retail Stores in various aspects. The study also reveals that Organised Retail Stores are more effective in maintaining the Point of Purchase (POP) Advertisements & Displays as well as in communicating their offers and discounts through advertisements, hoardings, pamphlets and SMSs than the Conventional Retail Stores.

Keywords: Consumer behaviour, Perception, Point Of Purchase, Organized & Conventional Retail Stores

Introduction

Consumer Behaviour is defined as the behaviour that consumers display in searching for, purchasing, using, evaluating, and disposing of products and services that they expect will satisfy their needs. It focuses on how individuals make decisions to spend their available resources (time, money, effort) on consumption-related items. Consumer Behaviour is the study of how individuals, groups, and organizations select, buy, use and dispose of goods, services, ideas, or experiences to satisfy their needs and wants. The present study on consumer behaviour was conducted with reference to organized and unorganized retailing in India.

Retailers need to know the various influences that lead up to a purchase, not just the store where the purchase was made. This includes looking at a host of external and internal influences. The process starts with:

- Understanding how the need for a product/ service was determined;
- Understanding how information was sought by the customer;
- The process of evaluation of various products and stores;
- The payment process; and
- The post purchase behaviour.

Retail Industry in India

India is one of the most desirable retail destinations in the world. India has emerged as the 5th most favourable destination for international retailers, outpacing UAE, Russia, Indonesia and Saudi Arabia, according to AT Kearney's Global Retail Development Index (GRDI) 2012.

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“India remains a high potential market with accelerated retail growth of 15- 20 percent expected over the next 5 years”, highlighted the report.

India has one of the largest numbers of outlets in the world. Of the 12 million retail outlets present in the country, nearly 5 million sell food and related products. Though the market has been dominated by unorganized players, the entry of domestic and international organized players is set to change the scenario. Around 7 percent of the population in India is engaged in retailing. In India the retail sector is divided into two broad sectors, unorganized retailing and organised retailing.

Unorganized Retailing in India

It refers to the traditional formats of low- cost retailing, for example the local kirana shops, owner manned general stores, pan/ beedi shops, convenient stores, etc. Indian retail is dominated by a large number of small retailers consisting of the local kirana shops, footwear shops, apparel shops, paan beedi shops, and hand- cart hawkers etc. which together make up the so-called “unorganized retail” or traditional retail.

Most Indian shopping takes place in open markets or millions of small, independent grocery and retail shops. Shoppers typically stand outside the retail shop, ask for what they want, and cannot pick or examine a product from the shelf. Access to the shelf or product storage is limited. Once the shopper requests the food staple, or household product they are looking for, the shop keeper goes to the container or shelf or to the back of the store, brings it out and offers it for sale to the shopper. Often the shopkeeper may substitute the product, claiming that it is similar or equivalent to the product the consumer is asking for. The product typically has no price label in these small retail shops; although some products do have a manufactured suggested Retail Price (MSRP) pre- printed on the packaging. The shopkeeper prices the food staple and household products arbitrarily, and two consumers may pay different prices for same product on the same day. Price is sometimes negotiated between the shopper and shopkeeper. The shoppers do not have time to examine the product label, and do not have a choice to make an informed decision between competitive products.

Organized Retailing in India

Organised retailing, in India, refers to trading activities undertaken by licensed retailers, that is, those who are recognized for sales tax, income tax, etc. These include the publicly traded supermarkets, corporate- backed hypermarkets and retail chains, an also the privately owned large retail business. The food and grocery, clothing, consumer durables and books and music sectors are the major retail sectors. However unorganized small outlets largely control the sector. Hence there is tremendous potential for the organised sector in various formats, such as hypermarkets, supermarkets, specialty stores, category killers and discount chains.

The lifestyle and profile of the Indian consumer is going through rapid transformation. The population of India is young, energetic and full of enthusiasm. 50 percent of the Indian population is under the age of 25. There has been a transition from price consideration to quality and design, as the focus of the customer has changed, the upper and middle-class population of today needs a feel good experience even if they have to spend a little more for that. People are moving

towards luxury and want to experiment with fashion and technology. Hence the demand for organised retail stores is increasing day by day.

Review of Literature

S. Ramesh Kumar, Rajeev Ravi, Jeevish Jain (2007)^[2], in their study conducted on “The Role of Point of Purchase in Shopping Behavior in An Emerging Market-The Indian Context” explored the relationship between Point of Purchase and Shopping Behavior and concluded that Point of Purchase (POP) materials are used both by kirana shops and by organized supermarket retail outlets. The author feels that POP material has large impact on the purchase of FMCG purchases. Also the POP material makes consumer try the product and increases the consideration set of the consumers. Karuppasamy Pandian, S.P., Elavarasi. R. and Arun Shankar G. (2012) ^[3], in their study on “Consumer’s Perception towards Retail Hypermarkets in Tiruchirappalli City-Tamilnadu”, found that most of the shoppers were conscious about the close to residents, price, quality of the product, variety of the products, convenience shop timing, ample parking, hospitality, store ambience, product display and demo and high quality fruits and vegetables. Consumers are very much attracted by the store atmosphere and décor and also the convenient location of the store. They are recreational in their shopping.

