Volume : 4 | Issue : 10 | October 2015 • ISSN No 2277 - 8179

Research Paper

Consumer Behaviour Towards Organized Retailing – A Study of Product and Price in the Marketing Mix

Management

KEYWORDS : Consumer behaviour, Store format choice, Supply chain, Modern retailing

N. Vemanna — Ph.D. Scholar (Part-time) Department of Commerce and Business Administration, Acharya Nagarjuna University, Nagarjuna Nagar - 522510 Andhra Pradesh, India.

Prof. V. Narasimha Rao — M.Com., MBA, Ph.D. Director: P.G. Department of Business Administration, Akkineni Nageswara Rao College, Gudiwada – 521 301. Krishna District, Andhra Pradesh, India.

ABSTRACT

In India organized retailers are trying out a variety of formats, ranging from supermarkets, discount stores to hypermarkets and cash-and-carry. Retail is India's largest industry, accounting for over 10 per cent of the country's GDP and around 8 per cent of the employment. Retailing in India is gradually inching its way toward becoming the next boom industry. Organised retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. An attempt is made in this paper to examine Consumer behaviour in organized retailing with special reference to product and price issues. Modern retail has been facing the challenge of retaining customer allegiance. Consumer's level of education seems to be the significant predicator for choice of retail outlet. Product and price promotions are an important marketing activity which would act as a stimulus to increase their business.

I. Introduction:

In India organized retailers are trying out a variety of formats, ranging from supermarkets, discount stores to hypermarkets and cash-and-carry. The innovations brought by retailers and marketers in the practice of retailing have been providing new paradigms in the way shoppers have been disposed towards their act of shopping. The emerging modern retail formats conforming to the changed shopper expectations and realignment of the choice set of stores providing new experiences and options to shop for the consumer (India Business Insight Database 4, p.482). Retail is India's largest industry, accounting for over 10 per cent of the country's GDP and around 8 per cent of the employment. Retailing in India is gradually inching its way toward becoming the next boom industry.

Retailing is the final step in the distribution of merchandise – the last link in the supply chain – connecting the bulk producers of commodities to the final consumers. Retailing covers diverse products and the value proposition a retailer offers to a consumer is easy availability of the desired product at the required size and time. In the developed countries, the retail industry has developed into a full-fledged industry, where more than three-fourths of the total retail trade is done in the organized sector. Huge retail chains like Wal-Mart, Carr Four Groups, Sears, K-Mart, McDonalds, etc. have been replacing the individual small stores. Retailing is a well recognized business function which comprises making available desired product and creates a time, place and form utility for the consumer. The retail industry is divided into organized and un-organised sectors. Organised retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc.

II. Review of Literature:

It is observed that there several studies available dealing with the consumer behaviour towards organized retailing. Selected most important studies are presented hereunder.

Ramakrishna Prasad.Y (2011) in his Doctoral research work titled "A study of Consumer Retail format choice and patronage behaviour in Food & Grocery Retailing (with special reference to Neighbourhood Kirana Stores and Supermarkets in the twin cities of Hyderabad & Secunderabad), examined the effect of temporal aspects and store format attributes on retail format patronage. The study revealed that the Indian food and grocery consumers have cross shopping behaviour in nature. It is also found that consumers giving due concern to value for money. Results also emphasize the need for a customized approach to retail marketing.

Kalwani and Yim (1992) conducted a study exploring the field of consumers' price expectations. The study proposes that consumers form expectations of prices, partly based on the frequency of promotions and use them in formulating their response to retail prices. Their findings reveal that consumers' reaction depends not only on the retail price, but also on the comparison they make with the reservation price.

Pradeep K. Chintagunta and Sandeep Haldar (1982) conducted a study on investigating purchasing Timing behaviour in two related product categories. The study revealed that, the estimated cross category correlation parameter obtained from the bi-variate hazard model is consistent with prior expectations in each of the product categories. Using the proposed model, the impact of price reductions in one category on the purchase probabilities in both categories is examined using the two non-durable products.

George Wilson and Katie Wood (2004) in their work find out that children are assuming larger roles in household consumer decisions and have emerged as independent consumers, thus forming an increasingly powerful market segment. The results showed that children have a significant influence on supermarket product purchases.

