

RESEARCH PAPER

Modern retail outlet - A consumer perspective study

■ B. Aparna

Received : 09.08.2017; Revised : 13.03.2018; Accepted : 27.03.2018

ABSTRACT

A retail revolution is sweeping through India with the growth of malls, multiplexes and hypermarkets, the consumer is exposed to new kind of shopping experience and services that are surely redefining the expectations of shopping and the rise in per capita income in the post liberalization period has brought a considerable change in consumer's consumption pattern and shopping behaviour. The present paper analyses the retail outlet choice and reasons for retail outlet choice of consumers in Hyderabad city of Andhra Pradesh. A probit model was estimated to quantify the impacts of economic and socio demographic factors on the probability of a household purchasing from supermarkets. The results reveal that Income, credit cards, refrigerator ownership are consistently significant determinants in the shopping behaviour of the consumers. Further, westernization of lifestyles, rising culture of supermarkets and growing use of credit cards is causing a surge in demand for processed and ready-to-purchase convenience foods. The stores should focus on improving the convenience of the consumers.

KEY WORDS : Supermarkets, Retail outlet choice, Consumers preference

How to cite this paper : Aparna, B. (2018). Modern retail outlet - A consumer perspective study. *Internat. J. Com. & Bus. Manage*, 11(1) : 81-86, DOI: 10.15740/HAS/IJCBM/11.1/81-86.

Indian retail is moving towards growth and maturity at a very fast pace. Indian organized retail market may attract up to \$ 16 billion FDI in the next three years, 51 per cent foreign ownership in supermarkets selling multi brand products. Though the Indian retail markets are dominated by unorganized small retailers, the situation has been changed in recent past. Organized retail stores rose from 3125 covering an area of 3.3 million square feet in 2001 to 27076 with an area of 31 million square feet in 2006 satisfying the estimates that the retail sector was growing at 13 per cent annually from 322 billion dollars to 590 billion dollars in 2012-13 (Kokatnur, 2009). In 2007 India was ranked the twelfth largest

consumer market and it is expected to be the fifth largest consumer market after the U.S, Japan, China and the U.K (Kinsey and Company 2007). The attitude of consumers is also gradually changing towards organized market segments mainly due to increased income levels, strong economy, changing life styles and shopping behaviour of consumers. The consumers who purchased at modern outlets have reported better product quality, lower prices, one stop shopping, choice of more brands and products better shopping experiences with family and fresh stocks as some of the reasons for their choice of outlet (Joseph and Sounderajan, 2009). Consumers are the major beneficiaries of the retail boom as organized retailers are initiating measures such as tracking of consumer's behaviour and consumer's loyalty programmes to retain their market share (Mukherjee and Patel, 2005).

AUTHOR FOR CORRESPONDENCE

Mohd. Faishal, Department of Economics, Aligarh Muslim University, Aligarh (U.P.) India Email: faisal0740@gmail.com

Mrunalini and Usharani (2002) conducted a research on rural consumer decisions on branding and packaging of food commodities in suburban area of Hyderabad city and concluded that consumer's look for the characteristics such as quality safety and continuity of supply under the keen competition of the products in the markets.

Reardon *et al.* (2003) said that to continue to extent the market beyond the traditional niche of the middle class consumers, into the food market of the poor, supermarkets in Latin America and Asia place great emphasis on price competitiveness and offering consistent quality to the consumer. Price consciousness consumers in developing countries potentially benefit from the growing price competition between supermarkets and traditional markets (although the empirical evidence on price difference between these is limited and sometimes shows a mixed picture).

Manoj (2004) highlighted that organized food retailing in India was gaining wider acceptance. He felt that unfulfilled demand for the Indian consumers for the quality products at right price with perfect service and ambience will fuel the growth of retailing industry in India.

