RETAIL OWNERSHIP INFLUENCES ON CONSUMER

BUYING PREFRENCEC AN EMPERICAL STUDY OF INDIAN CONSUMER

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Abstract

The continuous withdrawal of restrictions over investment and frequent influx of foreign retailers offers more choice to Indian consumers. Although there is abundant amount of literature is available for product choice but still there is a lack of knowledge to select a store and diversity in perceptions within population. In this paper we analyzed diversity and preferences of consumer behavior in India with those from Allahabad city which fastest growing city of the Uttar Pradesh state of India, in the city, preference of local store is higher than foreign retail store, and consumers in comparative from Bangalore city which an advanced city favoring foreign retail stores more than local stores. So, we assessed different factors based on demographics, age, income, education & sex. After that we found psychological behavior of consumers and able to offer better product choices to consumers.

Keywords: Consumer diversity; International retailing; Store choice.

1. INTRODUCTION

Over the last ten years retailers tried to find out the new markets across the world. Among all the industries Indian retail industry is the largest industry and approximately 8 percent of the employment (P. Malyadri and K. Srinivasa Rao, 2011; David Burch and G. Lawrence, 2007).This industry growing very rapidly in India and many players entering into the market but all of them not tasted the sweetness of success because of heavy initial investments and for breakeven and to compete with companies (Satyajit Roy, 2011; Chirag B.Rathod and Devang J.Desai, 2006). The Indian retail industry is the next area where booming comes very soon. According to AT Kearney's study on global retailing trends found that India is the least saturated and least competitive for global markets (A.T.kearney, 2006). It signifies that there is less number of barriers for companies to enter into this market.

According to Technopak , there is an expected investment of over $30 billion within next four-five months and sling modern retail in the country to $175-200 billion by 2016.Academic researchers & scholars are giving more attention and focus to the spread of retail multinationals in Asia and China (Au-Yeung & Henley, 2003; Dawson, Mukoyama,

Choi, & Larke, 2003;Gamble, 2006b, 2007).It looks that for major & giant retailers "international retailing is no longer simply an option; it has become a necessity" (Akehurst & Alexander, 1995).

The Indian retail sector can be divided into two sectors organized sector and unorganized sector (Letovsky, Murphy, & Kenny, 1997; Taylor, 2003). Organized refers to trading activities by licensed Indian retailer. These organized sector retailers are registered for income tax, good and service tax etc (Goldman, 2000, 2001; Larke, 2004). According to the report $27 billion comes from organized retail such as supermarkets, chain stores with centralized operations and shopping malls. For understanding properly we have to know about FDI policy in India and other terms following as:

1.1 Foreign Direct Investment Policy in India

Foreign Investment is controlled by Foreign Direct Investment Policy announced by the government of India and FEMA (Foreign Exchange Management) Act 1999 .The RBI (Reserve Bank of India) in this regard has amended this Act from time to time under the norms of Foreign Exchange Management Regulation, 2000. Department of Industrial Policy and Promotion (DIPP) and Secretariat for Industrial Assistance (SIA) are given a press note to notify the FDI Policy:

1. The investment of 100% FDI for cash and carry wholesale trading allowed under the automatic route.

2. 51% foreign direct investment for retail trade of single brand products.

3. Foreign Direct Investment is prohibited in multi brand retailing in India.

Some other parameters and things are there:

1.1.1Entry Option for FDI

FDI was not accessible in retailing before 2006. Some of entrance ways by them are given below:-

1. Franchise Agreements

It is very easy way to open franchise in India and commission agent services, FDI has been allowed with the approval of Reserve Bank of India under the FEMA Act. Players such as Lacoste, Mango, and Nike and as good as Marks and Spencer, have entered Indian market place by this route.

2. Cash And Carry Wholesale Trading

Building a large distribution infrastructure has allowed 100% FDI in wholesale trading. Metro AG of Germany was the first significant global player to enter India through this route.

3. Strategic Licensing Agreements

Some brands like Spanish apparel brand give exclusive licenses and distribution rights to Indian companies' .They have easy route because of an agreement and enter into Indian retail industry.

1.1.2 FDI in Single Brand Retail

In single-brand retail, FDI up to 51 per cent is allowed, subject to Foreign Investment Promotion Board (FIPB) approval and subject to the conditions mentioned   in Press Note(3).The conditions are :