Narayana Janakiraman (2006) in his study examined how unexpected changes in the marketing mix of one product in retail rating can influence demand for other unrelated items. The results from two laboratory studies show that spillover effects can occur in response to both positive and negative changes in either the price or quality of a product, such that positive changes increase total spending on other items and negative changes reduce it.

III. Objectives of the Study:

- To examine the consumer behaviour towards product in organized retailing
- To analyse the perception of consumers towards price of organized retailing
- To offer suggestions for the consideration of the policy makers

IV. Data Sources and Methodology:

The study is based on both primary and secondary sources. Primary data were collected through administering a questionnaire among employees of selected retail stores. Secondary data were mainly from records of retail outlets, relevant research papers published in journals, Books and Websites. The primary data

were obtained through administering a questionnaire among 300 customers who were selected according to convenience sampling. The statistical tools like Averages, Percentages and test like ANOVA were used for analysis of data.

V. Scope and Limitations of the Study:

In accordance with the objectives of this research paper, the primary data were acquired from the sample respondents staying in Warangal and Hyderabad districts only. The selected retail outlets in Warangal and Hyderabad were taken into consideration. As stated earlier, the study confines to product and price elements of marketing mix only.

VI. Data Analysis and Interpretation

A. PRODUCT:

Product marketing decisions will vary based on the type of retail outlet you run and your target audience. The factors that affect the perception of quality include packaging design, service plan options, warranty, colors and materials. If you are marketing your retail store and products to a high-end crowd, for example, you might choose an elegant, simple design and cool colors; for a family-friendly store, you might lean more toward bright, bold colors and large fonts. Service Firms has to differentiate its services from the competitions to create its own positions in the minds of customers and also they are intangible in nature.

Availability of Wider Range of the Products

The availability of wider range of the products will have lot of impact on the sales of the organisation. The store which stocks wider range of products can pull the consumers and also improves the stores image. Hence, the respondents were asked whether wider range of products is available in the organised retail outlet where they are purchasing their monthly requirements or not and the responses are presented in Table 1.

Table 1
Availability of wider range of products

Response	No. of respondents	Percentage
Yes	241	80.33
No	39	13.00
Can't say	20	06.67
Total	300	100.00

Source: Primary data

The data in Table 1 indicates that majority of the respondents i.e. 80.33 per cent stated that wider range of products is available in the organised retail outlet where they are purchasing their monthly requirements and 13.00 per cent maintained that wider range of products are not available in the organised retail outlet where they are purchasing their monthly requirements.

Quality and Freshness of the Commodities

The consumers have already shifted from price sensitive buying to quality oriented buying. Now, the markets became buyers markets rather than sellers' markets. Therefore, the respondents were asked whether the quality and freshness of the commodities sold at retail outlets are good or not and the responses are placed in Table 2.

Table 2
Quality and Freshness of the Commodities

Education	Response							
	Yes		No		Can't Say		Total	
	No.	%age	No.	%age	No.	%age	No.	%age
SSC and below	13 (6.70)	51.17	8 (9.30)	33.33	3 (15.00)	12.50	24	08.00
Inter	25 (12.89)	58.14	11 (12.79)	24.59	7 (35.00)	15.28	43	14.33
Degree	63 (32.47)	61.76	34 (39.53)	33.33	5 (25.00)	4.90	102	34.00
Post Graduation	64 (32.99)	44.29	18 (20.93)	21.76	3 (15.00)	3.53	85	28.33
Others	29 (14.95)	63.04	15 (17.44)	32.60	2 (10.00)	4.36	46	14.34
Total	194	64.67	86	28.67	20	6.66	300	100.00

Source: Primary data

The data in Table 2 clearly shows that 64.67 per cent of the respondents are satisfied with the quality and freshness of the commodities and replied 'Yes' to the statement that the quality and freshness of the commodities are good at organized outlets whereas 28.67 per cent of the respondents replied 'no' to the statement and mentioned that they were not satisfied with the quality.

The education wise analysis reveal that majority of the respondents belonging to all educational qualifications replied positively to the statement on the quality and freshness of the goods and commodities at retail outlets. Among the respondents who stated that 'Yes' to the statement that quality and freshness of the commodities sold at retail outlets are good 32.99 per cent are post graduates, 32.47 per cent are Degree holders,. 14.95 per cent belong to other qualifications such as Professional and Technical qualifications.

