

STUDY ON CONSUMER BUYING BEHAVIOUR TOWARDS ORGANIZED RETAIL MARKETS IN SUBURBS OF CHENNAI

J. HEMA PRIYA

Abstract: The growth in organized retailing has been the national trend over the last decade, with many organized retail chains developing larger stores that specialize in providing a wide selection of produce in a particular product range, lucrative pricing, one stop shopping etc. Since the penetration of large format retail outlets in Chennai suburbs is gradual, even today, and since more and more organized retailers have opened up exclusive outlets for food and related items, the present study focuses on the purchase behavior of retail customers with respect to food items and lifestyle products.

Keywords: Consumer Behaviour, Organized Retail Markets, Super markets, Shopping Malls

Introduction: The Retail Industry is one of the fastest growing industries over the past couple of years of the world. Indian retail industry is the fifth largest in the world, comprising of Organized and unorganized sectors. Though initially, the retail industry in India was mostly unorganized, however with change in tastes and preferences of the consumers, the industry is getting more popular these days and getting organized as well. With growing market demand, the industry is expected to grow at a pace of 25 – 30% annually. at a CAGR of 10%. The total retail sales in India will grow from USD 395.96 billion in 2010 to USD 785 .12 billion in 2015, according to the Business Monitor International (BMI) Indian Retail Report for the second quarter of 2011.

Chennai Market Summary: Chennai is one of the large metropolitan cities in India and the capital of Tamil Nadu. The city has high urbanization rate reflecting equitable development and growth in the region. The retail development which had stagnated over the past few years is expected to witness steady growth in future, organized retail in the city, by way of malls, developed at much slower rate as compared to other metros in the country. Retail in Chennai is in the nascent stage. While it is developing at a faster pace, the pace is still lesser as compared to other cities like Pune and Bangalore. Chennai is a city of strong culture and traditions and like other cities the migrant populations are the drivers of growth. In the past few years organized retail has experienced a tremendous growth in the retail industry. Chennai's organized retail market is witnessing plenty of action with large multinationals fighting with aggressive domestic players for retailing space. The city today is seeing emergence of global concepts in retailing industry. The organized retail market in Chennai is an emerging one and the primary reason being the conventional consumer buying behavior in the city. A majority of the residents fall under the middle income category and as retail consumers they believe

in value based shopping. Chennai's foray into the IT/ITES sector has created anticipation of success for mall formats fuelled by an increasing cosmopolitan populace.

Objectives:

- To study the consumer buying behavior, the drivers and constraints impacting the organized retail market in Chennai
- The study is aimed at exploring the consumer buying behavior with respect to low value products for daily needs and lifestyle products
- To explore the social, economic and demographic factors affecting the buying behavior

Research Methodology: The analysis on consumer buying behavior in Chennai has been carried out through Primary research. Primary data has been collected from the consumers through questionnaire method. The respondents considered are consumers shopping for daily needs. The sample considered were consumers employed in various industries such as IT/ITES, BPO, Private and Public sectors. Total of 100 samples were considered for the study.

It is a descriptive research since it is a one shot study at a given point of time, covering sample population from the Chennai suburban region. This is also a conclusive research as it seeks to draw conclusion of various variables impacting the decision to purchase from supermarkets.

Findings:

- Majority of the consumers from IT/ITES sector, about 68% purchase their daily needs from super markets. About 20% of the consumers from this sector purchase their daily needs from the nearby retail outlets. Nearly 45% of the consumers from this sector purchase all their daily needs from supermarkets.
- About 56% of the consumers employed in BPO sector purchase their daily needs from supermarkets. Soaps and detergents are the most preferred products purchased from supermarkets.
- Only 48% of the consumers from private sector

purchase their daily needs from supermarkets. 32% of the private sector employees purchase from the stores nearby their residence. Cereals and pulses are the main preferred product categories to be purchased from supermarkets, followed by fruits and vegetables by private sector employees

- About 40% of the consumers from Government sector buy their daily requirements from supermarkets. Also an equal number of consumers prefer buying from the nearby retail stores. One fifth of the consumers do not purchase any item from supermarkets.

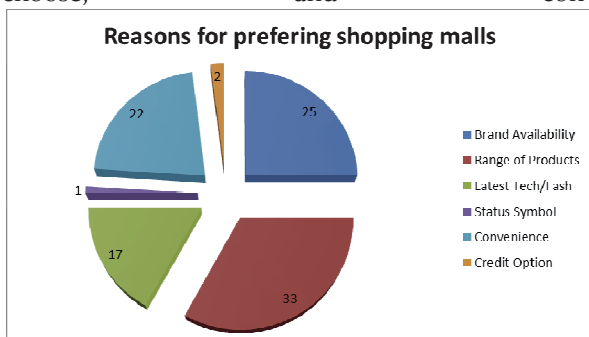
Factors Influencing consumers to purchase daily needs from Supermarkets:

Table 1: Factors Influencing Consumers to purchase from Supermarkets (%)

