Consumer Buying Behavior – An analysis of organized retailing in north Karnataka.

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Abstract :- Indian Retail industry poses large opportunities for entrepreneurs to vouch upon. The organized retailing sector in India has been able to outgrow the effect of unorganized retailing and contribute to the development of the retailing industry. Though there are a number of challenges which the entrepreneurs need to overcome to establish a organized retail business in India. This study makes an attempt to understand the challenges and opportunities faced by standalone organized retail stores in major cities of North Karnataka and consumer buying behavior. The major challenge for the organized retail in north Karnataka is the competition from unorganized retailers and also the competition among the organized retailers. The opportunity which lies is due to the growing upper middle class, changing demographics and the urbanization of the lifestyle of people. This study attempts to ascertain the factors that influence the consumer buying behavior and the role of demographic factors in driving the customers to the organized retail outlets in north Karnataka. It also tries leverage the opportunity by overcoming the challenges such as competition from the unorganized retailers, bargaining power of buyers and competition among the rivalry.

Key words: Consumer Behavior, Demographic factors, Organized Retailing, unorganized retail, Factor Analysis, north Karnataka.

I. INTRODUCTION

The Indian Economy is expected to grow at a steady pace due to increase in employment opportunities , rising disposable income , changing life styles and demographic profiles leading to enhanced consumerism .The Indian retail sector is going through a transformation due to its significant growth and increased investment pattern. The retail industry by 2020 is expected to grow to US$ 3600 Billion from 2017's US$1824 Billion. Retail industry contributes to more than 10% of the GDP and about 8% to the employment [1].
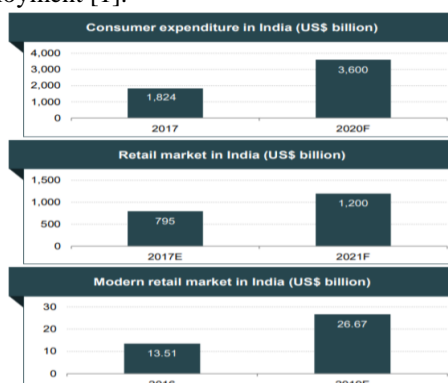

Figure1: Growth of Retail Industry
Source: Ernst and Young, - October 2018.

Figure 1 shows that the retailing sector in India is supposed to grow to US$1200 Billion in 2021 from US$ 795 Billion in the year 2017 out of this the organized retail business is expected to increase to US$26.67 Billion by the year 2019.

Retailing can be further classified as organized and unorganized retail sector.

Organized Retail: over the recent past a tremendous transformation can be seen in the retailing sector with the entry of organized retail outlets into the Indian retail market dominated by the unorganized retail outlets. Organized retail market is growing in India due to the growth in economy which has contributed to the increased purchasing power among the Indian's. Out of the organized retail store formats the fastest growing are the supermarkets as shown in the Figure 2.

The increasing number of tier 2 and tire 3 cities has lead to the improvement in the organized retail store space in India (Indiareatiling.com, Techsci Research). The contribution of organized retailing sector in the year 2017 was up to 7% of the total industry and the unorganized retailing sector constituted 97% of the business.

Figure2 : Number of Supermarkets in India.
Source: Ernst and Young, Price Waterhouse Cooper, Economic Times

Unorganized Sector: The unorganized retiling in India dominates the retailing sector. But in recent years there has been an increased acceptance of organized retail outlets due to customer changing life styles, income and demographic variables.

India's retailing sector has a high potential to grow , involves lower economically and moderate political risk.

II. LITERATURE REVIEW

[2] India's policies on Foreign Direct investment have made it difficult to many organized retail chains of the world to enter. India has about 2% of organized retail outlets which are involved in selling grocery and food products are struggling to operate profitably , earn revenues to meet increasing rentals .

[3] G.Somashekhar (2014) attempted to establish a relationship between shopper demographics and factors influencing on their shopping behavior towards organized retailing. The paper identified 6 factors as key dimensions of store attributes. The result showed that the shoppers of organized retailing prefers shopper interface and enhanced shopping experiences as top priorities.

[4] Kalpana Singht (2014) expects accelerated growth of organized retail in India due to huge population which constitute of a large proportion of young, brand conscious, higher spending power makes the sector more favorable.

[5] Dr.Shahid.Akhter (2012) suggests the organized retailers to follow certain strategies like open communication between the functional departments, balance between brand building & promotion and non marketing factors to tap the huge potential for their growth.

[6] Retailing Sector Analysis Report (Equitymaster.com 2017) there is an upward trend seen in modern retailing due to urbanization, influence of western culture and changing life style. GST has simplified the distribution structure and reduces the operational complexities of the supply chain in the retail business.