Further, the respondents belonging to graduation and above qualification majority i.e.80.00 per cent are satisfied with the quality and freshness of the commodities at the organised retail outlets.

The results of ANOVA relating to education wise analysis shows that the calculated value of 'F' (2.29) is less than the F critical value (3.84) at 5 per cent level of significance and the null hypothesis has been accepted. Therefore, it is concluded that there were no significant differences among the responses belonging to different educational background respondents.

Knowledge of product (pre-purchase)

The customers will take purchase decision only when they have enough knowledge about the product. This decision may be taken by relying on their own knowledge or by taking the help from other people. To know whether the respondents are taking purchase decisions on their own or taking the help of others, the respondents were asked whether they rely on their own knowledge while making a purchase decision or not on a three point scale.

It is clear that majority of the respondents (68.00 per cent) do not rely on their own knowledge while making a purchase decision and they replied 'No' to the statement that do you on own knowledge for taking purchase decisions. 26.33 per cent of the respondents said they rely on their own knowledge while making a purchase decision. The remaining 5.67 per cent of the respondents mentioned that they can't say anything about relying on own knowledge while making a purchase decision.

Opinion about the extra value added services

Besides supplying fresh and qualitative products at reasonable rates, the retail organizations are expected to provide some value added services to the customers. As the non price competition is increasing among the retailers, the retailers are coming forward to provide value added services to customers to delight them. Hence, the respondents were asked whether the retail outlets will provide extra value added services too.

The analysis shows that 49.33 per cent of the respondents are not satisfied with the extra value added services provided by their retail outlets and replied 'no' to the statement that the their retail outlet will provide extra value added services.

Whereas 37.33 per cent of the respondents replied 'yes' to the statement and mentioned that they were satisfied with the extra value added services provided by their retail outlets and the remaining 12.34 per cent said that they can't say anything about the extra value added services provided by their retail outlets.

The education wise analysis clearly depicts that majority of the respondents belonging to all educational qualifications replied negatively to the statement on the extra value added services provided by their retail outlets. Among the respondents who stated that 'No' to the statement that their retail outlets will provide extra value added services to them, 40.54 per cent are degree holders, 29.73 per cent are post graduates. 10.81 per cent belong to the holders of other qualifications. Further, the respondents belonging to SSC and below, other qualifications and post graduation qualification, majority (more than 50.00 per cent) of the respondents are not satisfied with the extra value added services provided by their retail outlets.

But, it is observed that 40.00 per cent of the respondents belonging to post graduation and 37.50 per cent of SSC and below and 37.21 the intermediate qualifications mentioned that they were satisfied with extra value added services provided by their retail outlets. Further it is observed that, from among the respondents who replied that they were satisfied, 30.36 per cent holds post graduate degree qualifications and 27.68 per cent are degree holders. By and large it is observed that majority of the respondents were not satisfied with extra value added services at retail outlets.

In order to test whether there is any significant difference in the responses given by the respondents belonging to different educational background about the extra value added services provided at organised retail outlets, the following hypothesis were formulated and tested with ANOVA technique.

The results of ANOVA relating to education wise analysis shows that the calculated value of 'F' (2.91) is less than the F critical value (3.84) at 5 per cent level of significance, hence the null hypothesis has been accepted and concluded that there are no significant differences among the responses belonging to different educational background respondents with regard to the extra value added services.

From the above analysis it is concluded that majority of the respondents (50.00 per cent) were not satisfied with the extra value added services at organised retail outlets. Further there are significant differences among the respondents belonging to different educational backgrounds with regard to the extra value added services at organised retail outlets.

B. PRICE:

Price is an important part of a retail marketing mix; if your customers cannot afford products, they are unlikely to frequent the store. Most of the products should be in a comfortable range for target audience base; to get this information, store need to perform an audience analysis to get an idea of median income and spending power. To create a sense of desire and to give an option for a splurge, sell some items that are priced just out of target customer's normal price range. Customers are looking for greater value for their money in whatever way they purchase. It has researched and proven that no promotion works more effectively than a price promotion.

The prices in retail outlets are always reasonable.

Though many changes have come in the field of marketing, the price is still the dominating factor in determining the demand of a commodity. The consumers will continue to use the same commodity as long as they satisfies with the price of the commodity. There is no exemption to the organised retailers and the same principle holds good even for them also. Therefore, the respondents were asked to reveal their opinion regarding the prices charged at retail outlets on a three point scale and the responses are presented in Table 3.

