

**STUDY OF CUSTOMER PREFERENCES TO CHOOSE AN
ORGANISED RETAIL OUTLET - A CASE STUDY OF RANCHI**

Dr. Kameshwar Mishra *

Abhinav Kumar Shandilya**

Abstract:

Retailing is in existence in one or another form since the formation of society. The people use to purchase their daily needs in small quantities from the retailers whenever required and the retailer keeps a stock on behalf of consumers to meet the demand. Retailing was limited to small family owned business for long time. Later big retail chains came into the retailing business and there was a sea change in the retailing market. However, even today the traditional family owned retail outlets are doing their business and enjoying their share of cake. The traditional small family owned retail shops, also known as “moms and pops” shops are termed as unorganized retailing and the big retail chains with all the possible comfort of purchase experience comes under organized retailing.

With the change in demography and preference, the expectations of customers are changing and it is a continuous process. The purchase experience for the guests has taken a new shape and the customers not only evaluate any outlet on the basis of goods available but the evaluation is based on a mix of goods available, comfort of purchasing, the quality of time spend in the outlet and many more. The customers also consider their travel to and fro the outlet as part of purchase experience.

The increasing demand of organized retailing in urban areas with continuous changing customer expectation, it has become important to understand the attributes which shapes the customer perception of the any organized retail outlet.

* Director , L.N. Mishra Institute of Economic Development and Social Change, Belly Road, Patna.

** Assistant professor, HMCT, Birla Institute of Technology, Mesra, Ranchi.

This study focuses on the different attributes of organized retail outlet from customer view point. The attributes are divided into Core and peripheral, depending upon the importance customer lays to them. Based on the findings, the priority given to core and peripheral attributes of the organized retailing is determined. The study is also aimed to find out the expectation and the performance of the retail outlets in meeting their expectations. Also, the attributes where there is a significant difference in the customer expectation and performance of the retail outlets are highlighted. The demographic profile of the customers visiting the retail outlets is also explored to have a better understanding of their preferences.

Key words: organized retailing, customer expectation, perception, purchase experience, customer preference

Introduction:

The distribution of consumer products begins with the producer and ends at the ultimate consumer. Between the producer and the consumer there is a middleman- the retailer, who links the producer and the ultimate consumer. Retailing is defined as a conclusive set of activities or steps used to sell a product or service to consumers for their personal or family use. It is responsible for matching individual demands of the consumer with supplies of all the manufacturers. The word 'retail' is derived from the French word 'retailleur', meaning 'to cut a piece off' or 'to break bulk'(Bajaj, et.al, 2005). In broader sense, retail sector comprises of 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 shops, hand cart and pavement vendor, etc. Since ancient time people are purchasing their requirement from unorganized retail outlets and a segment of people still prefers to visit these Moms and Pops shops due to the advantages of this format like personal care, location, place, price, credit facility etc. However, with the changing lifestyle, increasing purchasing power, more number of working lady in the society, double income group families etc. a major segment of people in urban areas prefers to purchase their requirements from organized retail outlets.

Organized retailing in India initially began in south. The availability of land at prime locations coupled with lower real estate prices, compared to Mumbai and Delhi, made multi-storied shopping complexes possible. Now south India- notably Chennai, Bangalore and Hyderabad has emerged as a centre of organized retailing. India is rapidly evolving into an exciting and competitive marketplace with potential target consumers in both the nice and middle class segment. Manufactured-owned and retail chain stores are springing up in urban areas to market consumer goods (Vedamani, 2003).

Consumer is the reason for the existence of retailing. The customers who visit any retail outlet and do purchasing are the ones who run the business. For the success of retail outlet it is essential to understand the consumer behavior and their thinking. It is important to know how the customer or consumer forms an image about any outlet. Store image can be defined as the consumer's perception of the store and its attributes. As such it is a composite of the dimensions like: merchandise, store location, promotion, pricing policy, service, store clientele and store atmosphere and layout. These dimensions are lumped by the customer in order to simplify matters to produce a store image (Cox, et. al., 2004). Perception is defined as the process by which an individual selects organizes and interprets stimuli into a meaningful and coherent picture of the world (Schiffman, et.al, 2004). The dictionary meaning of the word 'perceive' is – to take in mentally, to become aware through the senses. According to Hawkins, et. al., 2007, Information processing is a series of activities by which stimuli are perceived, transformed into information and stored. Information processing model has four steps- exposure, attention, interpretation and memory. The first three of these constitute perception. Exposure occurs when a stimulus comes within our range of our sensory receptor nerves. Attention occurs when the stimulus activates one or more sensory receptor nerves, and the resulting sensations go to the brain for processing. Interpretation is the assignment of meaning to sensations. It is a function of the gestalt, or pattern, formed by the characteristics of the stimulus, the individual, and the situation.