Deepika Jhamb and Ravi Kiran (2012) ^[4], in their study conducted on “Emerging trends of organized retailing in India: A shared vision of consumers and retailers perspective” revealed that the changing consumer behavior towards shopping and the significance of retailer strategies are important to know the emerging trends in modern retail formats. Consumers prefer modern retail formats due to its significant product attributes like improved quality and variety of brands and store attributes which enhance the shopping experience of consumers like good parking facility and trained sales personnel. Strategies of retailers like retention strategies, promotional strategies, image improvement strategies, pricing and competitive strategies are directly contributing to the growth of modern retail formats in India.

Chattopadhyay (2013) ^[5], in his study conducted on “Consumer shopping behaviour in the new era of retailing: An empirical study on food and grocery and apparel purchase in East India.” concluded that for food and grocery purchase, location (nearness to home) was the prime consideration for the respondents of Kolkata and Bhubaneswar, while it was range for both – respondents from Patna and Ranchi. Ambience was the least important parameter for the respondent populations from the four state capitals (Kolkata, Bhubaneswar, Patna, and Ranchi). For apparel purchase, range or assortment was the most important parameter for the respondent populations from the four state capitals. The behavioural pattern of the respondents with respect to frequency of visit, preferred group size during shopping, and decision maker in choosing a shopping destination revealed a fairly uniform pattern across the state capital locations.

Rama Mohana Rao K., and Ratna Manikyam K. (2013) ^[6], in their study conducted on consumer behaviour in small scale retail stores in the three regions viz., Coastal Andhra, Telangana and Rayalaseema concluded that customers were satisfied with the services, facilities merchandise goods, and the services of the sales personnel in small scale retail stores.

Among the factors of ambience, most respondents were satisfied with lighting, orderly placement of the products and cleanliness maintained by the small scale retailers. Among the sales promotion techniques, display of the products, discounts offered and credit facility secured a high rating. Interestingly, the respondents rated small scale retailers better as compared to the big retailers in many factors that contributed to their satisfaction. The findings of the study do not lead to the conclusion that the small scale retailers can ignore the competition from the big retailers. On the other hand, it cautions the threat and makes them realize the opportunities to build a loyal customer base by continuously improving their marketing offers and interactions.

Research Objectives

The present study was undertaken with the following objectives.

1. To evaluate the Consumers’ Perception towards Organized and Conventional Retail Stores.
2. To study the Effectiveness of Point of Purchase (POP) Advertisements & Displays in Organized and Conventional Retail Stores.

Hypothesis of the Study

1. **H₀**: There is no Significant Difference in the Consumers’ Perception towards Organized and Conventional Retail Stores.

H_a: There is a Significant Difference in the Consumers’ Perception towards Organized and Conventional Retail Stores.

2. **H₀**: There is no Significant Difference in the Effectiveness of Point of Purchase (POP) Advertisements & Displays in Organized and Conventional Retail Stores.

H_a: There is a Significant Difference in the Effectiveness of Point Of Purchase (POP) Advertisements & Displays in Organized and Conventional Retail Stores.

Methodology of the Study

The following methodology was adopted for carrying out the research study.

- ❖ **Time Frame of the Study:** The data was collected in the urban areas of Guntur and Krishna districts during the time period from February 2014- February 2015.
- ❖ **Sample Size & Sampling Method:** A sample size of 500 respondents were selected by following Stratified Random Sampling Method in Guntur and Krishna districts of Andhra Pradesh State. The population was stratified on the basis of geographical areas. The total sample distribution is mentioned in the table given below.
- ❖ **Sample Description:** The selected sample respondents are the urban consumers shopping at different retail stores. The individuals and families regularly visiting the organized retail stores and unorganized retail stores for purchase were considered as a sampling unit.

Demographic Characteristics of the Sample Respondents (N= 500)			
Characteristics	Sub categories	Number	Percentage
Age	Below 20 years	28	5.6
	20- 30 years	214	42.8
	30- 40 years	145	29.0
	40- 50 years	93	18.6
	50 years and above	20	4.0
	Total	500	100
Gender	Male	314	62.8
	Female	186	37.2
	Total	500	100
Marital Status	Married	347	69.4
	Unmarried	153	30.6
	Total	500	100
Occupation	Government Employee	68	13.6
	Employee in private organisation	205	41.0
	Business/ trade	148	29.6
	Other occupation	79	15.8
	Total	500	100
Monthly Household Income	Below Rs. 40,000	324	64.8
	Rs. 40,000- Rs. 50,000	66	13.2
	Rs. 50,000- Rs. 60,0000	41	8.2
	Rs. 60,000- Rs. 70,000	24	4.8
	Rs. 70,000 and above	45	9.0
	Total	500	100

Tools of Data Collection

The study was predominantly based on the primary data. In addition to that secondary data were also collected from different data sources.

Primary Data

Primary data was collected from consumers who were shopping at organized and conventional stores with the help of a well-structured questionnaire. The questionnaire has totally 4 sections. The questionnaire mostly consisted of

closed ended questions. The responses were recorded and measured by using Likert Scale.

