Analysis of Customer Preference in Organized Retail Stores

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Abstract—Post-liberalization [1991] brought forth a major shift in consumer buying style, thanks to the entry of organized retail stores. There are a number of factors which influence the customer choice of the type of retail outlet and when these are studied critically, the organized outlets can realize favourable customer response and get more business. In the continued effort to improve the success of organized retail trade, the outlets need to be undertaking various initiatives. This research provides an insight in to a few aspects of the retail experience of the customers which, when analyzed can help to design the strategy that can emerge as win-win strategy for both the retailers and the customers.

Index Terms—Organized retail store, customer preference, customer value proposition, value addition.

I. INTRODUCTION

One of the major developments that have taken place after liberalization was the entry of organized retail stores in different parts of India. This is well supported by researchers and journals, who pointed out that the size of organized retail in India remained at 3% and there is enormous scope for improving the share of organized retail in the market. The country witnessed the entry of a number of big retail stores, established by some of the leading Indian industrial houses like Reliance and Tatas, though the stores like Nilgiris and Spencers were in existence for a longer duration much before the liberalization era. The change in the retail scenario did offer an alternative experience to the Indian consumers, but a sizeable migration of consumers from the old traditional stores did not happen. A major reason is that the new form of retail stores confined themselves only to metropolitan cities and urban centers. Even in such urban locations, the response from the consumers has not been very cheerful. This is amply proved by the continued existence of the traditional stores with good business volume. However, what has been the experience of the consumers who are favouring the new format is a question to be probed. Further the consumers who patronize the organized retail and for what reasons they prefer the new form of retail trade are to be examined, as this will determine the growth prospects of the new form of retail trade.

II. PROBLEM FOCUS

As the retail business scenario has changed since liberalization [1991], it is necessary to examine, to what extent consumers have adopted to this change and what factors influence their choice of organized retail outlets. Further what items are preferred by these customers in these outlet also need to be identified, so as to enable the organized retail outlets to design their strategy.

III. OBJECTIVES

Objectives of the study: This study has the following objectives :
1. To identify the determinants affecting the choice of organized retail store and
2. To determine the most preferred items in the organized retail trade by the customer

IV. REVIEW OF LITERATURE

According to Taylor & Cosenza, Malaysia Generation Y adults love to visit the mall. They visit the shopping mall very frequent at least 1 or 2 times a week. However, Generation Y adults treat shopping mall activities as a social activity. They prefer hanging out with friends. Prior to that, they follow and tag along with peers' opinion. As a result, their expenditure increases as they shop with friends. They are also loyal customer that will constantly visit the same stores each time they visit the shopping mall. Surprisingly, older Generation Y in Malaysia is not brand conscious. Other than visiting some branded stores they do visit stores that provide them the latest and updated trend.[1]

Decisions about where to locate a store are critical to any retailer's success. Location decisions are particularly important because of their high cost, long-term commitment and impact on customer patronage. Choosing a particular location type involves evaluating a series of trade-offs. These trade-offs generally include the occupancy cost of location, the pedestrian and vehicle customer traffic associated with the location, the restrictions placed on the store operations [2]

Retailers are using the term retail theatre (theater) to imply a service offer that is different and special. An important component of the offer is an increased opportunity for consumers to interact and participate within the overall experience. This article compares consumer participation in retail theatre with audience participation in actual theatre. It is advocated that the actual theatre is a rich source of ideas for retailers wishing to offer different and engaging "experiences" to consumers. [3]

Retailing during recession warrant an approach where five rules needs to be adopted by wining customers by focusing on customers who are not their best customers and offer only what the customers value. The rules are : 1. Focus on customers who neither loyal to you nor your competitor, 2. Close gaps between customer needs and your current offering, 3. Reduce "bad costs" those producing benefit customers would not pay for, 4. Cluster your store based on the similarity of customer needs and purchase behavior and 5. Re-tool processes – customer research, merchandize planning, performance management, to better position your company.[4]

When doing business with other companies, who are price conscious, to win the business of such companies, do not change price, as the profit would go down. But craft compelling customer value proposition by: 1. Understand customer's business, 2. Substantiate your value claims, 3. Document value delivered, 4. Make customer value proposition a central business skill. [5]

V. RESEARCH METHODOLOGY

Sample: To examine the question whether the retail experience of the consumers differed from location to location, it was decided to conduct a sample survey in four different locations. The paper is based on a detailed survey among 400 consumers distributed over four major cities and the analysis revealed that the demographics of the customers influence their preference for organized retail outlets. These cities are : Chennai, Hyderabad, Mumbai and Trivandrum. From each city, 100 consumers were selected when they visited the retail outlet.