For a proper measurement, the image of a retail store and shopping centre, it is essential to identify and aggregate the relevant consumer attitudes. The most comprehensive presentation is Fisk's conceptual model in which he summarizes store qualities as cognitive dimension. These dimensions can be used to identify relevant attitudes and assist in the development of measurement instruments for a particular retail store (Jain, 2009).

<p>1. Location Convenience</p>	<p>1. Access 2. Traffic barrier 3. Travelling time 4. Parking availability</p>
<p>2. Merchandise</p>	<p>1. Number of brands stocked 2. Quality of line 3. Breadth of assortment 4. Depth of assortment 5. Number of outstanding departments in the store</p>
<p>3. Value of service</p>	<p>1. Price of a particular item in a particular store 2. Price of same item in another store 3. Price of another 4. Price of same item in substitute store 5. Trading stamps and discounts.</p>
<p>4. Sales effort and store service</p>	<p>1. Courtesy 2. Helpfulness of sales clerks 3. Reliability and usefulness of advertising 4. Billing procedures 5. Adequacy of credit arrangements 6. Delivery promptness and care 7. Eating facilities</p>

<p>5. Congeniality</p>	<ol style="list-style-type: none"> 1. Store layout 2. Store décor 3. Merchandise displays 4. Class of customers 5. Store traffic and congestion
<p>6. Post-transaction satisfaction</p>	<ol style="list-style-type: none"> 1. Satisfaction with good in use 2. Satisfaction with returns and adjustments 3. Satisfaction with price paid 4. Satisfaction with accessibility to store

(Source: Jain R.K., 2009, Retail Management, Vayu education of India, page no. 53).

The success or failure of any business depends on the perception of the customer and organized retailing is not an exception. It is important to know about the customer, their expectations and performance of retail outlets in their views to make the customer happy or satisfied and loyal to the outlet. (Nene, 2007) Customer expectations are beliefs about service delivery that function as a standards or reference points against which performance is judged. Since customer compare their perception of service performance after receiving the service, with these reference points for the purpose of service quality evaluation, it is important for the marketers to have full knowledge about customer expectation. The customer expectation changes with the demographic profile of the guest. The age, education, gender, occupation and income group are the affecting demographic parameters which influence the customer expectations to an extent.

Study goal:

1. To prioritize the attributes of organized retail outlets that motivates the customers to visit any outlet for purchasing.
2. To compare the expectation and actual experience of customer for attributes of organized retail outlets and highlight the attributes where improvement is needed utmost.

3. To study the demographic profile of the guests visiting the organized retail outlets for purchasing.

Study:

This study was an empirical study based on the primary data collection from the customers of organized retail outlets of Ranchi city in the month of October'11. The survey was restricted to the radius of 10km from the Firayalal Chowk, centre of the Ranchi city, as it has organized retail outlets of leading chains like Big Bazaar (Future Group), Reliance fresh (Reliance Retail Formats), Reliance Mart (Reliance Retail Formats) and Suvidha, and few independent retail unit like Rajasthan Shoppe. Customer from different social and economic background visits them, which could be considered ideal for the study.

First, a study was done to list attributes related to organized retail outlets by Semi structured depth interview method. Second, a pilot survey was done on 51 respondents to know the level of preference given to different attributes by customers. A structured questionnaire was used to rank the attributes.

Third, the survey was done on 101 customers of organized retail outlets of Ranchi on Likert scale through a structured questionnaire to know the level of expectation and actual experience of customer for top ten attributes of organized retail outlets. Respondents were drawn on stratified random sampling method. Quantitative and qualitative methods were applied in the study.

Analysis and interpretations:

Semi structured depth Interview:

Semi structured Depth interview was conducted with 10 technical experts possessing either more than 5 years of Industry experience or academic experience in the field of retailing or marketing. The experts were asked about their opinion regarding the core and peripheral attributes of the organized retailing. Their opinion has been analyzed and the summarized as under (with no specific order of preference): -

Core Attributes:

1. Brand name

2. Pricing
3. Discount schemes
4. Easy to shop
5. Less crowd
6. Ambience
7. Fresh vegetables
8. Types of merchandise
9. Variety & assortment
10. Layout and appearance
11. Gift
12. Operational Hour
13. Billing and delivery system
14. One stop shopping
15. Availability of latest product

Peripheral Attributes:

1. Customer assistance
2. Parking facility
3. Security at parking
4. Home-delivery
5. Credit card payments
6. Membership card
7. Loyalty points redemption
8. Complain handling
9. Music
10. Location/accessibility
11. Outing
12. Air-conditioned

Pilot study:

The guests were asked to rate attributes of organized retail outlets on scale of 1 to 5 with 1 representing the least preferred and 5 the most preferred. The descriptive analysis of peripheral

attributes of organized retail outlets (Table- 1) shows the highest mean of 4.49 for location/accessibility and lowest mean of 2.82 for home delivery. The other attributes of priority are parking facility, security at parking, outing, credit card payment, customer assistance, complaint handling etc. The maximum standard deviation is 0.83 and thus the ranking is reliable.

