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A STUDY ON THE CHANGING PREFERENCE OF CUSTOMERS FROM UNORGANIZED TO ORGANIZED RETAILING

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Abstract : This study on the retail industry, attempts to rigorously analyse the factors which influence the consumers to move towards the organized retailing from unorganized retailing. The study also helps the retailers by revealing the facts regarding the most prioritized attributes of the retail stores which attract the consumers towards them. Objectives of the Study are: to analyze the factors which influence the consumers to prefer organized retailing from unorganized retailing; to analyze the external forces which influence the choice of consumers and how these forces can be accounted for in future; to ascertain how are organized retailers perceived; to analyze the most favored retail attributes by consumers and how will they change in future; The organized retailers must give importance to all the attributes like variety, service, discount, mode of payment with special attention to variety of products; the organized retailers must focus on additional facilities like Kids Park, restaurant etc as additional facilities are the one which more fascinates the consumers; consumers are looking for corporate image of the shop, flexibility, infrastructure, layout and display, self-service, after sale service and all other similar facilities and so organized retailers must focus on all these areas. Satisfaction level about price in organized formats is comparatively low and so it must be focused. It is also to be noted that in the next level of cities, only departmental stores and supermarkets alone given more priority in organized formats. This study will help the retailers to make an analysis of them and understand where they stand, and in order to move forward in what areas they must focus. It also helps them by providing consumers expectations towards the organized formats so that they can make appropriate arrangements.

I. INTRODUCTION

The retail sector is expanding and modernizing rapidly in line with India's economic growth. It offers significant employment opportunities in all urban areas. This study on the retail industry, attempts to rigorously analyse the factors which influence the consumers to move towards the organized retailing from unorganized retailing.

Retailing is defined as "all the activities involved in selling goods or services directly to final consumers for personal, non-business use."

Retailing consists of the final activity and steps needed to place merchandise made elsewhere into the hands of the consumer or to provide services to the consumer. Retailing consists of the sale of goods or merchandise, from a fixed location such as a department store or kiosk, in small or individual lots for direct consumption by the purchaser. Retailing may include subordinated services, such as delivery. Purchasers may be individuals or businesses. In commerce, a retailer buys goods or products in large quantities from manufacturers or importers, either directly or through a wholesaler, and then sells smaller quantities to the end-user. Retail establishments are often called shops or stores. Retailers are at the end of the supply chain.

Manufacturing marketers see the process of retailing as a necessary part of their overall distribution strategy. Retail industry is divided into organized and unorganized sectors. Organized retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses. Unorganized retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, the local kirana shops, owner manned general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors, etc. The study also helps the retailers by revealing the facts regarding the most prioritized attributes of the retail stores which attract the consumers towards them.

II. OBJECTIVES OF THE STUDY

To study the consumer preference towards organized retailing.
To study the factors influencing customers to move towards organized retail outlets.
To determine the factors contributing to the growth of retail sector in India.
To find out the consumers satisfaction level towards organised retail stores.

To find out the consumer behaviour towards organized (supermarkets/malls, hypermarkets, departmental stores) and unorganized (local Grocery stores, weekly bazaars) retail stores.

LITERATURE REVIEW

Dodge, Robert, Summer, & Harry, (1969) and Aaker, Jones, David, & Morgan, (1971) concluded that consumers' socio-economic background, their personality, and past purchase experience were those factors upon which the customers' decision lied.

Solagaard & Hansen, (2003) identified several store attributes that were considered important for the consumer's evaluation of stores. These attributes were merchandise, assortment, merchandise quality, personnel, store layout, accessibility, cleanliness and atmosphere.

Sinha & Banerjee, (2004) in their study concluded that store convenience and customer services positively influenced consumers store selection.

Kearney, (2006) found that traditional markets are transforming themselves in new formats such as departmental stores, hypermarkets, supermarkets and specialty stores. Martineau, (1958) first time used the concept of store image. This store image was partly based on functional attributes and partly on psychological attributes. In functional attributes he included variety of commodities, layout, location, price value relation, and service that consumers could independently compare with other stores. Whereas in psychological attributes attractiveness and lavishness symbolized special attributes of that store.

Joseph, Soundararajan, Gupta, & Sahu, (2008) concluded that unorganized retailers in the locality of organized retailers were adversely affected in terms of their volume of business and profit. According to him with the emergence of organized outlets consumers gained through the availability of better quality products, lower prices, one-stop shopping, choice of additional brands and products, family shopping, and fresh stocks. According to report of **ICRIER** organized and unorganized retail not only coexist but also grow substantially. The reason behind that the retail sector is gradually growing on an overall basis hence the benefit of this growth goes to both the sectors.