[7] The Organized retailing segment offers a better and greater variety of groceries than the neighborhood kirana store. But this could not be a big competitive edge as it may seem. Organized retailers need to compete with the unorganized kiranas stores which also provide same kind of the products as in organized stores. Kiranas also sell confectionary, fresh vegetables, dairy products and eggs.

During the preparation of the organized retail outlet to provide a huge variety of products to its customer a lot of effort goes in the management of the business in the efficient way. Though lot of importance is given to the variety of products and timely presence of the products on the shelves of the organized retail store but the ambience and outlook of the retail store should also be considered as an important element . According to Rama Bijapurkar a consumer guru, merchandising lacks focus not only in terms of aesthetics but also lack thoughts inrelating to the local opportunities and needs. An opportunity from the retailers might be missed if they don't sell flowers during Hindu festivals .

[8] Sunita Sikri(2012) in the study found that the customers in India look for convenience of reaching to a retail outlet over the product variety that might be available in an organized retail stores which has made the organized retailers to rethink about the business and its operations.

[9] Prof. Satish Kr. Singh (2012) analyzed that the Retailing industry in India can create more than 50million jobs if the retailing industry is supported to expand its business and improve the productivity similar to those that exist in emerging countries like United States. Though the challenge in training and developing the staff and management for better productivity cannot be neglected.

[10] In my article on drivers and factors in organized retailing , the analysis showed that out of 15 elements that drive organized retiling in North Karnataka the major factors are customer relationship, handling customer complaints, service, availability of products, discounts/offers and product variety. Major Factors that facilitate organized retiling in North Karnataka are Management style, hygiene working conditions, training ,work place safety and team work.

III. OBJECTIVES

1. Enumerate the store factors affecting the buying behavior of consumer in organized retailing in north Karnataka.
2. To ascertain the impact of demographic factors of customers on buying behavior in organized retailing in north Karnataka.

IV. HYPOTHESIS OF THE STUDY

The following hypothesis have been formulated to analyze the impact of demographic factors on the consumer buying behavior in organized retailing in privately owned stores in North Karnataka.

H01: Customer age group does not influence the consumer buying behavior in standalone organized retail stores.

H02: Customer income groups does not influence the consumer buying behavior in standalone organized retail stores.

H03: Customer gender does not influence the consumer buying behavior in standalone organized retail stores.

H04: Customer Occupation does not influence the consumer buying behavior in standalone organized retail stores.

H05: Customer qualification does not influence the buying behavior in standalone organized retail stores.

V. RESEARCH METHODOLOGY AND DATA ANALYSIS

The study uses descriptive approach to gather primary data. Convenience sampling method has been used for the study. Karnataka is divided into four divisions namely Banglore, Belgaum, Mysore and Gulburga Division. As part of North Karnataka this research study is confined to the Major cities of Hubli ,Dharwad, Bijapur, Gadag, Belgaum, Bagalkot, Gulburga cities of North Karnataka. A Self structure questionnaire has been used for collecting the primary data from the customers of standalone organized retail outlets. The research questionnaire was filled by 352 respondents from these cities. The study has used descriptive statistical analysis, factor analysis, reliability analysis and ANNOVA for analyzing the data. Factor analysis is used to reduce the 33 variables into major factors that impact consumer buying behavior. This technique helps in analyzing the common variance among all the variables and puts into common loading score. This loading score is used for further analysis to establish correlation between variables and all the factors. Eigen values depicts the variance explained by that particular factor out of the total Variance. The total variance obtained from all the factors studied explains the total percentage variance of consumer buying behavior in organized retailing in North Karnataka.

The analysis has been further performed to establish a relation between the demographic parameters of the organized retail customers and the factors identified in the factor analysis using ANNOVA method. This method is used to establish the degree of similarity among the demographic factors of customer while studying the customer buying behavior.

The secondary data has been used from the CII Retail Scenario in India- Unlimited Opportunity, IBEF – Retail Market overview and trends, research papers in retail and other reports to analyze the overall organized retail scenario currently.

A. Descriptive Analysis

The age group of the shoppers ranged from below 16year to above 45years. 31% of the total shoppers were of the age group 16-30 years and 46% of 30-45 years . Thus most of the customers in 30-45year of age group prefer shopping in a organized retail store.

Out of the 352 samples 63% are male and 37% are female though both the genders were given equal importance while collecting the data it is found that male customers shop more than the female customers in organized retail stores.

41% of the respondents fall under the income of 10000-30000 and 24% in the income group of 30000-45000 and 10% more than Rs.50000.

41% of the respondents were post graduates, 38% Graduates and 21% Undergraduates.

47% of the customers are into service and 10% into business, 2 % retired and 22% house wife make the rest of the contribution.