Jane and Joyce (2004) in their study on competitiveness and consumer preferences of U.S fruits in Taiwan used Kruskal–Wallis test to test for the differences in the mean scores of characteristics in three segments at the consumer level based on the U.S fresh fruit expenditure proportions, spending more than 60 per cent, more than 40 per cent but less than 60 per cent, and less than 40 per cent on U.S fresh fruits over total fruit expenditure. For consumers who spend more than 60 per cent of total safety, promotion, and product labels of U.S fruits were preferred over domestic fruits. For consumers who tend to purchase more domestic fruits, certain characteristics of U.S fruits like packing, grading and product labels were still preferred. The null hypothesis of identical mean values was rejected at 1 per cent significance level, indicating that consumers who spend different proportions of fruit expenditure on U.S fruits value these characteristics differently.

Gen (2005) a research project in Northern Germany reveals the following research consumers started preferences show clear potential demand for regional food, in particular if environment friendly produced and controlled. The main influencing factors that could be identified by means of a rank ordered logit analysis are

consumers regional nutritional and environmental consequence as well as a low price sensitivity and mistrust in conventional food from somewhere else.

Mukhopadhyay (2006) said that when the Walmart enters the market prices, decreased by 8 per cent in rural areas and 5 per cent in Urban areas. The benefits of end consumers in terms of price reductions due to the modern distribution lies in the range of 8 per cent and 21 per cent, which translate into greater sales and therefore higher revenue. Wilcoxon's matched paired test revealed that the prices charged by the big stores were higher than those charged by the kirana contrary to the claim made by the IIM study and the price differentials ranged from 3 per cent to 58 per cent which is quit a significant percentage. The kirana's are still if not significantly as for 90 vegetables go however one can find a significant deviation in the prices of pulses, different varieties of rice.

Tiwari (2007) in his study on "importance of post harvest handling of fruits and vegetables; marketing aspects explained that in corporate retail sector, consumer's preference is fresh produce where as a retailers require yield and consistency of produce and also attempted to describe about grading of different commodities like potatoes, tomatoes and peaches.

Arora (2007) analyzed the purchase of a new product with respect to indoor signages and revealed that in the case of established products, indoor signages rarely influence the customer's buying behaviour, though they made seldom influence in the case of private labels. The income of the person was the key parameter which helped the customer to make his purchase decision. therefore, customers were grouped according to income groups to analyze their purchase behaviour. It was noted that customers with per income of less than Rs. 25,000 but more than Rs. 10,000 were most influenced by the signages in the case of private label products. Customers with income of more than Rs. 25,000 and less than Rs. 50,000 per month were mostly influenced in making their purchase decisions in the case of established products, it was found that 90 per cent of the customers were reportedly influenced by signages designed in local languages.

Loknadhan (2007) studied the supply chain process of tomato sold through modern retail outlet and said that the attributes like size, colour, freshness formed 53, 33 and 30 per cent as desired by consumers. At the

consolidation centers quality checks were implemented and further grading as small, medium and big fruits were done and packed in consumer desirable packs of ½ kg, 1 kg and 2 kg then they were transported to different outlet shops in Bangalore city. Consumers purchased the tomatoes in convenient and required pack sizes from modern retail outlets.

Rakha *et al.* (2008) a study conducted in Uttarakhand has evaluated the consumer's perception about organized retailing. The respondents were divided into three state *i.e.* lower income group (LIG), higher income group (HIG), middle income group (MIG) expenditure analysis show that consumers in LIG spend 69 per cent of the monthly expenditure on food items while 45.2 per cent of MIG and 29.8 per cent for HIG. Consumers in MIG have been found to be quality consciousness coupled with price consciousness while purchasing food commodities. Price is the most important attribute for consumers under LIG.

Vipal and Sidhu (2008) in a case study of Ludhiana city said that majority of the consumers about 84 per cent were indifferent towards the local and migrant vegetable sellers. It is the quality as well as price of the produce which always matter the buyers. About 13 per cent of the consumers had their preferences for the migrant vegetable sellers and about 2 per cent had their preference for the local vegetable sellers. But there was no hard and fast rule in this regard it was a simple question of convenience.