Table 3
Opinion about the Prices in Retail Outlets

Income per PM	Response							
	courteous		indifferent		rude		Total	
	No.	% age	No.	% age	No.	% age	No.	% age
Below Rs.20000	10 (4.78)	38.46	7 (8.23)	26.92	9 (21.43)	34.62	26	08.67
Rs.20000-30000	19 (10.98)	44.19	16 (18.82)	37.20	8 (19.05)	18.60	43	14.33
Rs.30000-40000	35 (20.23)	50.72	24 (28.23)	34.78	10 (23.81)	14.49	69	23.00
Rs.40000-50000	76 (43.93)	71.70	22 (24.88)	20.75	8 (19.05)	7.55	106	34.33
Rs.50000 and above	33 (19.08)	58.93	16 (18.82)	28.57	7 (16.67)	12.50	56	18.67
Total	173	57.67	85	28.33	42	14.00	300	100.00

Source: Primary data

The data in Table 3 clearly indicates that 57.67 per cent of the respondents are satisfied with the prices of the commodities and replied 'Yes' to the statement that the prices in retail outlets are always reasonable. Whereas 28.33 per cent of the respondents replied 'no' to the statement and mentioned that they were not satisfied with the prices charged at retail outlets and the remaining 14.00 per cent said that they can't say anything about the prices charged at the retail outlets.

The income wise analysis reveal that majority of the respondents belonging to all income groups replied positively to the statement on the prices in retail outlets Among the respondents who stated that 'Yes' to the statement that the prices charged at retail outlets are always reasonable, 43.93 per cent are in the income group of Rs. 40,000 to 50,000, 20.23 per cent are in the income group of Rs. 30,000 to 40,000. 19.08 per cent belong to the income group of Rs.50, 000 and above. Further, the respondents belonging to Rs.40, 000 to 50,000, majority 71.70 per cent are satisfied with the prices charged at retail outlets.

But, it is observed that 37.20 per cent of the respondents belonging to a income group of Rs.20,000 – 30,000, mentioned that they were not satisfied with the prices charged at retail outlets. Further it is observed that, from among the respondents who replied that they were not satisfied, 28.23 per cent belong to the income group of Rs.30, 000 to 40,000 and 24.88 per cent belong to the income group of Rs.40, 000 to 50,000. By and large it is observed that majority of the respondents are satisfied with the prices charged at retail outlets.

In order to test whether there is any significant difference in the response given by the respondents belonging to different income groups about the Prices charged in Retail Outlets, the following hypothesis were formulated and tested with the help of ANOVA test.

The results of ANOVA relating to income wise analysis also shows that the calculated value of 'F'(1.59) is less than the F critical value (3.84) at 5 per cent level of significance and the null hypothesis has been accepted. Therefore it is concluded that there is no significant differences among the responses belonging to different income group respondents with regard to the extra value added services.

The above analysis clearly indicates that majority of the respondents were satisfied with the prices charged at organised

retail outlets. The respondents belonging to different income groups also satisfied with regard to prices charged at organised retail outlets. The test of ANOVA also confirmed the same.

Opinion about the updating of pricing schemes

The management and the employees of retail outlets should update the pricing schemes on regular basis, so that the prices become attractive and customers perceive such products. The organised retailers which are reluctant to update their pricing schemes may find it to retain the customers. Therefore every retailer should update their new pricing schemes on regular basis and inform the customers about such changes from time to time. Therefore, the respondents were asked whether their retail outlet is updating the pricing schemes on regular basis or not on a three point scale and the responses are depicted in Table 4.

The data in Table 4 clearly shows that 69.33 per cent of the respondents are not satisfied with the updating of pricing schemes at retail outlets and replied 'no' to the statement that the their retail outlet will update the price schemes on regular basis. Whereas 19.33 per cent of the respondents replied 'yes' to the statement and mentioned that they were satisfied with the updating of pricing schemes at retail outlets and the remaining 11.34 per cent said that they can't say anything about the updating of pricing schemes at retail outlets.