1. Multi-brand even if produced by the same manufacturer would not be allowed, only single brand is allowed.

2. Products should be sold under the same brand internationally.

3. Single-brand product retail would only cover products which are branded during manufacturing

4. FDI has to take permission to the Government in any addition to product categories in single brand.

In 2011, 31% share in clothing and apparel estimated by AT Kearney (International Management Consultancy).In the developed markets the Indian apparel retailers are increasing their brands overseas but West Asia and Africa are looking at the US and Europe. Denim wear brand was recently launched in Melbourne by India. Indian companies want to enter into retail to focus on lifestyle products .The fourth largest Indian business group Mahindra Group after Reliance, Aditya Birla Group and Bharti Enterprises have entered in perishable and groceries products. Wal-Mart, announced a fifty-fifty joint venture with Bharti enterprises for whole sale cash and carry business in Indian retail sector. They will open 10-15 such outlets over the seven years. These two companies have signed their agreement. Current FDI regulations do not permit global multi brand retailers to enter India directly. "We have invested USD 7 million in Chhattisgarh and created over 200 jobs, of which about 40 are from the tribal community. "We have already received a very good response to this store with over 25,000 registered members," (Bharti Walmart Managing Director and CEO Raj Jain). This big Retail chain has gone ahead with its plan for India while its competitors Tesco and Carrefour have decided to wait for FDI norms to be relaxed. Firstly they would focus in north India and each store will be spread over 1 million square feet. They want to target customer's local stores and fresh product selling stores, hotels and restaurants. There are12 millions small stores in India yet less than 1 million of them are served directly by consumer goods companies. This joint venture plans to produce 90 percent of the goods in India while 10 percent would be imported. Wal-Mart today sources goods worth nearly$600 million from India, and this is expected to be multiplied many times over once the cash-and-carry outlets are operational. Both companies declined to comment on projected investment, turnover or possible revenue realization from this. "Wal-Marts global vision is to save people's

money. We intend to do the same in India," (Jain). Wal-Marts expertise lies in cutting costs with a technically superior supply chain.

2. LITERATURE REVIEW

Kirana store is not a longer option to buy grocery products, as organized retailing is coming into the country to offer "experience" with quality and the products are affordable with hygiene (Das Amutha Joseph, 2012; Mishra, 2007)

Indian retail sector is fast growing and goes from significant changes. Entering into Indian retail industry is a growing measure through FDI (Sunitha Ravi, 2012; Paridhi Saraogi, 2006)Global real estate consulting group Knight Frank, released in their report that real estate segment of India was growing at 30%/annum . Knight Frank ranked 5th India amongst 30 emerging retail markets and Indian organized retail segment has a potential growth over the next ten years (Joy Mukhopadhyay, 2008; N. Viswanadham, 2006; S Pradhan, 2006; Simrit Kaur, 2007).

AC Nielsen Shopper & Consumer Trends 2004 analyzed in key retail markets in Asia-Pacific region stated "India   is the only market   surveyed where traditional grocery stores are the key outlets where shoppers spend most money. Radical changes have taken place over the last 7 years yet the market share of retail chains remains low. Traditional shopping facilities still dominate   though   the environment   is fertile for the development of shopping centers."

India Vs China

Indian and Chinese markets are very much comparable in many views:

Both the countries comprise many markets under one umbrella of a country. With cultural   diversity & heterogeneity and different customer preferences across various regions. Both countries have significant population in rural area with low purchasing power and geographical area wise both the countries are very large. The main preference of customer in both the countries is high value consciousness.

The organized retail market converted into double in china during 1996-2003.We analyzed that Indian retail market is at the same inflection point as the china was during 1990's.So, considering a similar per capita GDP and economic growth rates , the organized Indian retail market has the potential for an exponential growth over the next 10 years.

3. RESEARCH METHODOLOGY

3.1 Main Objectives

- To study scenarios in Indian retail industry and changes happening in this industry in this mean time.
- To asses customer preferences and behavior towards retail industry.
- To asses that which factors influence people towards shopping through organized retail store.
- To know about the expectations of people towards organized retail stores.
- To suggest retailers about important facts and findings this will help in increase revenue.

3.2 Research Type and Data Collection

We start with Exploratory Research, which is flexible for me to find out the important and crucial parameters for assessing customer behavior. Location has been chosen strategically for the research which is Bangalore city of the India also known as Silicon valley of the India as it is one of the emerging city of the India and having large no. of Multinational stores and shopping complex with this we also take a sample from Allahabad region which is a small holy city in India. Sample size of 500 has been considered out of that 423 turned up.

We have done primary research for this purpose we have designed a questionnaire and upload it on free lancer websites for survey and also collected data manually.

3.3 Data Analysis and Interpretation

After this we proposed hypothesis and we have done factor analysis with the help of descriptive statistics and after that we applied ANOVA analysis to study the variations of consumer decision making style due to demographic factors. Proposed hypothesis:

H1: Association of Price consciousness and gender, age and sex is interdependent but marital status affects it.

H2: Shopping for entertainment and age are dependent.

H3: Price consciousness is highest attracting factor.

H4: Novelty Seekness , variety sleekness and choice confusion are important but less important than price consciousness.