B. Results of Factor Analysis

The reliability of questionnaire is checked using Cronbach's alpha which is at 0.965 as shown in table 1.

Kaiser-Meyer-Olakin (KMO) and Barlettes test of sphericity are carried out to ascertain the sample adequacy as shown in table 2. KMO is an adequacy measure which is used to test the appropriateness of the factor analysis. KMO minimum acceptable value is 0.5. Barlett'stest ofSphericity indicates whether a given correlation matrix is an identity matrix . This also indicates the variables chosen are unrelated. The level of significanceof the test p<.000 suggests that the factors are highly correlated and factor analysis could be carried out.

Factor analysis was carried out on the variables for the purpose of data reduction. The Varimax rotation method was used in the principle components method and the 33 variables were reduced to 5 factors which had Eigen values greater than 1. Each factor with a loading of 0.5 or more was considered for analysis and interpretation on each of the 33 variables. The analysis shows that the commonalities of all the 33 variables is over 0.5 which indicates that factor analysis can be carried out for all the variables as shown in table 3.

Table 1: Reliability Statistics

Cronbach's Alpha	N of Items
.965	40

Table 2: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.911
Bartlett's Test of Sphericity	Approx. Chi-Square	9.885E3
	Df	528
	Sig.	.000

Table 3: Factors based on store and consumer attribute

Organized Retail store attributes	Loading	Eigen Values	% Variance	Cronbach's Alpha
Customer perception		4.182	12.672	0.883
Organized retailers have larger inventories of groceries than unorganized stores	0.759			
I visit because it is not crowded and there is enough space	0.821			
I visit only one organized retail outlet	0.561			
I buy products in organized retail outlets due to the product quality and variety	0.888			
I visit organized retail store due to offers and discounts	0.771			
I visit organized retail stores because of lower prices.	0.721			
I visit organized retail outlet due to the availability of required products	0.845			
Customer attitude- Organized retail store		4.161	12.609	0.884
I visit a particular Organized retailer since it is well know	0.792			
I visit a particular Organized retailer because someone suggested me	0.574			
I visit organized retail outlet because products are properly classified	0.856			
I buy products in organized retail outlets due to computerized billing.	0.721			
I visit organized retailers since prices are clearly mentioned	0.888			
I visit a particular organized retail outlet because it is on my way to home /workplace	0.671			
I visit organized retail outlets since I get store branded products also.	0.845			
Promotional Measures		4.303	13.039	0.92
I visit a particular Organized retailer since I have seen its advertisement	0.881			
I visit a particular Organized retailer because of the weekly/monthly offers	0.838			
I visit organized retail outlet credit facility is available	0.86			
I buy products in organized retail outlets since I can visualize all the products and their offers.	0.814			
I visit organized retailers since I get points on each purchase and can redeem the points	0.85			
I visit a particular organized retail outlet since I get some gifts.	0.835			
Services Offered		5.053	15.312	0.934
I visit a particular Organized retailer because of their prompt service	0.834			
I visit Organized retailer because they have more than one billing counters	0.857			
I visit organized retail outlet because of its long working hours.	0.863			
I visit organized retail outlets since the staff is courteous and helpful	0.834			
I visit organized retailers since these outlets handle customer complaint promptly.	0.902			
I visit organized retail outlet due to the parking facility	0.835			
I visit organized retail due to its good ambiance	0.821			
Role of Brand		3.842	11.642	0.886
I purchase only branded products	0.68			
I check the price before selecting a particular grocery product and brand	0.811			
Price of the product is more important than the brand to me.	0.841			
I prefer store brands over other branded products due to the lower prices	0.813			
I prefer store brands over other branded products due the quality	0.83			
I visit a particular organized retail outlet since I trust the outlet	0.815			

The five factors represented 65.274% of the variance of 33 variables(ref. Table 3). The factors were selected based on Varimax rotation. Cronbach's Alpha was used to further find the reliability of all the factors which were identified through factor analysis. As depicted in table 3, the Cronbach's alpha was above 0.8 for all the multi item scales which indicates that the factor analysis conducted was reliable.

The results of the factor analysis shows that service offered ,promotional measures and customer perception are the most critical factors that explains 41.023 % of the total variation, followed by customer attitude at 12.609% and role of brand at 11.642%. All the statistically significant factors together i.e. five factors explain 65.274% of the variation. This shows that almost 65% of the consumer behavior in standalone organized retail store can be explained by these five factors where services offered, promotional measures and customer perception are most critical factors.

C. Analysis of Demographic factors:

The demographic variables like age, gender, income, education and occupation influence the consumer buying behavior in organized retailing.

The following Hypothesis are formulated to ascertain the influence of demographic variables on consumer buying behavior in organized retailing.