Under this background the present study was conducted to analyze the determinants of retail outlet choice and the reasons for retail outlet choice by the consumers in Hyderabad city of Andhra Pradesh.

METHODOLOGY

To understand the shopping behaviour of consumers in Hyderabad city and how they have been impacted by the supermarkets the data was collected through random

interviews. The consumers were divided into five different groups based on their income levels per month. Low income group (>Rs. 10,000), Lower middle (Rs. 11,000-15,000), Upper middle (Rs. 16,000-20,000), High income (Rs. 21,000-25,000), Upper high (Rs. >25,000). Two consumer categories *i.e.* one category purchasing from supermarkets (90 participants) and the other group who are purchasing from traditional markets (90 participants) in Hyderabad city were selected to describe the nature and motivations of consumers shopping in supermarkets versus traditional retail outlets. From the consumer perspective to accesses whether or not household shops for fresh vegetables at supermarkets was analyzed with probit model on socioeconomic factors such as age, income, household consumption, education, refrigerator, credit card ownership etc.

$$\text{Prob} (Y=1|X_i) = G (S_{0i} + X_i S_1)$$

To examine the reasons for retail outlet choice of both supermarket and traditional consumer's ranks were assigned to 8 constraints separately by both the groups of consumers. The Levens test, Brown Forsethy test and Mann Whitney test was used to find out whether there is significant agreement in ranking the following constraints low price, easy to get in, product quality, packaging, nearness, freshness, credit availability and friendly service.

ANALYSIS AND DISCUSSION

The findings of the present study as well as relevant discussion have been summarized under the following heads :

Consumer perspectives:

Consumers who have been classified based on their income levels as shown in the Table 1. The consumer survey has revealed a different picture with regard to buying of fresh vegetables from supermarkets when compared to traditional markets. Buying of fresh

Table 1: Income groups of consumers purchasing from supermarket and traditional markets

Sr. No.	Income class	Income levels	Customers in each income group	Customer class shopping for food and fresh vegetables in supermarkets	Customer class shopping at traditional markets
1.	Low income	<10,000	34 (18.88)	8 (4.44)	26 (14.44)
2.	Lower middle	11,000-15,000	44 (24.44)	15 (8.33)	29 (16.11)
3.	Upper middle	16,000-20,000	43 (23.88)	31 (17.22)	12 (6.66)
4.	High income	21,000-25,000	30 (16.66)	17 (9.44)	13 (7.22)
5.	Upper high	>25,000	29 (16.11)	19 (10.55)	10 (5.55)
	All		180 (100)	90 (50.00)	90 (50.00)

vegetables from supermarkets becomes more important for upper middle income class which was 17.22 per cent of the total consumers.

Next comes upper high income group with 10.55 per cent, followed by high income (9.44%) and low middle income (8.33%) customers. Traditional markets were dominated by lower middle income consumers by 16.11 per cent and low income group by 14.44 per cent. Only 5.5 per cent of consumers are from upper high income group.

Determinants of consumer choice in selecting supermarket channel :

The socio-economic factors of different households influencing the retail outlet choice of consumers are analyzed with the help of probit model. It can be seen

from the Table 2 that the probability of household buying vegetables in a supermarket showed a similar picture however, the following differences were noticed. First education was no longer a significant determinant and it has been explained that higher education level need not be the base to purchase vegetables from supermarkets. The second difference was the starkly increased significance of refrigerator (3.74), credit card (4.26) and car ownership (2.10) as the determinant factors of the household's decision to buy vegetables from supermarkets (Table 2). It can be inferred that income, credit cards, refrigerator ownership are consistently significant determinants in the shopping behaviour of the consumers. Especially refrigerator ownership and the storage capacity it represents, appears to be the key driver to purchase vegetables frequently from the supermarkets.

