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A STUDY OF CONSUMERS' UNDERSTANDING REGARDING RETAILING IN INDIA

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Abstract

The Retailing Sector in India is experiencing a paradigm shift. The Indian Retail Sector is facing a critical situation where the new format stores and retail managers are pushing their brands with more marketing tactics and the old ones are trying to save their traditional customers. In the keen competition, Indian Customers are the utmost beneficiary. The present study focuses on issues like whether the small means beautiful or the new means modernization. The study has collected data from 100 respondents and the major findings are that consumers recorded mixed opinions and they have different perception of the retailing paradigm shifts in India. People still believe in the basic retailers, though they favour change. People demand change in small retailers' selling style and change in displays at small store. It concludes that the economic slowdown is affecting Malls much more than the small stores. Ultimately it is a testing time for both because consumer is neither happy with small store nor delighted with Malls.

Key words: *Retailing, Consumer Buying Decision, Factors and Sources of Influence.*

Introduction

Retailing in India is passing through a transition period and the Indian market is witnessing a significant change in growth and investment pattern of retailing. Indian Retail Landscape and Consumer Dynamics are changing very fast[1]. These developments have changed the language of Retailing and Distribution in Indian markets. On the one hand, retailing provides opportunities for many people and on the other hand, it is also a challenge for many people.

Retailing Scenes in India

The picture of Retail Sector has changed drastically and a study (Aggrawal, 2000) has noted that out of five million outlets 96% are very small within the trading area of 50m, while it has already reached double during 1978 and 1996 (Venugopal, 2001). The Indian Retail Sector is largely traditional, but stores in modern format are emerging. Because of the small size, bargaining power with manufacturers and with intermediaries get reduced in the case of Small Retailers (Sharma, 2000). Despite these limitations, 'kirana stores' are still popular among the housewives for Any Time Availability (Mulky & Nargundkar, 2003). A different study on Store Choice also has indicated the same results as revealed in the study of Sinha et al (2002).However, for various reasons the emergence of New Formats and the evolution of Modern Retail in India have attracted attention in recent years. The business press in India have carried several articles and news items in the last three years about the Modern Formats (Shukla 2001; Anand & Rajshekhar, 2001; Bhattacharjee, 2001). According to the new study, 'Malls in India 2007', conducted by Images Retail[2], the country will have 412 Malls covering 205 million sq ft of retail space by the year 2010, which will increase to 715 Malls by the year

[1] *September 14, 2007 Source: The Economic Timels.*
[2] Ebid.

2015. Major developments are to take place in smaller cities, with tier II and tier III cities to have a large number of these Malls. According to the same study, North India will account for 39% of the Malls, the West, 28%, South, 24% and East 9%, which still shows that there is scope for expansion in some regions. Malls in the National Capital are expected to increase from 28 in 2006 to 79 in 2010, while in Mumbai, Malls are expected to increase from 30 in 2006 to 68 in the year 2010.

The development of Modern Retail will have several implications for managerial practice in manufacturing firms. Firms will need to proactively review their sales structures, brand activities, logistics policy and price structure to cope with pressures from powerful retailers[3]. According to PricewaterhouseCoopers,[4] organized retailing in the country is growing at 30-40 per cent a year. Though the picture of Malls' numbers is looking attractive, the share of organized retailing in sales in India is currently less. It is because of the strong and popular Unorganized Retailing Sector in India. New developments are able to attract sizeable people and have put small retailing on back foot in many aspects. The contemporary retailing scenes in India is pushing Indian consumers into a dilemma whether to go for the modern or stick to the older one and the present study is focusing on these aspects of retailing in India.

Review of Literature

The Indian Express, September 14, (2007)

There was an article on RPG Group's Spencer's Retail Stores which have been operating in Chennai for over ten years. They have flourished alongside the local stores. The key factor to understand is that when a large Mall or Modern Retailer opens in the neighborhood, Local Retailers want to upgrade but are unable to do so due to unavailability of credit. This really is the extent of the Unfairness of the Situation, and once credit is made available to local Mom-and-Pop Retailers, they could compete better with larger stores.