H01: Customer age groups does not influence the consumer buying behavior in standalone organized retail stores: the below table 4 shows that F–values 9.415 and 8.069 rejects

null hypothesis at 5%significance for consumer attitude and role of brand, i.e. the importance level of age as a factor for consumer buying behavior varies for consumer attitude and role of brand.

H02: Customer income groups does not influence the buying behavior in standalone organized retail stores : the below table 4 shows that the F-Value of 16.631 for consumer attitude and 15.624 for consumer perception rejects null hypothesis, i.e the importance level of income as a factor for consumer buying behavior varies for consumer perception and consumer attitude.

H03: Customer gender does not influence the buying behavior in standalone organized retail stores: the below table 4 shows that the F-value of 20.972 and 17.452 for services offered and consumer perception rejects null hypothesis, i.e importance level of gender as a factor for consumer buying behavior varies for services offered and consumer perception.

H04: Customer Occupation does not influence the buying behavior in standalone organized retail stores: the below table 4 shows that the F-value of 16.631 and 15.083 for consumer attitude and consumer perception rejects null hypothesis i.e importance level of customer occupation as a factor for customer occupation varies for customer attitude and customer perception.

H05: Customer qualification does not influence the buying behavior in standalone organized retail stores: the below table 4 shows that F-value of 11.102 and 10.973 for customer attitude and customer perception rejects null hypothesis i.e Importance level of customer qualification as a factor for customer attitude and customer perception varies for customer attitude and customer perception.

Table 4 : ANNOVA Analysis for Demographic factors

Demographic factors	Factors	F-Value	P-Value
Age	Consumer Perception	4.865	0.003
	Consumer Attitude	9.415	0.000
	Promotional Measures	2.742	0.043
	Service Offered	5.947	0.043
	Role of Brand	8.069	0.000
Gender	Consumer Perception	17.452	0.000
	Consumer Attitude	15.92	0.000
	Promotional Measures	6.451	0.012
	Service Offered	20.972	0.000
	Role of Brand	9.301	0.002
Qualification	Consumer Perception	10.973	0.000
	Consumer Attitude	11.102	0.000
	Promotional Measures	4.519	0.012
	Service Offered	2.768	0.064
	Role of Brand	9.883	0.003
Occupation	Consumer Preference	15.083	0.000
	Consumer Attitude	16.631	0.000
	Promotional Measures	6.349	0.000
	Service Offered	8.389	0.000
	Role of Brand	8.489	0.000
Income	Consumer Perception	15.083	0.000
	Consumer Attitude	16.631	0.000
	Promotional Measures	6.349	0.000
	Service Offered	8.389	0.000
	Role of Brand	8.489	0.000

VI. FINDINGS AND SUGGESTIONS

The analysis shows that in organized retailing the numbers of male customers are more than the female customers. Also the customers in the age group of 30-45years prefer to

shop in organized retail store. 41% of the customers fall under the income group of 10000-30000 per month also most of the customers who shop in privately organized retailing are post graduates. The customers who shop in the privately owned organized retail stores are into service(47%) and 22% of them are house wife's.

The factor analysis shows that the 33 elements which describes the consumer buying behavior based on store attributes can be reduced to 5 major factors that contributes to explain up to 65% of the consumer buying behavior in privately owned organized retail store in north Karnataka. The services offered, promotional measures and customer perception are the most important factors out of the 5 factors which contribute to explain the consumer buying behavior.

Also the demographic variables age , income, gender , occupation and qualification does influence the consumer buying behavior in the privately owned organized retail stores in North Karnataka.

The findings makes it clear that the customer buying behavior in organized retail can be influenced by providing best services to its customers in terms of handling customer complaints promptly , working longer hours to facilitate working customers convenience and faster billing. In terms of promotional factors that influence consumer buying behavior in organized retailing are the advertisements, redemption points schemes and credit facility. In customer perception the quality of the product, the variety of products, and availability of desired brands are most important factors that influence the consumer buying behavior.

VII. CONCLUSION

The article was aimed at identifying the demographic factors and identifying the organized store attributes for north Karnataka region. The analysis of the results brings out five factors that leads to the formation of consumer buying behavior. The store attributes in order of their preference were services offered, promotional measures, customer perception, customer attitude and role of brand. The services offered are the most important parameter that influencethe customer buying behavior in privately owned organized retail outlets in North Karnataka followed by Promotions which effects the customer buying behavior. Also the customer perceptions regarding the organized the organized retail is the next important factor which should be considered while analyzing the behavior of the customers in organized retail. The results show that customer perception and role of brand are important factor for different age group of customers , services offered and consumer perception are important factor for male shoppers, customer attitude and customer perception are important factor for customers who are into service,

customer attitude and customer perception are important factor for qualification and income groups.

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