VI. DATA ANALYSIS

When the data were analyzed, it was noticed that the scenario changes from location to location. This pointer to those who start organized retail store in different types of location.

To identify the factors which influence the choice of retail stores [organized / traditional], multiple regression analysis is carried out. The variables included are : gender, annual income, location, age, occupation, adult, and child. The regression fit had a R^2 value of 0.130, implying that the independent variables together explained about 13% of the variation in the choice of retail outlet. Though the R^2 value is less, yet it is found to be statistically significant at 5% level. The coefficients of the independent variables indicated that only four of them are statistically significant. They are occupation, annual income, adult and child. It is clear from the output that when occupation changes, the preference for organized retail trade also improves. Unit change in income changes the preference for organized retail outlet by 0.095 units. In other words, when income goes up, the consumers prefer organized retail outlet. An interesting finding is that when age goes up by a unit, the preference for organized retail outlet drops down by 0.040 units, implying that aged people prefer traditional outlets than the organized retail outlets. This is obvious because, the aged people are used to draw their requirements from

traditional shops, where they enjoy perfect rapport with the shop keepers. But in the organized retail outlet, this rapport is limited as the sales persons keep changing and there a large number of sales assistants in the shops. Secondly, many of these shops are located in busy and crowded areas where the accessibility and other facilities like parking are difficult. Thirdly the time taken for billing and packing is relatively more in organized outlets, especially when there are a number of customers waiting in the queue. On the other hand in the case of children, when the age goes up by a unit, the preference for outlet also goes up by 0.079 units. This is evident because, young children consider going to organized retail outlets as a past time and also uses their visits to inspect and enquire about various items to keep them updated. They consider this as an opportunity to weigh their choice among branded and unbranded items.

TABLE I: COEFFICIENTS[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(constant)	1.687	.173		9.757	.000	1.347	2.027
Gender	.075	.052	.073	1.424	.155	-.028	.177
Age	-.027	.022	-.062	-1.184	.237	-.071	.018
Qualification	.029	.035	.041	.822	.411	-.040	.098
Occupation	.061	.025	.156	2.499	.013	.110	.013
Annl.income	.095	.024	.207	3.982	.000	.141	.048
Location	-.011	.023	-.024	-.469	.639	-.056	.035
Adult	-.040	.023	-.120	-1.734	.084	-.085	.005
Child	.079	.023	.203	3.402	.001	.033	.125

a. Dependent Variable: RETAILSTORE

Based on the Beta value, it is clear that among the factors, annual income [β= 0.207] is the most important variable, followed by child [β= 0.203], occupation [β= 0.156] and adult [β=- 0.120]. From this discussion it would be clear that income and young age are the two factors having a favourable effect on the choice towards organized retail trade. Occupation and annual income are always proved to be factors influencing the choice of organized trade.

A. Factor Analysis – Demographic Factors

One of the objectives set for this study is to identify the factors that influence the choice of organized retail trade. For this purpose, the choice of retail store is studied along with demographic factors like gender, age, qualification, occupation, annual income and location of the respondents. Factor analysis is applied as it is a data reduction method. The results of the KMO test [0.626] indicated that the sample chosen for this study [n=400] was adequate. The Bartlett's test result [219.728] indicated that the sample confirmed to normality of distribution. Based on the Eigen values, it is found that among the factors included, first two components alone explained nearly 45% of the variance in the choice of the retail outlet. The first component included

gender, age, qualification and annual income. These factors together explained about 27% of variance and the second component includes occupation and location which together explained about 18% of the variance in the choice of retail trade. This goes to prove that the organized retail traders need to be focusing on the above factors so as to make their business successful.

TABLE II: KMO AND BARTLETT'S TEST

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.626
Bartlett's Test of Sphericity	Approx. Chi-Square	219.728
	df	21
	Sig.	.000

TABLE III: COMMUNALITIES

	Initial	Extraction
GENDER	1.000	.358
AGE	1.000	.455
QUALIFICATION	1.000	.347
OCCUPATION	1.000	.642
ANNL.INCOME	1.000	.513
RETAILSTORE	1.000	.219
LOCATION	1.000	.625

Extraction Method: Principal Component Analysis.

TABLE IV: EXTRACTION METHOD: PRINCIPAL COMPONENT ANALYSIS

Component		Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
		Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
	1	1.940	27.709	27.709	1.940	27.709	27.709	1.869	26.695	26.695
	2	1.219	17.420	45.130	1.219	17.420	45.130	1.290	18.434	45.130
	3	.961	13.731	58.861						
dimension0	4	.906	12.946	71.807						
	5	.758	10.825	82.632						
	6	.651	9.296	91.928						
	7	.565	8.072	100.000						

TABLE V: COMPONENT MATRIX[a]

	Component	
	1	2
GENDER	-.586	-.117
AGE	.664	.122
QUALIFICATION	.533	.249
OCCUPATION	-.275	.753
ANNL.INCOME	.705	.129
RETAILSTORE	-.447	-.136
LOCATION	-.314	.726

Extraction Method: Principal Component Analysis.
a. 2 components extracted.