Nikhilesh Dholakia & Piyush Kumar Sinha (2004)

The above Authors wish to indicate that in the changing Urban Markets of India, a fascinating new landscape for qualitative research, especially employing observational methods, is opening up. Retail Stores, of course, provide wonderful and rich context for studying behaviors in the context of a rapid-flux consumer culture. Other possibilities in commercial settings are also opening up: Food Courts, Amusement Arcades, Fast-Food Restaurants, Coffee Shops, and so forth. These offer totally new commercial spaces that the Indian consumer is stepping into with some trepidation, but with considerable zest, and trying to navigate in culturally unique ways. As these changes happen, the Traditional Commercial Sector is not sitting still-it is innovating, modernizing at the edges, offering aggressive incentives or superior service. Therefore, from the perspective of studying retailing, "everything is new again" is evident even in the established Retail Formats.

Sinha, Piyush Kumar & Dwarika Prasad Uniyal (2004)

This study uses observation of shopping behaviour as a method for developing shopper segments. Shoppers were observed at different stores and based on the behavioural cues, they were classified into six segments. The study generated some segments that were similar to earlier studies based on attitude or psychographics. In addition, it identified new segments. More importantly, the study proposes an alternative basis and methodology for

[3] *October 10, 2007 Source: Business Standard.*

[4] *October 10, 2007 Source: Business Standard*

segmenting shoppers. The study also found that the segments were differentiated largely on the basis of the Type of Products the stores sold and the Format of the Stores. The study suggests that in an evolving market situation where the manufacturers' brands constitute a major portion of the merchandise, a store could add value through Store Format Design to create differentiation in the market place and mould the behaviour of the shoppers to its benefit.

Avinash Mulky and Rajendra Nargundkar (2003)

A study on, **Modernisation in Indian Retailing: Managerial and Policy Perspectives,** indicates that the structure of a country's Retail Sector has an enormous influence on marketing strategy and marketing activities of firms. The Indian Retail Sector has arrived at a very critical stage. Stores in Modern Formats have emerged in the Metropolitan Cities but the bulk of the retail sales happen through Traditional Retail Formats. The development of modern retailing is of great interest to marketing scholars, practitioners and policy makers. This paper analyses the developments in retailing in India. A literature survey of retailing in India and some newly industrialized countries is carried out. Factors stimulating modernization are discussed and some implications for managerial action and policy are derived.

Mohan Kumar, Anuradha, Piyush Kumar Sinha & Rajneesh Krishna (2003)

A study by the above authors on the, **Kids in a Kirana Store: Building a Case for Retail Communication,** looks at Child Retail Communication Interaction at the Kirana Store, the Indian version of the US 'Mom and Pop' retail outlet in New Delhi, using the methodology of data collection through non-participatory, unstructured observations and exit interview techniques. They arranged forty observation units, consisting of children and accompanying persons in 13 Kirana Stores at New Delhi. Objective of the study was to understand the factors influencing behaviour of children in a kirana store and to understand Child Retail Communication Interaction at Retail Outlet. The results showed a high interaction between the child and retail communication. There is a case for looking at the retail outlet as a strong communication medium that can be exploited, rather than being mere storehouse of goods.

Sinha, Piyush Kumar & Dwarika Prasad Uniyal (2003)

A study by the above authors on, **Segmenting Shoppers and Their Behaviour,** reveals that retail stores attract shoppers who vary in their profiles. While some of them are serious shoppers, many of them are "visitors" to the stores. It is not possible for the store to differentiate its offerings to these segments. Classifying these shoppers on demographic and their orientation to shopping has been tried in the developed economies. However, it is felt that in an evolving market like India where shopping orientations are yet to be formed, behavioural cues are factual data on which a retailer can develop its strategy. Through a study that involved participant observation of 284 shoppers, conducted in Ahmedabad, Segment Profiles were developed. The shoppers were classified into 26 segments based on their behaviour. These segments have also been profiled on the basis of gender, store format and the type of product that they bought. The retail mix ingredients that could be used to deliver better value to each of the segments, have been suggested.