The needed data was also collected through personal interviews, interactions and observation method. Majority of the respondents were approached personally and the questionnaire was administered to them. Contacts of friends, relatives and colleagues were also used to administer the instrument.

Secondary Data

In addition to the primary data the required secondary data was collected from various secondary sources like books, journals, magazines, internet, etc.

Data Analysis

The following statistical tools were employed to analyse the collected data.

- Discriminant Analysis was done in order to study the consumers' perception towards organized and conventional stores.

- Z Test was done in order to study the Effectiveness of Point of Purchase (POP) Advertisements & Displays in Organized and Conventional Retail Stores.

Data Analysis & Interpretation

Analysis of data was done on the basis of objectives mentioned in the study.

1. Objective1: Consumers' Perception towards Organised and Conventional Retail Stores

Discriminant Analysis was done in order to study the consumers' perception towards organized and conventional stores.

Table 1.1: Discriminant Analysis of the Consumers' Perception towards Organized Retail Stores and Conventional Retail Stores

Discriminant Factors	Coefficient	Rank	Impact
Attractiveness of the stores' atmosphere and decor	0.192697	1	
Availability of all items	0.098814	2	
Stores' communication about the offers & discounts through ads, hoardings, pamphlets and SMS	0.048241	3	
Attractiveness of the stores' Point Of Purchase (POP) Advertisements and Displays	0.02912	4	
Satisfaction with the Customer Service	0.019653	5	
Satisfaction with the way the stores reward their loyal customers with discounts	-0.03623	6	Negative

Table 1.2: Confusion Matrix to evaluate the Consumers' Perception towards Organized Retail Stores and Conventional Retail Stores

Actual	Predicted		Grand Total
	Conventional Retail Stores	Organized Retail Stores	
ConventionalRetail Stores	138	362	500
OrganizedRetail Stores	4	496	500
Grand Total	142	858	1000

Interpretation

From the confusion matrix, the Model Accuracy is 65.38%, which is Moderate. Overall the significant 6 perceptual questions having prediction accuracy of 65.38% of the times while discriminating the Organizational and Conventional Stores with respect to their responses. Also there is high chance of conventional stores responses are classified as organized responses from the prediction model.

2. Objective: Effectiveness of Point Of Purchase (POP) Advertisements & Displays in Organized and Conventional Retail Stores.

Z Test was done in order to study the Effectiveness of Point of Purchase (POP) Advertisements & Displays in Organized and Conventional Retail Stores.

Table 2.1: Z- Test to study the Effectiveness of Point of Purchase (POP) Advertisements and Displays at Organized Retail Stores and Conventional Retail Stores

Attractiveness of the stores' Point Of Purchase (POP) Advertisements and Displays	Mean	Variance	Z Calculated	Probability
Organized Retail Stores	3.88	1.22	23.47	0<0.05
Conventional Retail Stores	2.28	1.09		
Stores' communication about the offers & discounts through ads, hoardings, pamphlets and SMS				
Organized Retail Stores	3.98	0.67	15.4	0<0.05
Conventional Retail Stores	3.05	1.15		

Table 2.2: Z-Test: Two Sample for Means

	Organised Retail Stores	Conventional Retail Stores
Mean	3.876	2.284
Known Variance	1.22	1.08
Observations	500	500
Hypothesized Mean Difference	0	
z	23.47276	
P(Z<=z) one-tail	0	
z Critical one-tail	1.644854	
P(Z<=z) two-tail	0	
z Critical two-tail	1.959964	

Organized Retail Stores Average Score on Perception of the Consumers in Point Of Purchase (POP) Advertisements and Displays is significantly higher than the Conventional Stores Average Score of the same perception. And also Organized Retail stores Average Score on the Perception of the Consumers in the area of Communication of Offers and Discounts through Advertisements, Hoardings, Pamphlets, SMS etc., is significantly higher than the Conventional Stores Average Score of the same perception. Hence the null hypothesis is rejected and the alternate hypothesis is accepted. Hence it can be concluded from the above analysis that the Organized Retail Stores are more effective in maintaining POP Advertisements and displays than the Conventional Retail Stores.

Interpretation

Conclusion

It can be concluded from the study that there was no much difference between the Consumers' Perception of the Organized Retail Stores and Conventional Retail Stores. Further, it can also be concluded from the study that the Organized Retail Stores are more effective in maintaining Point Of Purchase Advertisements and Displays than the Conventional Retail Stores.

Limitations of the Study and Scope for Further Research

The scope of the study is limited to the respondents of Guntur and Krishna districts only. As the research was restricted to Guntur and Krishna districts, similar research studies can be carried out in other districts or states of India to understand the consumer behaviour in organized and conventional retail stores. Studies can also focus on specific product categories such as apparels, cosmetics, and gadgets. Online purchase behaviour of customers can be another interesting area of study. Services retail is another major area in which there is a lot of scope for further study. This paper deals with consumer behaviour in organized and conventional retail stores in general.

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