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Factors Influencing Consumer Purchase Decisions at Organized Retail Stores in New Delhi

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Abstract:

Indian Retail Market is going through a transition phase. With retail environment getting modernized and customers gradually shifting from the culture of shopping at small neighborhood kirana stores to large hypermarkets. With more and more fancy shopping option in hand in form of growing number of malls and supermarkets and with more number of international counterparts entering the sector, consumer is being spoiled for choice. The share of organized retail in total retail market in India is growing at an impressive rate. Many domestic as well as global players have already entered in this market. Competition is at its high pace. Great focus is on the consumer preference over the attributes of retail stores that are most important. It is assumed that such factors play a key role in converting foot falls into sales. The aim of the study is to identify the factors affecting consumer preference related to shopping at organized retail store. In this project, Analysis of the consumer's preference of the specific attributes of selected 3 retail stores of New Delhi has been used. Retail stores are Big Bazaar, Auchan and More mega mart. Factor analysis has been used in identifying the main factors. The factors include availability & variety, ambience, service, price, promotions and quality.

Keywords: retail, organized retail, consumer preferences, factor analysis

1. Introduction

The retail industry accounts for over US\$15 trillion in global revenue, and is expected to maintain strong growth. The industry is very diverse, with small retailers still prevalent in developing countries, but increasingly, large firms are dominating. India with its growing working population, higher income levels and brand consciousness is reflecting smooth transition in the retail market which is expected to be valued at of US\$ 520 billion in 2013 with CAGR accounting to 13%. It has also been the largest employer of 2013. Majority of rest is in form of unorganized mom and pops stores consisting of local grocery stores and convenience shops in neighborhoods. According to retail report of EY India, organized retail sector looms at mere 7.5% of the total. India is one of the largest retail markets in the world with estimates of it reaching to US\$950 billion by 2018. Indian retail market will continue to grow and the share of organized retail sector is also expected to reach 10%. With FDI at doorsteps, Indian retail market is likely to get huge attention from global retailers which will further fuel the growth of organized retail in India. Some transnational companies have already started setting up their foot in the market. For instance Tata entered into partnership with Tesco. With global entries and ambitious expansion plans of existing players like Pantaloon and Lifestyle, the major challenge for them is to attract the urban consumers and build store loyalty. Thus there is a critical need to find out what factors influence consumers purchase choice in organized retail stores.

Consumer behavior has gain significant value for retailers, more than ever. Today consumers are affected non-price factors like in store attributes, wide variety and broad assortment of merchandise, entertainment shopping more than price factors. The following study is also an attempt in this direction. This study tried to identify factors and attributes that act as satisfaction drivers for consumers in the retail outlets of New Delhi. Delhi being the capital of the country has already been introduced to all major forms of organized retailing stores. Therefore it would be useful in studying the behaviour of people who have become accustomed to this form of shopping experience.

2. Literature Review

Several parameters have been identified in retail and consumer behaviour literature that effect store patronage by customers. Martineau (1958) identified two broad categories of parameters that effect consumer store preference: physical and psychological. While there has been extensive research on the physical attributes, much needs to be done on the latter front. Recker and Kostyniuk

(1978) in their study developed a model that highlights that choice for urban grocery shopping is influenced by convenience, Quality, Location and service. Gagliano and Hathkote (1994) proposed that consumer's perception of service quality shapes their preferences. According to Baker, Parasuraman, Grewal and Voss (2002) emphasize that store environment cues such as music, layout, crowd and convenience effect store patronage. Solgaard and Hansen (2003) sorted out location, quality, variety, clean surroundings, store layout and sales persons as the most important attributes. A research by Huddleston, Whipple, and VanAuken (2004) identified promotions, location, variety and service as key loyalty factors. Fox, Montgomery, and Lodish (2004) studied customer's behaviour to conclude that people attach greater value to variety and advertisements than to prices. Diallo, Chandon, Cliquet and Philippe (2013) identified main influencing factors as store image, price, and familiarity.