TABLE VI: ROTATED COMPONENT MATRIX[a]

	Component	
	1	2
GENDER	-.594	.073
AGE	.668	-.093
QUALIFICATION	.585	.069
OCCUPATION	-.025	.801
ANNL.INCOME	.710	-.099
RETAILSTORE	-.468	.011
LOCATION	-.070	.788

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 3 iterations.

B. Choice of Retail Store and Item Preferred

Next step is to determine the most preferred item in the organized retail trade. For this purpose, we have included the following items in the questionnaire: Grocery, medicine, books, Air conditioner unit, Refrigerator, car and two wheelers. Among these only medicines is found to be the most preferred item as confirmed by statistically significant Chi square value [19.944] in the study of association between the choice of retail outlet and the item preferred for purchase. This implies that the consumers are very clear that items like AC, Fridge, Car, Two wheeler and books could be purchased from the specialty shops dealing with them and that Grocery could be procured anywhere, medicine is one item where the consumers get some price advantage

apart from availability of stock if they buy it at the organized retail store.

TABLE VII: CHI-SQUARE TESTS

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	19.944[a]	8	.011
Likelihood Ratio	12.749	8	.121
Linear-by-Linear Association	5.543	1	.019
N of Valid Cases	399		

a. 5 cells (33.3%) have expected count less than 5. The minimum expected count is .08.

One more aspect which needs to be tested is whether the choice of the store differs according to gender and location. For this purpose independent sample test is conducted. The application of the test revealed that choice of stores differs significantly genderwise [t = 3.205 and F = 19.591]. Similarly the choice of stores also significantly differ locationwise [t = 1.762 F = 10.801].

VII. CONCLUSION

The analysis revealed some useful facts, which could be the basis for drawing inferences and suggest methods to improve the business of the organized retail stores. Firstly, it is found from the multiple regression analysis that income and the young age customers are having a favourable effect on the choice of the retail store, apart from occupation and the adult customers. This implies that the organized retail stores need to analyze the customer data base thoroughly so as to determine the type of customers who prefer the store and monitor their buying behavior. Analysis revealed that medicine is most preferred items in this type of stores and so the stores need to focus more on adding value to what they offer in this department. For instance, they might match the customer age and the medicine they buy. And using the quantity bought by the customers, a well designed message could be sent a few days before the stock with the

customers exhaust. In such a message additional information like new medicines added, new services introduced like home delivery, offers, etc. could also be included.

It is also noticed from the customer preference at the organized stores, several other items like grocery, books, car, two wheeler, audio system, etc. are not preferred. Among these, the store should rank the item in the order of customer preference and create value addition in such departments. It is worth while studying the linkage between customers who buy grocery and medicine and then start impressing upon them the value addition created for grocery purchase. A similar approach could be taken up for persuading customers to buy other items by highlighting the customer value proposition to wean the customers from the traditional stores and also the other competitor in the organized format. In this context, Tata, the automobile company has started promoting its economy car Nano in Big Bazaars [of the Future's group]. It is reported that middle income customers visiting these stores are making enquiries about Nano and with little bit of efforts the enquiry could be converted in to purchase. The same way, organized retail houses could adopt new strategies to improve their offerings to the customers and attract more customers to this type of retail business.

The factor analysis brought to light that gender is a vital factor in the choice of retail trade. While men prefer to save time which is more possible in traditional outlets, women prefer to go to organized retail outlets. The reason is obvious: that women are more choosy, take time to compare various items and also look for others items that are on display – this would vary from textiles and garments to shoes, chappals, hand bags, etc. Taking advantage of this women's buying behavior, the organized retail trade could review their shop lay out to attract women customers to items of their liking by positioning this section near by the entrance. Secondly, provisions for engaging children an attendant supported and guided play area could be positioned nearby the entrance so that the children would spend time playing, while their parents visit various sections without any anxiety and go through their shopping leisurely.

One more finding of the study is that income and occupation are important factors influencing the choice of stores. The customers in high income group and higher positions drive their vehicles during the week-end along with their family visiting various places including organized retail outlets. The common experience is that they find it very difficult to get a parking space, normally this exercise itself would consume a lot of time and might dissuade them from visiting the organized retail outlets. To overcome this and also to extend support, these outlets need to introduce valet parking facility which goes a long way in saving customers time in parking, avoid disorderly parking, enable full utilization of the parking space. This would help the outlet to attract more customers who spend more time and buy more items in the outlet.

REFERENCE

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