	Extremely influential	Influential	Neutral	Less Influential	Not at all Influential
Window/Instore	23.5	36.5	23.5	11.8	4.7
Advertising	7.1	17.6	31.8	25.9	17.6
Sales Person	2.4	14.1	28.2	28.2	27.1
Discounts and Offers	45.9	24.7	22.4	5.9	1.2
Pricing	43.3	26.1	20.6	7.8	2.2
Quality	58.8	31.8	4.7	2.4	2.4
Emotional attachment	11.9	34.5	16.7	15.5	21.4
Product variants	28.3	33.2	26.8	7.3	4.4
Brand variants available	19.4	40.6	23.1	9.2	7.7

Inference: From Table1 we can conclude that Quality of products offered at supermarkets are the main influential factor of about 59% of respondents agree that quality is the main factor for purchasing at supermarkets, followed by discounts and offers and pricing of products at supermarkets

Factors Influencing consumers to purchase lifestyle products from Shopping malls: Chart 1, lists the various factors driving the consumers to purchase from shopping malls. Range of products available to shop from, variety of brands available to choose, and conven



ience are the main driving factors for consumers to prefer shopping at shopping malls. The consumers also place great emphasis on the latest fashion and technology made available at the outlets in shopping malls.

Chart1: Factors influencing the customers to prefer shopping malls.

Finding relationship between income and shopping preferences

Table 2 shows the consumer’s preferred shopping destinations for daily needs such as soaps and detergents, fruits and vegetables, cereals, pulses, cooking oil etc., by the store category based on income groups. The various store formats considered for the survey are the small retail shops, low margin shops, wholesale vendors and supermarkets. There is a strong relationship between the income levels and the preferred stores for shopping.

Table 2: Consumer shopping preferences for daily needs by income group

Income group	Small Retail shops	Low Margin shops	Whole sale vendors	Super markets
Rs15000-30000	9	5	2	11
Rs30000-45000	8	2	3	20
Rs45000-60000	5	2	1	12
Rs60000-75000	1	1	1	8
>Rs 75000	1	1	0	7
Correlation Coefficient	-0.9777	-0.8926	-0.8116	-0.6026

Inference:

- There is a strong negative correlation between the income level and the purchasing decision from small retail shops. The preference towards small retail shops decreases with the increase in the income levels.
- Other store formats such as low margin shops and wholesale vendors are also less preferred stores for shopping daily needs with increasing income levels.
- Supermarkets are the most preferred shopping destinations irrespective of the income level. Majority of consumers irrespective of their income level show greater preference to shop from supermarkets than from any other store formats.

Finding relationship between age and shopping preferences:

Table 3 shows the consumer’s preferred shopping destinations for lifestyle products, by the store category based on age group. The shopping preferences for lifestyle products such as clothing, shoes, fashion accessories etc. varies among age groups. The store formats for lifestyle products include, brand outlets (standalone brand stores), multi brand stores (stores selling multiple brands under one roof), other non-branded stores, and shopping malls.

Inference:

- The negative correlation coefficient between age and brand outlets and shopping malls shows the preference towards branded products decreases with increase in age.

Table 3: Consumer shopping preferences for lifestyle products by age group

Age (yrs)	Brand Outlets	Multi Brand Stores	Other non branded stores	Shopping malls
20-25	5	4	1	10
25-30	10	7	4	15
30-35	6	4	3	6
35-40	3	4	5	2
above 40	1	2	7	1
Correlation Coefficient	-0.6994	-0.6187	0.9192	-0.8443

- More number of people above the age group of 35 yrs. place less preference to branded products, which is reflected by a strong positive correlation between age and shopping preference towards non-branded stores
- Consumers falling under the age group of 30 show more preference towards shopping at shopping malls, thus placing more importance to branded products.

Findings:

- The aspirations for quality products and availability of various brand options is leading the consumers across all income groups to prefer super markets as the most preferred destination for purchasing their daily needs
- Consumers place more emphasis on quality, brand availability, product range followed by discounts and offers offered in supermarkets for their daily needs.
- The acceptance of organized retail format in low value product categories is high irrespective of the income and age groups.
- Increasing awareness of branded products and the availability of international brands are the main

factors for consumers to choose organized retail stores over unorganized stores in case of both low value and lifestyle product categories.

- The consumer behavior towards the value based product shopping and lifestyle product categories are different. The consumers are more particular about the shopping preferences in case of lifestyle product categories as the monetary value attached to the products is high
- Youth of the age group 20-30 yrs. are the main drivers impacting the growth of the organized retail industry by exhibiting higher preference for branded products compared to consumers of other age groups.
- The increasing income levels, better employment opportunities, better media exposure etc. are the main factors contributing to the growth of organized retail sector in Chennai.

Conclusion: The changing consumer preferences towards branded products and quality products have a positive impact on the organized retail industry in Chennai. The increasing income levels is leading to better living standards and consumption pattern also impact the organized retail industry positively.

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Research Scholar, Department of Management Studies, St.Peter's University, Chennai.

hema.jram@gmail.com