Mathew Joseph and Manisha Gupta, September 2008 The Indian retail sector is booming and modernizing rapidly in line with India's economic growth. With the increase in number of various formats for shopping like malls, departmental stores, hypermarkets etc the Indian consumer's preferences are changing towards and that is the reason foreign investors like the king of retail, Wal-Mart also came into the Indian retail ground in collaboration with Bharti (Since FDI is not allowed in India in retail sector). There is a huge untapped market present in India right now which contains a number of opportunities for retailers.

Paromita Goswami & Mishra S. Mridula, 2009 in their study identified that the customer patronage to grocery stores was found to be positively related to location, helpful, trustworthy salespeople, home retail, cleanliness, offers, quality and negatively related to travel convenience. Kiranas do well on location but poorly on cleanliness, offers, quality, and helpful trustworthy salespeople. The converse is true for organized retailers.

Ali, Kapoor., & Moorthy, (2010) in their study indicated that consumers shopping behaviour was influenced by their income and educational level while gender and age had no significant impact on their behaviour.

Ramanathan & Hari(2011) observed from their study that due to the recent changes in the demographic system of consumers, and the awareness of quality conscious consumption, consumers preferred to buy different products both from the organized and unorganized retailers.

III. RESEARCH METHODOLOGY

INTRODUCTION:

Research is the inquiry into the nature of reasons for and the consequences of a particular set of circumstances. Research can be defined as a scientific and systematic search for pertinent information on a specific topic. Research is concerned with defining and redefining problems, formulating hypothesis, collecting and evaluating data and testing the solutions to determine whether they fit the formulated hypothesis.

Sources of Data:

This research makes use of two sources of data namely:

1. Primary Data
2. Secondary Data

Primary data is obtained through questionnaires whereas secondary data in obtained through various sources like books and internet.

Sampling technique:

Convenience sampling technique has been used for this study.

Data collection procedure:

The primary data is obtained through questionnaires Questionnaire is the most commonly used instrument in survey method. Questionnaire contains all questions relevant to soliciting the required information. The purpose and objective of the study was clearly explained to the respondents. A survey was conducted by passing the questionnaires to random set of respondents. The response to each of the questions was noted and analysed.

3.1 Data Analysis and interpretation

Factor Analysis

Factor analysis was performed for the likert scale variables. The correlation matrix was given as KMO and Bartlett's test of sphericity and the rotation was given as varimax rotation.

Table 1: KMO and Bartlett's test:

1	Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.714
2	Bartlett's Test of Sphericity	1.356E3
3	Difference	435
4	Significance	.000

INFERENCE:

From the above table, it has been found that the KMO measure of sampling adequacy is .714 and the significance value is .000

Table 2: % variance

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	4.372	14.573	14.573	4.372	14.573	14.573	3.554	11.846	11.846
2	3.035	10.117	24.689	3.035	10.117	24.689	1.981	6.602	18.448
3	1.741	5.803	30.493	1.741	5.803	30.493	1.858	6.195	24.642
4	1.623	5.409	35.902	1.623	5.409	35.902	1.760	5.867	30.509
5	1.509	5.030	40.932	1.509	5.030	40.932	1.614	5.381	35.890
6	1.389	4.629	45.561	1.389	4.629	45.561	1.587	5.291	41.181
7	1.348	4.494	50.054	1.348	4.494	50.054	1.543	5.145	46.325
8	1.227	4.090	54.145	1.227	4.090	54.145	1.540	5.133	51.458
9	1.138	3.792	57.937	1.138	3.792	57.937	1.520	5.065	56.523
10	1.022	3.406	61.343	1.022	3.406	61.343	1.446	4.820	61.343
11	.960	3.200	64.543						
12	.893	2.976	67.519						
13	.857	2.858	70.377						
14	.794	2.647	73.023						
15	.749	2.497	75.520						
16	.692	2.306	77.826						
17	.678	2.261	80.087						
18	.654	2.179	82.267						
19	.637	2.124	84.390						
20	.571	1.905	86.295						
21	.553	1.843	88.138						
22	.533	1.778	89.915						
23	.489	1.631	91.547						
24	.467	1.557	93.104						
25	.439	1.464	94.568						
26	.405	1.351	95.919						
27	.348	1.161	97.080						
28	.338	1.128	98.208						
29	.302	1.005	99.213						
30	.236	.787	100.000						

INFERENCE:

From the above table, it has been found that the % OF VARIANCE is 61.343. The 25 variables have been grouped into 9 factors.