Table 1: Factors of Preferences

Factors	Rotated Factor Loadings	Reliability Coefficient (Cronbach Alpha)
F1: Price Conciousness		
Best price is necessary	**0.875**	**0.869**
Checking price for even tiny products	**0.855**	
Compare Price of atleast few brands before buying	**0.802**	
Never buying more than one store to find low prices	**-0.635**	
F2:Quality Conciousness		
Prefer to buy best quality	**0.821**	**0.854**
Good quality is crucial	**0.762**	
Make extra effort to buy extreme good quality	**0.715**	
Always buy best quality	**0.678**	
F3: Entertaining		
Shopping is entertaining	**0.865**	**0.87**
Shopping is entertaining in many shops is time wastage	**-0.602**	
Shopping is entertaining frequency or speed is fast	**-0.615**	
F4:Novelty Seeker		
Exciting to buy new	**0.702**	**0.831**
Different variety	**0.639**	
F5:Variety Seeker		
tired with same brand	**0.668**	**0.802**
try different brands for variety	**0.602**	
F6:Choice confusion		
confusion among different brands	**0.835**	**0.822**
Information about products confused	**0.778**	
More information harder to choose best	**0.766**	

All the 6 factors together accounted for 72.25 percent of the total variance (Table 1).

Bartlett's test of sphericity = 0.00, Kaiser-Meyer-Olkin KMO (0.685).

In this study, factor analysis carried out in two stages, in first stage factor extraction process has been done. With the help of principal component analysis 17 items were extracted by 6 factors .Only factors having Eigen value greater than 1 will be considered significant .All the six factors together accounted for 72.25 percent of the total variance. Interpretation and labeling has been done in second stage. Items having factor more than 0.6 included   in the interpretation.

Demographic factors have an impact on consumer decision making styles. After factor analysis generated factors put for ANOVA analysis to study the variations of consumer decision making style due to demographic factors. *p<0.05.

Table 2: Effects of demographic factors

	Gender		Age		Education		Marital Status		Income	
	F	Sig.	F	Sig.	F	Sig.	F	Sig.	F	Sig.
Price consciousness	.074	.783	.987	.416	.700	.624	5.430	.005*	1.461	.217
Quality Consciousness	.754	.386	.295	.880	1.005	.412	.725	.485	.873	.481
Recreational	.316	.575	2.972	.022*	.953	.447	1.543	.217	.778	.535
Confused over choice	.046	.829	1.221	.306	.889	.490	.828	.435	1.852	.123
Novelty conscious	.216	.642	.768	.548	1.616	0.160	1.920	.149	.775	.530
Variety seeking	.072	.727	.798	.529	.622	.682	.704	.492	1.762	.137

Factor 1.Price Consciousness

This factor measures the price dimension of consumer decision making style. High score means more price conscious. Those people check and compare prices before buying the product. They can go more than one shop for lowest price. The highest loading (.875) in it is best price

Above table shows that significance value of F for gender age education is greater than .05 .So, they do not have significant impact on price consciousness .Only marital status has impact on price consciousness. It supports H1 hypothesis.

Factor2. Quality Consciousness

High score on this shows quality consciousness, highest loading for prefer best quality shows it is most important. In significance table of F for gender, age, education, marital status, income are greater than0 .05. So, they do not have direct impact on quality consciousness.

Facor3. Entertaining

This factor shows that shopping for consumers is an enjoyful task. Highest loading in it is for Shopping is entertaining and for other two loading is negative. So it means entertainment during shopping is important in consumer buying behavior. Age has an impact on this factor. Youths are more recreational. It supports H2 hypothesis.

Factor4. Novelty Seeker

This factor Shows Novelty seekness of consumers shows us a new paradigm and highest loading for fun in buying new supports it a lot. Significance table shows that age, education, gender, marital status or income has no impact on this factor.

Factor5.Variety Seeking

High score of this factor means that they can frequently switch one brand from another.   . Significance table shows that age, education, gender, marital status or income has no impact on this factor

Factor6: Choice confusion

High score of this factor means higher confusion related to product information .The people who have low score are more confident people for their choices and preferences.

With the help of factor analysis we can see that highest attracting factor is price consciousness which supports H3 hypothesis. After that we can also see from loading table that price consciousness has highest value of coefficient it means price consciousness is most important factor than any other and other factor also have good enough value but less than price consciousness value so, it supports H4 hypothesis.

4: CONCLUSION

This study reveals the diversity of consumers with the help of assessing some psychological factors which helps in buying process and view of consumers towards retail business. Many other factors like demographic location, gender, education also plays an important role in customer buying behaviour. We can see that price consciousness is very

important factor but gender and age are not able to influence it although marital status has an impact over it. Similarly other amazing findings are there for assessing buying behaviour and its impact over retail industry.

The major potential can be captured if following aspects are come into light:

- Which factors force customer to walk in your store and convert it into shopping.

- How we can make brand image and measure return on investment.

The retail industry is witnessing a high level of organized business activity CRM, supply chain management, visual merchandising & customer loyalty programs are now buzzwords in the industry.

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