3. Research Methodology

3.1. Research Instrument

A descriptive research design was followed using survey analysis. A questionnaire was developed with the help of the literature existing in marketing and retail areas. It included a set of close ended questions which consisted of related factors the customers see in the retail outlets. For measurement and analysis five-point likert scale was used with options from strongly agree (1) to strongly disagree (5) for each identified attribute. The final version of research instrument consisted of two parts. Part I included details of demographic characteristics of respondents and part II contained a set of questions to obtain the level of agreement and disagreement to statement related to shopping at organized retail stores.

3.2. Data Collection

Data was collected outside 3 major retail brands of New Delhi. Retail stores were Big Bazaar; Auchan and More Megamart. These were selected due to their popularity in the city. Data collection was done at the exit point where the purchasers could be easily contacted.

3.3. Sample Size

Random sampling method was used for data collection. 3 retail stores were taken into account and 150 consumers were interviewed from sampled retail outlets. Out of which 120 were included and rest rejected due to incompleteness. Participants were selected based on Systematic random sampling.

3.4. Analysis Tools

The 120 questionnaires were analyzed using SPSS software. An exploratory factor analysis was used to uncover the underlying factors which affect consumer preference.

4. Analysis and Findings

The number of male respondents was 56% and female respondents were 44%. This shows that majority of people entering retail stores are female indicating household shopping responsibilities are majorly handled by females so retail outlet designs should be focusing on female appealing criteria more.

Majority of customers i.e. 42% were in the bracket of 25-35 years old i.e. most of the people coming to retail outlets are young. Most of respondents were well educated. 44% had done post graduation, 22% had professional qualifications, and 25% were graduate while 22% were undergraduates or less.

Most of the respondents were earning class. 42% were from service class, 28% self employed, 18% students and 12% housewives. Hence people with good affordability could be seen in such sophisticated form of shopping environment.

As reflected in the survey results a majority i.e. 56% belonged to medium sized families. 26% belonged to nuclear families whereas just 18% were from big joint family reflecting a trend in changing family cultures in India. Also presented in the survey results was the family income distribution. 42% respondents reported annual family income between 5-8 lakhs, 28% had more than Rs 8 lakhs, 24% reported between Rs 2-5 lakhs while only 6% foot falls reported annual family income of less than Rs 2 lakhs. This implies that majority of customers are in higher middle class group. It was also reported that majority of people prefer going for one time shopping than on daily basis with 41% reporting shopping fortnightly, 29% monthly, 20% weekly and 10% daily.

5. Factor Analysis

The sample is more than 100 as already specified. The sample to variable ratio is more than 5:1 (120 respondents/21 variables). Before starting with factor analysis, Kaiser Meyer Olkin (KMO) measure of adequacy generated a score of 0.71. The Bartlett's test of sphericity was highly significant implying that the 21 variables are not correlated. Rotation matrix was used for principal components with factor loading of greater than 0.5 assumed acceptable (See Table 1, 2 and 3).

Variable	Attribute	Extraction
V1	Cleanliness of retail outlet is important	0.594
V2	Location should be convenient	0.529
V3	Retailer outlet must have variety	0.585
V4	Products are never out of stock	0.503
V5	Everything you need under one roof	0.505
V6	Good Retail layout is important	0.535
V7	Displays are attractive	0.565
V8	Good music soothing colours	0.549
V9	Home delivery	0.634
V10	Many sales personnel	0.582
V11	Comfortable air conditioned environment	0.595
V12	Favorable return/refund policy	0.551
V13	Less queues at billing counters	0.571
V14	Discounts	0.610
V15	Fresh groceries	0.585
V16	Prices must be suitable for me	0.683
V17	Quality of goods must be high	0.665
V18	Customer Service should be High	0.588
V19	Brand image of store is important	0.624
V20	Customer loyalty schemes	0.655
V21	Promotion of Stores	0.584

Table 1: Communalities Extraction (Extraction method: Principal Component Analysis)