CLUSTER ANALYSIS:

Based on the nine factors that are reduced from factor analysis, k- means cluster analysis has been performed for grouping the factors into three clusters.

TABLE 3: FINAL CLUSTER CENTRES & RANKING OF THEIR FACTOR MEANS

S.NO	FACTORS	CLUSTER 1	CLUSTER 2	CLUSTER 3
1	Perception	2.48 (II)	2.18 (III)	3.38 (I)
2	Service	3.83 (III)	3.91 (II)	4.12 (I)
3	Culture	3.85 (III)	4.30 (I)	3.99 (II)
4	Demands	3.50 (III)	3.87 (I)	3.81 (II)
5	Discounts	3.29 (II)	2.88 (III)	3.48 (I)
6	Outlet	3.33 (III)	3.36 (II)	3.92 (I)
7	Standardized products	3.77 (II)	3.73 (III)	4.01 (I)
8	Ambience	2.49 (III)	3.29 (II)	3.96 (I)
9	Promotion	3.85 (II)	2.35 (III)	4.06 (I)

INFERENCE:

- 7 out of 9 attributes in cluster 3 have been given rank I. Hence **cluster 3** is named as **high preferers of organized retailing.** The attributes that are ranked I are perception, service, discounts, outlet, standardized products, ambience and promotion.
- 2 attributes in cluster 2 has been given rank I and 3 have been given rank II. Hence **cluster 2** is named as **moderate preferers of organized retailing.**
- 5 out of 9 attributes in cluster 1 gets rank III and hence the **cluster 1** is named as **low preferers of organized retailing.**

TABLE 4: ANOVA:

Null hypothesis : There is no significant difference between the factors and the clusters.

Alternative hypothesis : There is a significant difference between the factors and the clusters.

S.NO	FACTORS	CLUSTER	ERROR	F	SIG

		MEAN SQ	DIFF	MEAN SQ	DIFF		
1	Perception	28.071	2	.374	197	75.088	.000
2	Service	1.580	2	.230	197	6.875	.001
3	Culture	3.430	2	.320	197	10.710	.000
4	Demands	2.400	2	.365	197	6.578	.002
5	Discounts	6.587	2	.623	197	10.574	.000
6	Outlet	7.879	2	.582	197	13.546	.000
7	Standardized products	1.554	2	.474	197	3.278	.040
8	Ambience	35.430	2	.392	197	90.460	.000
9	Promotion	58.850	2	.350	197	168.133	.000

INFERENCE:
The significant value of the factors perception, culture, discounts, outlet, ambience and promotion is .000. Hence the factors play a significant role in clustering. The factors service, demands and standardized products have significant value less than .05. They also play a significant role in clustering.

NUMBER OF CASES IN EACH CLUSTER:

CLUSTER	No. OF CASES
1	57
2	66
3	77
TOTAL	200

INFERENCE:
The cluster 3 has maximum number of respondents who prefer organized retailing and hence it is named as **high preferers of organized retailing** followed by the respondents in cluster 2 known as the **moderate preferers of organized retailing** and cluster 1 named as the **low preferers of organized retailing.**

CHI SQUARE TEST

TEST 1: ASSOCIATION BETWEEN MONTHLY INCOME AND THE CLUSTERS

Null hypothesis : There is no significant association between monthly income and the clusters.
Alternative hypothesis: There is a significant association between monthly income and the clusters.

TABLE 5: TABLE SHOWING THE ASSOCIATION BETWEEN MONTHLY INCOME AND THE CLUSTERS

MONTHLY INCOME (IN RUPEES)	CLUSTERS			TOTAL
	1	2	3	
below 10000	3	8	10	21
10000-20000	2	2	6	10
20000-40000	9	14	21	44
40000-60000	15	20	22	57
above 60000	28	22	18	68
Total	57	66	77	200

INFERENCE:
28 respondents under cluster 1 who earn above Rs.60000 are preferring organized retailing to the maximum, 22 respondents under cluster 2 who earn above Rs.60000 are preferring organized retailing to the maximum and 22 respondents under cluster 3 who earn between Rs.40000-Rs.60000 are preferring organized retailing to the maximum.

TABLE 6: TABLE SHOWING THE ASSOCIATION BETWEEN MONTHLY INCOME AND THE CLUSTERS

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	12.634	8	.125
Likelihood Ratio	12.761	8	.120
Linear-by-Linear Association	9.476	1	.002
N of Valid Cases	200		

INFERENCE:
Since the significance value of Pearson chi-square is more than 0.05 null hypothesis is accepted.
There is no significant association between monthly income and the clusters.