Alexander, N. and Silva, M.D. (2002)

A study on, **Emerging Markets and the Internationalization of Retailing: The Brazilian Experience,** indicates that experience from Brazil indicates that the combination of entertainment and shopping provided by some shopping centres, is attractive to consumers. (This may become important in India as well because of the limited entertainment options currently available in Rural Cities). While consumer needs, attitudes and behaviour will influence the development in retail, it is likely that investments in retailing and the creation of new stores offering value will in turn influence consumers. This appears to have happened in Greece, Thailand and Brazil too.

Anand, M. and Rajshekhar, M. (2001)

The retail puzzle, an article by the above authors, examined a total of 282 shoppers. It reveals that shoppers visit both the Traditional and New Format Stores. These stores dealt with products such as books, grocery, medicine, shoes, apparel, household appliances and lifestyle products such as greeting cards and gift items. Male as well as female shoppers were observed. The observation notes pertained to the shopper and not the accompanying person, except when the latter played an important role in decision-making. The behaviour of customers was found to be independent for grocery and personal products, while in appliances, it was found dependent.

The Focus

Retailing Scenes in India show colorful picture regarding the prospects of retailing in India. This picture also has changes in behaviour of Indian consumers because Indian customers seem to behave in ways that are a typical of Western, developed contexts (Sinha & Uniyal, 2004). Some of these behaviors are reflection of their earlier behavior patterns, established with decades of small "serviced" store format, while other behaviors are specific to the new context (Alexander et al, 2002). In Indian retailing, Convenience and Merchandise appear to be the most important factors influencing store choice, although ambience and service are also becoming important in some contexts (Sinha et al, 2002). These behavioural changes are also due to the unveiling of retailing to many of the urban and semi urban consumers. These areas were dominated by the Traditional Retailers. The Mall and New Retailing Specialization have created threats to the Kirana Stores also. Though the Traditional Retailers are more powerful in facilitating many small requirements of their customers than the large retailers, both of them are sailing in the same boat and sailing in the same direction because it creates competition among them. A new study of ICRIER states that Big Retailer will not harm Kirana Stores[5]. Another study, Euro Monitor International, predicts that "Over the next five years, Kirana Stores are expected to continue to co-exist with modern grocery retailers as the total grocery retail pie expands, though the share of modern grocery formats within grocery retailing is expected to increase to 5 per cent by 2011[6]." Moreover, Mega Retailers are focusing on the expansion of their business in more semi urban areas of India, where Kirana/Typed Stores are more popular. Hence it would be more interesting to study the perceptions/understanding of consumers regarding the changing scenario of Retail Sector in India i.e. Retailing Paradigm Shifts.

The O**bjective** of the study is to examine the understanding of consumers of Bhavnagar City regarding the Retailing Paradigm Shift in India.

The **hypothesis** of the study is; "There is no significant difference of understanding among consumers of Bhavnagar City regarding the Retailing Paradigm Shift in India."

Research Methodology

The present study was based on primary data collected from the 100 consumers of

[5] *September 14, 2007 Source: Indian Express.*
[6] *October 01, 2007 Source: Business Standard.*

different categories of Bhavnagar City by a Close Ended Questionnaire on Five Point Likert Scale. Sample Selection was based on Random Sampling. A Convenience Random Sampling Method was utilized for sample selection. **Sample Size** of the study was 100 Respondents. **Primary Data** were collected on Demographic Profile and Psychographic Profile. Primary data were collected from the selected representative sample through field survey by a systematic questionnaire used as the main tool for data collection, supplemented by observations, collection of remarks by respondents and general talk. S**econdary Data** were collected from government publications and reports, academic research reports from academic journals, books and other academic periodicals, business magazines, newspaper supplements and similar publications. Collected Data were statistically analyzed by using SPSS package to bring out the salient aspects of the research study.

Description of Respondents

The present study covers 100 Respondents of Bhavnagar City. It includes 54 Male Respondents and 46 Female out of whom 53 were less than 30 years of age, 37 respondents were less than 45 years and 10 respondents were up to 60 years of age. 36 of them had completed their undergraduate studies, 47 were post graduates and 17 possessed other educational qualifications. Professionally they were divided into 38 respondents under Service Class, 16 Professionals, 27 businessmen and 19 enjoyed other sources of income. Income wise distribution was that 48 respondents registered annual income up to Rs.200000, 29 up to Rs. 500000 and 23 respondents up to Rs. 500000 annually. Majority of them owned their own houses (House type: Owned= 69, Rented = 31) and many of them were from nuclear family (Type of Family: Single =08 Nuclear= 60 Joint= 32).