Table 2 : Probit model results for retail outlet choice of consumers

Sr. No.		Co-efficients	Standard error
1.	Age	-0.005	(-0.03)
2.	Income	0.129***	(3.59)
3.	Education	0.387	(1.51)
4.	Car ownership	0.688*	(2.10)
5.	Refrigerator	1.672***	(3.74)
6.	Has maid	0.462*	(1.43)
7.	Credit card ownership	1.470***	(4.26)
8.	Young members proportion	0.146	(0.81)
9.	Quantity required for consumption	0.352	(1.45)

* and *** indicate significance of values at P=0.05 and 0.01, respectively

Table 3: Reasons for retail outlet choice of supermarket and traditional consumers (n₁=90, n₂=90, n=180)

Reasons	Low price		Easy to get in		Product quality		Packaging		Nearness		Freshness		Credit available		Friendly service	
	I		I		I		I		I		I		I		I	
Mean μ	6.51	4.50	4.28	4.11	5.20	1.42	5.78	1.75	6.13	1.74	5.26	3.17	5.07	1.72	6.20	6.20
Std error	0.07	0.10	0.08	0.18	0.05	0.08	0.19	0.11	0.16	0.14	0.30	0.07	0.17	0.06	0.18	0.21
Std deviation	0.70	0.97	0.79	1.78	0.76	0.49	1.83	1.05	1.55	1.32	2.87	0.69	1.67	0.61	1.77	2.08
	Test value		Test value		Test value		Test value		Test value		Test value		Test value		Test value	
Levens test		0.0003		0.00		0.0003		0.0003		0.0003		0.0003		0.0003	13.76	0.00
	13.76	F(prob)	13.76	F(prob)	13.76	F(prob)	13.76	F(prob)	13.76	F(prob)	13.77	F(prob)	13.76	F(prob)		F(prob)
Brown forsythe test	8.19	0.0047		0.004		0.004	8.19	0.0047	8.19	0.004	8.18	0.004	8.19	0.0004	8.19	0.004
		F(prob)	8.19	F(prob)	8.19	F(prob)		F(prob)		F(prob)		F(prob)		F(prob)		F(prob)
Mann whitney test		0.000		0.159		0.000	320	0.000	217	0.000		0.000	34	0.000	3574	0.087
	330	(prob)	3700	(prob)	0.00	(prob)	320	(prob)		(prob)	2688	(prob)		(prob)		(prob)

I Supermarket consumer

II Traditional market consumer

Elsa *et al.* (2007) while studying the Consumer Behaviour and Supermarkets in Argentina from the perspective of differences over regions and categories of consumers noted that the more the education, income, durable assets and consumer credit of the consumer, the greater the probability that they will shop at a supermarket.

Furthermore given the recent nature of the strong emergence of supermarkets and produce sections in them (*i.e.*, since the mid 1990's less than a generation ago), it was more likely that this represents a behavioral shift from one generation to the next rather than a decreasing interest in supermarkets on the part of consumers. Further, westernization of lifestyles, rising culture of supermarkets and growing use of credit cards is causing a surge in demand for processed and ready-to-purchase convenience foods.

Reasons for retail outlet choice and shopping frequency :

Table 3 ranks the reasons why the consumers choose their retail outlet choice to buy fresh vegetables. It can be inferred that the mean rank allotted for low price in supermarket was more (6.51) than that of traditional consumers of (4.50), later the mean ranks allotted for friendly service, nearness, packaging, freshness, product quality by supermarket consumers were 6.20, 5.78, 5.26, 5.20, while that of traditional consumers mean ranks allotted for the same reasons are 6.20, 1.74, 1.75, 3.17, 1.42, respectively (Table 3). The values of Levens test, Brown forsythe test, Mann Whitney test were significant at one per cent level of probability indicating that there was significant agreement among the consumers in ranking for their retail outlet choice. Hence from the findings it can be concluded that prices for vegetables are generally lower in supermarkets and the produce items also have a higher value added (washed, sorted by size and/or quality and so on) retaining their product quality. The transparent system of announcing prices on the boards at each retail outlets everyday has become the most important feature that consumers use to check fair pricing of vegetables they purchase. The location card *i.e.* nearness of supermarkets also holds a strategic advantage of being able to offer the convenience of one-stop shopping to their consumers and in spite of the learning process with regard to procurement and shelf management of vegetables the freshness was also a key reason for consumers to select

supermarket retail outlets.