Table 4
Respondents Opinion about the updating of pricing schemes

Education	Response							
	Yes		No		Can't Say		Total	
	No.	%age	No.	%age	No.	%age	No.	%age
SSC and below	12 (4.77)	50.00	4 (6.90)	16.67	8 (23.53)	33.33	24	08.00
Inter	28 (13.46)	64.12	6 (10.34)	13.95	9 (26.47)	20.93	43	14.33
Degree	74 (34.58)	72.55	22 (37.94)	21.57	6 (17.65)	4.88	102	34.00
P, G	62 (29.81)	72.94	18 (31.03)	21.18	5 (14.71)	4.88	85	28.33
Others	32 (14.38)	69.57	8 (13.79)	17.39	6 (17.65)	13.04	46	14.34
Total	208	69.33	58	19.33	34	11.34	300	100.00

Source: Primary data

By and large it is observed that majority of the respondents are not satisfied with updating of pricing schemes at retail outlets.

For testing whether there is any significant difference in the responses given by the respondents belonging to different educational background about the updating of pricing schemes, the following hypothesis were formulated and tested with ANOVA technique.

From the foregoing discussion it is observed that majority of the respondents were satisfied with the updating of pricing schemes at organised retail outlets**.** Further the respondents belonging to different educational backgrounds were also satisfied with the updating of pricing schemes at organised retail outlets**.**

VII. Findings and Suggestions:

The specific findings emerged from evaluation of product and price aspects of Marketing Mix belong to retail outlets in this research paper are given here under.

- As regards product display, of all the 24 retail outlets studied there are only two retail outlets scoring 5 points for existence of displays, i.e., Big Bazaar and Reliance Fresh.
- With regard to transaction zone, it is very good at Spencers and it is very poor at Big Bazaar.
- Majority of the consumers (50.73%) are satisfied with the availability of range of products in the organized outlets.
- About 65 per cent of the respondents are satisfied with the quality and freshness of the commodities in retailed outlets.
- About 60 per cent of the respondents are of the opinion that they purchase only those brands which they know about and have enough information.
- Nearly 50 per cent of the respondents have not satisfied with the extra value added services provided by their retail outlets.
- Majority of the respondents (58 per cent) were satisfied with the prices of the commodities in retail outlets and said the prices are always reasonable.
- Majority of the respondents were not satisfied with the updating of pricing schemes at retail outlets. There are no significant differences among the responses belonging to different educational background of respondents with regard to updating of pricing schemes.

Based on the findings, following suggestions are made to retail outlets for more effective customer service. There is a need to improve parking facility, transition zone, focus on card facility, creation of more cold storage facility; The retail outlets should make arrangements for small farmers to supply fresh and quality agricultural produce at low price. The retail outlets should provide more information about new products and increase the payment terminals. The retail outlets need to provide special facilities for old age and handicapped customers. The retail outlets shall create more confidence among customers about exchange offers, price discounts etc.

VIII. Conclusion:

An attempt is made in this research paper to examine the customer perception towards product and price on retail outlets. The present study contribute to the understanding of consumer choice behaviour retailing. The overall result of this study revealed that no single retail outlet seems to be prime in meeting consumer needs / wants. Modern retail has been facing the challenge of retaining customer allegiance. Consumer's level of education seems to be the significant predicator for choice of retail outlet. This empirical study has provided more complete understanding of the factors influencing with regard to product and price of retail outlets. Product-price promotions are an important marketing activity which would act as a stimulus to increase their business.

REFERENCE

1. Jayasankarprasad, Ch & D. Raghunadha Reddy, "A study on role of demographic and psychographic dynamics in food and grocery retailing in India", Vision – The Journal of Business perspective, Vol.11, No.4, 2007, pp. 21-30. 2. Ramachandra Aryasri, A, & Ch. Jayasankara Prasad, "A study on role of consumerism in modern retailing in India", IMI disha, Vol.1, No.2, 2008, pp. 35-44. 3. Bajaj, Chetan, Rajnish, Tuli, N.V.Srivastava, "Retail Management", Oxford University Press, 2005, p.201 4. Retailing in India Unshackling the chain stores, The Economist, 29 May, 2008. 5. Bahree, Megha, "India Unlocks Door for Global Retailers", The Wall Street Journal, 25.11.2011. 6. Marsden, D. and Litter, D.(1988), "Positioning Alternative perspectives of Consumer Behaviour", Journal of Marketing management, 14, pp. 3-28. 7. India to put foreign supermarket plan on hold, The Financial Times, 3rd December, 2011. 8. http://indiaretailing.com 9. www.theretailbulletin.com