Results and Major Finings

To test the objective of the study, a Test of Univariate Analysis of variances was done differently on variables viz. Age, Gender of the Respondents, Profession, Education, Income, House Type and Type of Family of the Respondents.

Results, displayed in **Table (I),** reveal that the test of the objective was found significant and there were differences in the understanding of the consumers of Bhavnagar City of the Retailing Paradigm Shift in India. **Table- 1** shows the results of significance level regarding the understanding of the consumers of the Bhavnagar City about the Paradigm Shift in Indian Retailing. Gender of the Respondents was found significant at 0.422, Age of the respondents found significant at 0.594, Education of the respondents found significant at 0.128, Type of Family of the Respondents found significant at 0.099, Income found significant at 0.031, House Type found significant at 0.016 and Profession found significant at 0.011, for the understanding of the consumers regarding the Retailing Paradigm Shift in India. It indicates that the different aspects did not have similar impact on the understanding of the consumers of Bhavnagar City regarding the Retailing Paradigm Shift in India.

Test of Hypothesis

To test Hypothesis of the Study, "There is no significant difference of understanding among consumers of Bhavnagar City regarding the Paradigm Shift in Indian Retailing", Multivariate Analysis on different variables was carried out through SPSS and Roy's Largest Roots Test and the results of the test are described in T**able II**.

Table (II) reveals significant difference of the understanding in Bhavnagar City regarding the Retailing Paradigm Shift in India. Therefore, we do accept the alternate hypothesis, "There is significant difference of understanding among consumers of Bhavnagar City regarding the retailing paradigm shift in India."

Reliability of the Scale was tested **(Table-III)** by Split Half Method and the result of Alpha 0.524 indicates that the scale was reliable. Reliability of the Scale was found positive and the item analysis of the scale was also found significant for majority of items of the scale. In other words, Joint, Nuclear and Single Type of Family have different demand styles, decision making authority and process. Joint Families follow strict norms for purchasing greater capacity and quantity of buying but have less uncertain demand style. Nuclear Families have certain demand style but less capacity and quantity of buying, which pushes them to fulfill their individual needs from different retail stores. Moreover, in single family type, decision making was individual but buying quantity and demand style were found quite less from the different retail outlets.

Test of between subject effects

As the Reliability Test of Scale was found significant, the test between subject effect / item analysis was also found significant with variables like age, education, income, profession, type of family, and house type of respondents. **Table IV** displays the results of the Item Analysis done through SPSS on multivariate analysis for the same.

The Item Analysis indicates that one stop shopping opportunity, pushing of imitative brands, government role, glittering of Malls, make small stores less attractive. Relaxations to small store owners to enable their competency, wider variety, size and safety of the modern Malls in India, counseling of customer are found to be the main factors as per the understanding of consumers of the Bhavnagar City. Small Stores offer assurance of quality and service.

Analysis and interpretation of data

Results reveal that consumers of Bhavnagar City were impressed by the new convenience of shopping viz. one stop shopping / one place to shop. They were influenced by the marketing tactics of Malls Managers like attractive displays, size of the store, show offs/ decorations and wider variety of consumer products at Malls.

On the other hand, it indicates the understanding of consumers regarding these new developments.Modern Malls are pushing imitative brands (similar to the known big brands). Consumers also understand that Government should take steps to protect the interests of small stores who should be able to avail themselves of the relaxations from Government like tax benefits, credit facilities etc.

The consumer believes that retailing change is less needed under the LPG Process. Moreover, they think that if buyer wants to stick to his/her decisions, they can accept new retailing change too. Data also indicate that small stores offer quality products and service. Respondents think that these changes would not significantly affect retailing in India because Malls, by offering the same products, push consumers towards unwanted purchasing.