CHI SQUARE TEST

TEST 2: ASSOCIATION BETWEEN AGE OF THE RESPONDENTS AND THE CLUSTERS

Null hypothesis : There is no significant association between age of the respondent and the clusters.
Alternative hypothesis: There is a significant association between age of the respondent and the clusters.

TABLE 7: TABLE SHOWING THE ASSOCIATION BETWEEN THE AGE OF THE RESPONDENTS AND THE CLUSTERS

AGE OF THE RESPONDENTS	CLUSTERS			TOTAL
	1	2	3	
below 25	15	17	22	54
25-35	12	13	26	51

35-45	11	15	12	38
45-60	14	17	10	41
above 60	5	4	7	16
Total	57	66	77	200

INFERENCE:

15% of the respondents under cluster 1 who are below 25 years of age are high preferers of organized retiling, 17% of the respondents who fall under the age group between 45-60 years of age and below 25 years of age are high preferers of organized retailing and 26% of the respondents who fall under the age group between 25-35 years of age are high preferers of organized retailing.

CHI SQUARE TESTS

TABLE 8: TABLE SHOWING THE ASSOCIATION BETWEEN AGE OF THE RESPONDENTS AND THE CLUSTERS

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.389	8	.396
Likelihood Ratio	8.549	8	.382
Linear-by-Linear Association	1.694	1	.193
N of Valid Cases	200		

INFERENCE:

Since the significance difference is more than 0.05 the null hypothesis is accepted.

There is no significant association between age of the respondent and the clusters.

ONE -WAY ANOVA

TEST 1: SIGNIFICANT DIFFERENCE BETWEEN EDUCATIONAL QUALIFICATION AND THE CLUSTER

Null hypothesis : There is no significant difference between educational qualification and the clusters.

Alternative hypothesis : There is significant difference between educational qualification and the clusters.

TABLE 9: TABLE SHOWING THE SIGNIFICANT DIFFERENCE BETWEEN EDUCATIONAL QUALIFICATION AND THE CLUSTERS

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	1.244	4	.311	.464	.762
Within Groups	130.756	195	.671		
Total	132.000	199			

INFERENCE:

Since the significance difference is greater than 0.05 the null hypothesis is accepted.

There is no significant difference between educational qualification and the clusters.

ONE-WAY ANOVA

TEST 2: SIGNIFICANT DIFFERENCE BETWEEN OCCUPATION AND THE CLUSTERS

Null hypothesis : There is no significant difference between occupation and the clusters.

Alternative hypothesis : There is significant difference between occupation and the clusters.

TABLE 10: TABLE SHOWING THE SIGNIFICANT DIFFERENCE BETWEEN OCCUPATION AND THE CLUSTERS

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	4.690	4	1.173	1.796	.131
Within Groups	127.310	195	.653		
Total	132.000	199			

Since the significance difference is greater than 0.05 the null hypothesis is accepted.

There is no significant difference between occupation and the clusters.

INDEPENDENT SAMPLES "t" TEST

TEST 1: SIGNIFICANT DIFFERENCE BETWEEN GENDER AND THE CLUSTERS

Null hypothesis : There is no significant difference between gender and the clusters.

Alternative hypothesis : There is significant difference between gender and the clusters.

TABLE 11: TABLE SHOWING THE GROUP STATISTICS:

Gender	N	Mean	Std. Deviation	Std. Error mean
Male	91	2.18	.825	.086
Female	109	2.04	.804	.077

TABLE 12: TABLE SHOWING THE SIGNIFICANT DIFFEENCE BETWEEN THE GENDER AND THE CLUSTERS

	LEVENE'S TEST FOR EQUALITY OF VARIANCES		t-TEST FOR EQUALITY OF MEANS						
	F	Sig	T	Df	Sig(2 tailed)	Mean diff	Std. error diff	95% CI of the difference	
								Lower	upper
Equal variances assumed	1.334	.249	1.204	198	.230	.139	.116	-.089	.367
Equal variances not assumed			1.202	189.907	.231	.139	.116	-.089	.368

INFERENCE:
Since the significant difference is greater than 0.05, the null hypothesis is accepted.
There is no significant difference between gender and the cluster number of cases.

INDEPENDENT SAMPLES "t" TEST

TEST 2: SIGNIFICANT DIFFERENCE BETWEEN MARITAL STATUS AND THE CLUSTERS

Null hypothesis : There is no significant difference between marital status and the clusters.
Alternative hypothesis : There is significant difference between marital status and the clusters.