	Initial Eigen Value			Extraction Sum Of Sq Loadings			Rotation Sum Of Sq Loadings		
	Total	% Variance	% Cumulative	Total	% Variance	% Cumulative	Total	% Variance	% Cumulative
1	5.14	23.363	23.363	5.14	23.363	23.363	2.805	12.75	12.75
2	2.369	10.752	34.115	2.369	10.752	34.115	2.285	10.386	23.136
3	1.365	6.13	40.245	1.365	6.13	40.245	2.044	9.29	32.426
4	1.227	5.576	45.821	1.227	5.576	45.821	1.927	8.758	41.184
5	1.117	5.078	50.899	1.117	5.078	50.899	1.641	7.46	48.644
6	1.008	4.581	55.48	1.008	4.581	55.48	1.504	6.837	55.481
7	0.932	4.235	59.715						
8	0.879	3.997	63.712						
9	0.82	3.727	67.439						
10	0.755	3.443	70.882						
11	0.729	3.312	74.194						
12	0.712	3.235	77.429						
13	0.669	3.039	80.468						
14	0.639	2.905	83.373						
15	0.602	2.735	86.108						
16	0.564	2.565	88.673						
17	0.54	2.495	91.168						
18	0.48	2.495	93.663						

	Total	% Variance	% Cumulative	Total	% Variance	% Cumulative	Total	% Variance	% Cumulative
19	0.417	1.893	95.556						
20	0.432	1.963	97.519						
21	0.341	1.548	99.067						

Table 2: Extracted Factors

Component	1	2	3	4	5	6
Cleanliness of retail outlet	0.643					
Good music soothing colours	0.559					
Location should be convenient	0.595					
Less queues at billing counters	0.586					
Good Retail layout is important	0.654					
Displays are attractive	0.577					
Products are never out of stock		0.688				
Everything under one roof		0.536				
Retailer outlet must have variety		0.606				
Customer Service			0.545			
Home delivery			0.552			
Many sales personnel			0.673			
Comfortable air conditioned environment			0.764			
Favorable return/refund policy			0.779			
Customer loyalty schemes			0.588			
Prices must be suitable for me				0.854		
Discounts				0.560		
Fresh groceries					0.665	
Quality of goods must be high					0.845	
Brand image of store						0.654
Promotion of Stores						0.553

Table 3: Rotation Matrix

The factor analysis generated 6 factors as specified in Table 4.

Factors	Variables Included
Availability and variety	Products are never out of stock, Everything under one roof, Retailer outlet must have variety
Ambience	Cleanliness, Good music soothing colours , Location, Less queues at billing counters, Good Retail layout , Displays are attractive
Service	Customer Service, Home delivery, Many sales personnel, Comfortable air conditioned environment, Favorable return/refund policy, Customer loyalty schemes
Pricing	Discounts, Suitable Price
Quality	Good Quality, Freshness
Promotions	Promotional offers, Brand Image

Table 4: Factors Extracted from Factor Analysis

The first and most significant factor that determines consumer preferences is availability and variety of stock. This is the most weighted factor. The consumers prefer that products are never out of stock and any time availability 24/7 is also important.

The second factor that is valued by customers is ambience. Customers attach heavy value to factors like cleanliness, attractiveness, layout structure and overall store environment including music and location.

The third most important factors is service of stores. This includes availability of sales people to assist, Home delivery, Favorable return/refund policy, reward schemes, quick checkout etc.

The factor at number four is the most popular factor i.e. price. Discount, flash sales and a fair pricing image are significant factors to attract customers to the store.

At fifth place is the quality. Consumers will always prefer fresh quality grocery and quality certified products.

The sixth important factor for consumers is promotions and offers. Regular advertisement and publicity stories enhance brand image and consumer preference.

6. Conclusion

The study focused on the major attributes of the retail stores as perceived by the consumers in New Delhi. The study shows six major factors that the consumers prefer to enter the retail stores. The knowledge of these factors is helpful to the retailers to formulate new strategies and attract more and more consumers. As it seen in these criteria, non-price factors were more important than price factors in consumer's supermarket choices.

Accordingly, with the changes in consumer preferences comes the big challenge for retailer which is to attract customers, persuade them to make purchase and satisfy them to earn loyalty. Retail stores cannot rely on traditional forms of shopping experience. They need to create innovative strategies to increase their footfall. By understanding people's psychology behind their visits, retailers can make profitable marketing and retail management decisions.

Therefore retailers nowadays need to focus on many aspects, from providing utility comfort entertainment promotions and so on thus moving away from just focusing on price based factors.

Thus this paper provides deep insights into minds of customers in the urban areas of organized retail. Future research shall build more on strategies to build patronage among customers. Also the limitation about sampling due to small sample size and geographical limitations might be catered to in the future research.

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