Conclusion:

The study focuses at the major attributes why the consumer's prefer to enter the retail stores. Today's customer's wants the astonishing experience of overall shopping in the stores. In Hyderabad it has been a new experience for the people who are from near by small towns since 2006. Day by day the consumers are in continuous practice of purchasing fresh produce from retail stores. The results indicate that the income, credit cards, refrigerator ownership are consistently significant determinants in the shopping behaviour of the consumers. The retailers have also changed their strategies to get in more and more customers. They need to make more changes to attract new customers and retain the existing ones by adopting promotional offers.

REFERENCES

- Arora V.P.S., Sharma, Shivani and Singh, Nirde S.H.K. (2007). Nature and functioning of visual merchandising in organized food retailing. *Agric. Econ. Res. Rev.*, **20** : 441-456.
- Elsa, Rodriquez, Victoria, Lacaze and Beatriz, Lupin (2007). Willingness to pay for organic food in Argentina evidence from a consumer survey. EAAE seminar on international Marketing and international trade of quality food products. Bologna Italy March 8-10pp.
- Gen, A.W. (2005). Consumer retailer and producer assessments of product differentiation according to regional origin and process quality. *Agribusiness*, **21**(2): 191-211.
- Jane, Lu Hsu and Joyce, Jong-Wen Wann (2004). Competitiveness and consumer preferences of U.S. fruits in Taiwan. *Agribusiness*, **20** (4) : <https://doi.org/10.1002/agr.20022>.
- Joseph, M. and Nirupama, Soundararajan (2009). Retailing in India: A Critical Assessment Academic Foundation, New Delhi, India.
- Kokatnur, Shilpa, S. (2009). Impact of supermarkets on marketing strategies of small stores. *The IUP J. Mgmt. Res.*, **8** (8) : 77-90.
- Loknadhan, K. (2007). Supply chain management analysis of tomato from farm to modern retail outlets. *Indian J. Agric. Mktg.* (conference special) **21**(3): 65-71.
- Manoj, K. (2004). Food retailing-Yet to organize. *Agric. Today*, **7** (3): 38-39.

B. Aparna

- Mc Kinsey and Company (2007). *The bird of gold. The rise of India's consumer market*" Mc Kinsey Global Institute.
- Mrunalini, A. and Usharani, P. (2002). Rural consumer decisions on branding and packaging of food commodities. *Andhra Agric. J.*, 50(1&2): 180-183.
- Mukhopadhyay, U.(2006). FDI in food retail- To be or not to be. *Southern Economist*, **1**: 57-60.
- Raka, S., Sharma, M.L., Ashish, S., Deepak, P. and Bhavna, B. (2008). Emergence of organized food retailing consumers behaviour and perception in Uttarakhand. *Agric. Econ. Res. Rev.*, **21**(conference special) : 438.
- Reardon, T., Peter, Timmer, C., Christopher, B. Barret and Julio, Berdegue (2003). The rise of supermarkets in Africa Asia and Latin America. *American J. Agric. Econ.*, **85** (5) : 1140-1146.
- Tiwari, A. (2007). Importance of post harvest handling of fruits and vegetables marketing aspects. *Indian Farmers Digest*, **34** (2): 21-26.
- Vipal, B. and Sidhu, M. S. (2008). Migrant vegetable sellers in Ludhiana city A case study. *Indian J. Agric. Mktg.*, **22** : 1-13.

11th
Year
★★★★★ of Excellence ★★★★★