The top priority given to location/accessibility by the customer shows that they do not want to waste time to reach any retail outlet and they choose an outlet on the way to office, home or their destination. Parking space is becoming a problem at every place due to increased number of four wheelers in every city and this is reflected in this study also. Customer wants to park their vehicle at right parking slot and do the purchasing without the concern of their vehicle. Outing at fourth rank and home delivery at 10th rank indicates that customers are willing to visit the retail outlets. Few take purchasing as the use of leisure time for quality shopping, eating out and fun making; and few wants to visit for quality and quantity concerns of the goods. Loyalty point redemption scheme has received ninth rank which indicates that customer may purchase from other outlets and this scheme is not enough to keep them loyal.

Table- 1 about here

The descriptive analysis of core attributes of organized retail outlets (Table- 2) shows the highest mean of 4.54 for variety and assortment and lowest mean of 2.82 for operational hours. After variety and assortment, the other attributes of preference are merchandise, billing and delivery system, price discount, gift etc. The maximum standard deviation is 0.80 and thus the ranking is reliable.

The top priority given to variety and assortment, and merchandise shows the customer's preference for quality of goods, the selection of merchandise carried by a retailer, the breadth of the product categories and the variety within each category. Billing and delivery system is a major concern in most of the outlets. Customers do not want to wait and the queue at the counters is wastage of time. Price, discount and gift are at fourth, fifth and sixth rank in preference which indicates that customers look for the value for money. They compare the price of goods in different outlets, substitute available in the store and the discounts given to them directly on the purchase, not the redemption point. Operational hour is not an issue because most

of the outlets are operated from early morning to nights. Customers can visit and get the goods of their choice as per their convenience, so operational hour is at tenth rank.

Table- 2 about here

Survey:

To find the significant difference between the expected and actual experience of different attributes of organized retail outlet Paired Sample Test was done for 20 attributes. The top ten peripheral-attributes and the top ten core-attributes of organized retail outlets were taken from the pilot study.

Paired sample test shows (Table- 3) that there is a significant difference between the expected and actual experience of the following attributes:

1. Variety and assortment
2. Billing and delivery system
3. Parking facility
4. Fresh vegetables
5. Complaint handling

Customers are not getting the proper merchandise variety, assortment and support. The combination of product line, product item, and product units are not satisfactory. Billing and delivery system is computerized yet long queue is seen in almost every retail outlets in evening hours and leaves the customers unhappy. Parking facility is less as compared to the number of customers visiting the outlets especially in evening hours and many times customer returns back without doing their purchase. Fresh vegetables are perishable items and good quality vegetables are not available in late evening. In many retail outlets, the number of staffs at customer assistance counter is less and most of the cases are left unhandled with a request to fill the form or write in the complaint register in rush hours. This makes the customer more unsatisfied.

Table- 3 about here

The analysis of demographic profile of customers (Table - 4) shows that customer in the income group of 36,000-50,000 per month has the highest percentage (56.4%) of total retail outlet customers followed by the income group of 50,000 and above per month with 32.7%. There is no significant difference between the percentage of male (57.4%) and female (42.6%) customers.

The service class people have the highest percentage (48.5 %) among the customers who visits the retail outlets. The other important segments of customers are house wives and students. Majority of the organized retail customers are undergraduate or postgraduate.

The customer of age group 30 - 44 years has highest percentage (44.6%) of total customers. The other important age group is 45-59 years whereas customers in the age group of 60 year and above are not interested in visiting retail outlets.

Table- 4 about here

Conclusion and recommendation:

1. The study has identified the core and peripheral attributes of organized retail outlets and then ranking is done in the order of preference of customers. Location/accessibility, parking facility, security at parking, outing, credit card payment, customer assistance and complaint handling are the attributes of prime importance from customer's viewpoint among the peripheral ones. In core attributes priority is given to variety and assortment, merchandise, billing and delivery system, price, discounts and gifts.
Retail outlet management should give more emphasis on the improvisation of the above highlighted core and peripheral restaurant attributes to improve their performance and make their customer satisfied.
2. The expectation of the customers and the performance of retail outlets has wide gap in Variety and assortment, Billing and delivery system, Parking facility, Fresh vegetables, Complaint handling.