TABLE 13: TABLE SHOWING THE GROUP STATISTICS:

Marital status	N	Mean	Std. Deviation	Std. Error mean
Married	114	2.08	.811	.076
Unmarried	86	2.13	.823	.089

TABLE 14: TABLE SHOWING THE SIGNIFICANT DIFFERENCE BETWEEN MARITAL STATUS AND THE CLUSTERS:

	LEVENE'S TEST FOR EQUALITY OF VARIANCES		t-TEST FOR EQUALITY OF MEANS						
	F	Sig	T	Df	Sig(2 tailed)	Mean diff	Std. error diff	95% CI of the difference	
								Lower	upper
Equal variances assumed	.262	.610	-.420	198	.675	-.049	.117	-.279	.181
Equal variances not assumed			-.419	181.734	.676	-.049	.117	-.279	.182

INFERENCE:
Since the significant difference is greater than 0.05, the null hypothesis is accepted.
There is no significant difference between marital status and the clusters.

RATING SCORE METHOD

TABLE 15: TABLE SHOWING THE RATING OF THE ATTRIBUTES WITH REGARD TO CUSTOMER SATISFACTION:

Factors	Highly Dissatisfied (1 POINT)		Dissatisfied (2 POINT)		Neutral (3 POINT)		Satisfied (4 POINT)		Highly satisfied (5 POINT)		Total score	Rating
	res	score	res	score	res	score	Res	score	res	Score		
1	0	0	7	14	18	54	133	532	42	210	810	II
2	0	0	7	14	25	75	130	520	38	190	799	III
3	1	1	11	22	12	36	116	676	60	300	1035	I
4	0	0	40	80	21	63	80	320	59	295	758	IV
5	5	5	118	236	27	81	39	156	11	55	533	V

1- Services offered in the store
2- Ambience of the store
3- Quality of the merchandise
4- Varieties of products available in the store
5- Offers and price discounts

INFERENCE:
According to the scores, it has been found that more number of respondents prefer organized retailing because of the quality of the merchandise available in the outlet followed by the services offered in the store, ambience of the store, varieties of products available in the store and offers and price discounts.

IV. FINDINGS AND SUGGESTION

- The important factors which influence a customer to make a buying decision are brand name, availability of range and price. The retailers must focus on these attributes as it gets much priority among consumers.
- The important factor which consumer look in a product while making a purchase is quality. The retailers must give special attention to quality of products.
- The organized retailers must focus on additional facilities like Kids Park, restaurant etc., as these additional facilities are the one which more fascinates the customers.
- The etiquette of the staff members in the organized retailing should be given importance to the maximum extent possible.

V. LIMITATIONS OF THE STUDY

Certain limitations do creep in a research study due to constraints of time, money and human efforts. The present study is also not free from certain constraints or limitations which were unavoidable.

The following are certain limitations of the study:

- Time factor has been the greatest limitation and it was difficult to analyse the various aspects of data within the prescribed time.
- The sample size is limited to Chennai and hence it is not applicable to the entire universe.
- Making the customers spare their time for filling the questionnaire was bit difficult.
- The responses from the customers might be prone to certain biases.

VI. CONCLUSION

The study aims to find out the consumer preference towards organized retailing. The staffs and management of the retail outlet should understand the expectations of the customers regarding the varieties of merchandise available in the outlet. They can also concentrate on the promotional activities of the retail outlet in order to attract the customers from rural areas. They have to gain competitive advantage in all the possible areas in order to attract and retain the potential customers and also to fight against competition.

The study shows that customers are very much anxious towards organized retailing and they expect quality as a primary attribute from retailers. The recent trend had shown that there is a rapid growth in the organized formats. It also shows that customers expect service next to quality as the primary factors to shop in the organized formats. Satisfaction level about price in organized formats is comparatively low and so it must be focused. It is also to be noted that in the next level of cities, only departmental stores and supermarkets alone given more priority in organized formats. From the statement, we can understand that still most of the people are not aware of malls and hypermarkets in those cities. Majority of the consumers are visiting organized formats for variety of merchandise and they expect additional facilities like kids' park, play station, restaurant/ food court, etc. Majority of the consumers are under graduates and young, so retail outlets are mainly focusing on them. Today's youngsters are moving towards the fashion trend. The organized formats are entering into its next step to the tier-II cities and other small cities and focusing on the middle-class people as it had almost covered the metropolitan cities. With the growing salaried customers and developed infrastructures, organized retailing has a wider scope and with increased focus towards providing variety and quality products the sector is going to be a big success in the near future.

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