While Respondents strongly agree that these Mega Stores do not offer less quantity packs of products and they are not good at Customer Counseling as the small store owners do. Due to these and other reasons, people would go to their original point of purchase i.e. Small Stores.

Findings

In short, consumers have different perception of understanding the differences after the Retailing Paradigm Shifts in India. Consumers still believe in the Basic Retailers.

But at the same time, they favour change in Small Retailers' selling style and change in displays at small store.

It is time for the small store owners to take such hard decisions not just to satisfy their customers but also to delight them. To compete in changed situation, Small Stores Owners have formed their associations at many places in India.

Concluding Notes

The transformation of Indian Retail Stores definitely generates new, wonderful and rich buying opportunities to Indian Consumers. The Indian Consumers maximize their satisfaction by spending for their routine and luxurious needs. Though they enjoy these changes, they require someone to guide them properly in their purchase decisions. Moreover, the common consumer is still not found in the Malls which attract only the upper and higher middle class of the society. These consumers are also much price sensitive and less quality sensitive. Contemporary retailing scenes are changing quickly but Consumers look for their olden days. Although economic slowdown is affecting Malls much more than the Small Stores, ultimately it is testing time for both because Consumer is neither happy with Small Stores nor delighted with Malls.

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Table-I
Objective Testing

Source	Type iii Sum of Squares	df	Mean Square	F	Significance/Non Significance
Age of respondents	10.635	2	5.317	0.523	0.594 (S)
Education	03.624	2	1.012	0.460	0.128 (S)
Profession	88.808	2	44.404	4.747	0.011 (S)
Income	68.634	2	34.317	3.589	0.031 (S)
House type	118.641	4	29.660	3.211	0.016 (S)
Gender	06.578	1	06.578	0.651	0.422 (S)
Type of Family	46.483	2	23.242	2.374	0.099 (S)

Table -II
Hypothesis Testing

Testing of Multivariable	F Hypothesis difference	Error difference	Significance/Non Significance
Age, Education, Post, Income & Type of bank of respondents	16.000	39.000	1.000 (S)

Table -III
Analysis of Variance for Scale Reliability

Source	Type iii Sum of Squares	df	Mean Square	F	Probability
Between People	178.0937	99	1.7989		
Within People	256507.6250	700	366.4395		
Between Measures	255326.2887	7	36475.1841	21397.2123	0000
Residual	1181.3363	693	1.7047		
Total	256685.7188	799	321.2587		
Grand Mean 8.6813			Alpha = .0524		

Table -IV
Test of between Subject Effects

Sl. No.	Item	Type iii Sum of Squares	df	Mean Square	F	Significant
1	There is a significant change prevails in retailing in India.	.211	1	.211	2.347	.131
2	It is a need for modernization process.	.645	1	.645	4.658	.035
3	Modern retailing offers more qualitative products.	.211	1	.211	2.248	.140
4	It provides one stop shopping opportunity.	.000	1	.000	.000	1.000
5	It offers wider variety than the kirana stores.	.211	1	.211	.509	.478
6	It saves time, efforts and money of consumers.	.329	1	.329	1.123	.294
7	Modern retailing pushes imitative brands.	.000	1	.000	.000	1.000
8	Small stores offer assurance of quality and service.	.211	1	.211	2.404	.127
9	Attractive displays motivate to add item in purchase list.	1.316E-02	1	1.316E-02	.043	.837
10	Modern retailing does not provide small quantity of many items.	.211	1	.211	1.059	.308
11	Customers hardly stick to their purchase decision in modern stores.	.645	1	.645	3.421	.070
12	Government should intervene to save small store owners and the employment.	.000	1	.000	.000	1.000
13	Glittering of malls makes small stores less attractive.	.000	1	.000	.000	1.000
14	There should be clear guidelines for the size and safety for the modern malls in India.	5.263E-02	1	5.263E-02	.308	.581
15	Modern retail stores do not offer special counseling to customer as the small retailer offers.	.211	1	.211	.711	.403
16	Government should offer more relaxations to the small store owners to enable their competency.	.000	1	.000	.000	1.000
17	This is a temporary change and people ultimately went to their original point of purchase (Small Stores).	.254	1	.254	1.159	.346