The retail outlet management should ensure that appropriate merchandise mix is planned to meet the needs of customer in terms of product lines, product items, and product units. More numbers of billing counters may be installed to reduce the wait time for billing during rush hours. Alternate parking facility may be provided to the customers near to the outlet to overcome the issue of insufficient parking space. Strong supply chain, direct purchasing of fresh vegetables from farmers and monitored storage of vegetables may

minimize the complaints of fresh vegetables. Trained staffs in sufficient number can be employed to handle the complaints of customer. Break shifts may be given to staffs to handle the extra rush at peak hours of operation.

3. The demographic profile of customers' shows that the service class people forms the major part of organized retail customers. Most of customers come under income group 36,000 – 50,000 per month. Majority of the customers are well educated and are in the age group of 30-44 yrs.

The retail outlet management should give more emphasis on the interest of service class people to keep them satisfied and loyal. The promotional policies should be planned to attract people from business class, students and housewives who can increase the volume of business. Marketing mix should focus the income group 36,000 – 50,000 and above 50,000 per month to meet the needs of majority of customers. However, some low cost alternate must be provided in the merchandise mix to attract to customers of income group 3500 or less. The promotional plans must be rational to convince the educated and mature customers. Poor promotional plans may hurt the sentiments of customers and may have negative effects.

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Table: - 01

Preference for Peripheral Attributes			
Peripheral Attributes	N	Mean	Std. Deviation
Location/accessibility	51	4.4902	.70349
Parking facility	51	4.1176	.81602
Security at parking	51	4.0980	.83078
Outing	51	4.0196	.73458
Credit card payment	51	3.8235	.74043
Customer assistance	51	3.7451	.77054
Complaint handling	51	3.7059	.80732
Membership card	51	3.3529	.74360
Loyalty point redemption	51	3.2353	.83877
Home delivery	51	2.8235	.74043
Valid N (listwise)	51		

(To check the reliability, Cronbach Alpha was used. The value is 0.780 which indicates the data is reliable and valid.)

Table: 02

Preference for core attributes			
Core attributes	N	Mean	Std. Deviation
Variety and assortment	51	4.5490	.64230
Merchandise	51	4.4118	.57189
Billing and delivery system	51	4.1373	.77510
Price	51	4.1176	.73884
Discount	51	3.9020	.80635
Gift	51	3.8824	.71125
Layout and appearance	51	3.6863	.70683
Fresh vegetables	51	3.3725	.63121
Availability of latest product	51	3.1176	.55307
Operational hour	51	2.8235	.74043
Valid N (listwise)	51		

(To check the reliability, Cronbach's Alpha was used. The value is 0.794 which indicates the data is reliable and valid.)

Table: 03

Paired Samples Test									
Pairs of actual experience and expectation of attributes of organized retail outlet		Paired Differences				t	df	Sig. (2-tailed)	
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower				Upper
Pair 1	act.exp. variety and assortment - expt. variety and assortment	-.505	1.270	.126	-.756	-.254	-3.996	100	.000
Pair 2	act.exp. billing and delivery system - expt. billing and delivery system	-.545	1.073	.107	-.756	-.333	-5.102	100	.000
Pair 3	act.exp. parking facility - expt. parking facility	-.604	.928	.092	-.787	-.421	-6.539	100	.000
Pair 4	act.exp. fresh vegetable – expt. fresh vegetables	-.455	1.237	.123	-.700	-.211	-3.700	100	.000
Pair 5	act.exp complaint handling - expt. complaint handling	-.495	1.128	.112	-.718	-.272	-4.410	100	.000

(To check the reliability, Cronbach Alpha was used. The value is 0.838 which indicates the data is reliable and valid.)

Table: 04

Demographic Profile

income group					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20,000-35,000	11	10.9	10.9	10.9
	36,000-50,000	57	56.4	56.4	67.3
	50,000 and above	33	32.7	32.7	100
	Total	101	100	100	
gender					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	58	57.4	57.4	57.4
	Female	43	42.6	42.6	100
	Total	101	100	100	
occupation of respondents					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	service class	49	48.5	48.5	48.5
	Student	19	18.8	18.8	67.3
	Business	13	12.9	12.9	80.2
	house wife	20	19.8	19.8	100
	Total	101	100	100	
education level					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	below 10th	10	9.9	9.9	9.9
	10 th	9	8.9	8.9	18.8
	12 th	8	7.9	7.9	26.7
	undergraduate	27	26.7	26.7	53.5

	postgraduate	47	46.5	46.5	100
	Total	101	100	100	
age of respondents					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	under fifteen	10	9.9	9.9	9.9
	15-29years	14	13.9	13.9	23.8
	30-44years	45	44.6	44.6	68.3
	45-59years	30	29.7	29.7	98
	60years and above	2	2	2	100
	Total	101	100	100	

