

FACTORS INFLUENCING CUSTOMER PREFERENCE TOWARDS ORGANISED AND UNORGANISED RETAIL STORES -A STUDY IN CHENNAI CITY

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Abstract: This research is to analyze the consumer behavior towards organized and unorganized retailing, which type of retailing has given them satisfaction in the past and which tool has made them buy more than planned, the factors which influence them the most to select a particular type of retail, so that the success of the retail sector with reference to FMCGs can be obtained. This study is conducted with a sample study of 100 respondents in Chennai city, Tamilnadu, India. It reveals the different aspects of retailing which attract consumers like the excitement of shopping deals and shopping environment product bundling offers etc. The research design used in this study is descriptive research design. This study will help Indian and international manufacturers to know the likes and dislikes of the Indian consumers and their preference towards retail outlets. This will help them to devise effective strategies to compete the heavy competition in the FMCG industry.

Keywords: Consumer behavior, Retail stores, consumer satisfaction, consumer attitude.

Introduction:

Retailing plays a vital role in the world's economy. Which consists of organized and unorganized sectors; majorly in India and China unorganized retailing dominated their markets. These countries have a growing economy because of the convergence of organized retailers into their markets. The evaluation of retail sector leads to supermarkets set ups in many countries. The growth of consumerism and the growth of the middle class with increased purchasing power in India have given a path to many retailers to setup their business both in organized and unorganized format. Due to the changes in consumer behaviour Indian retail market is growing with organized retailers, like supermarket, hypermarkets departmental stores and convenient stores which try to satisfy them with a wide variety of products, loyalty, and good customer relationship.

The growth in Indian Economy would impact large proportions of the populations, which leads to more money in the hands of the people. Due to the changes in the demographic profile of consumers like population education and lifestyle changes, and changes in the market, impact the FMCG industry at large. India's FMCG market in India consists of both brand lovers and the consumers going for unbranded, unpacked, homemade products. The purchasing power of the Indian urban consumer is growing and the demand for lifestyle products like apparels, beverages, cosmetics, jewelry are also drastically increased. Consumers in Urban and semi-urban are moving to purchase products in organized outlets like supermarkets and hypermarkets so it is important for the retailers to study the consumer choice of product and provide them better a value of money.

Organized retailing refers to the trading activities undertaken by the licensed retailer that is those who registered themselves for sales tax and income tax, etc. example: hypermarkets, specialty stores, chain stores, supermarkets, and the privately owned large businesses. Retailing sector in India is dominated by a large number of retailers like kirana stores, owner-manned general stores, medical stores, footwear shops, hand-cart hawkers, apparel shops, etc. which is called "unorganized retail". The Indian consumer is different from consumers of other countries in his values beliefs traditions and sentiments, so it is difficult for the marketers to pin him down easily because he is highly complicated with unpredictable purchasing behaviour. In spite of being educated and being sophisticated enough to compete with persons of any other country, he is still very particular in sticking on to his traditional values. Consumer behaviour in retailing is more unpredictable and the retailers are still striving a lot to identify the tastes and preferences of the consumers. This study aims to identify the behavior of Indian consumers towards the organized and unorganized retailers and the factors which influence them and the problems faced by them during the course of purchase.

Objectives of the study:

- To identify demographic profile of the customers visiting organized retail outlets & unorganized retail outlets.
- To analyse the factors which influence consumers to prefer organized and unorganized retailing.
- To identify the problems faced by consumers of organized & unorganized retail outlets.

Review of literature:

This study presents a review of literature in the field of consumer preference towards organized and unorganized retail stores. B. Menaga Gandhi & M. Chinnadorai on their study on "Retail in India" say that though some tough challenges exist there is growth for retail sector. By grabbing the opportunities available retailers can overcome these challenges. 2017 IJEDR | Volume 5, Issue 1 | ISSN: 2321-9939

Sudeep B. Chandramana aims to identify the Impact of Organised Retail on Unorganised Retail in India was found that when compared to the unorganized retail format, most of the Respondent had a good image about the organized retailers.

Akshita Mishra “A study of impact of organized retailers on unorganized retailers- with Special reference to Madhya” retailing sector is a Niche market, concluded that organized and unorganized retailers are facing different problems due to rapid development in technology, unpredictable behaviour of consumers and lack of concern by governments.

Urvashi Gupta (2012) “Changing consumer preferences from unorganized retailing towards organized retailing: A study in Jammu” this study suggests that unorganized retailers should focus upon adding more product lines and the quality of the products as well as price to keep a good market share. Both organised and unorganised sectors have to take steps to develop their value added services and promotional strategies to keep the shopping experience more enjoyable and comfortable.

Piyush Kumar Sinha, Srikant Gokhale and Sujo Thomas (2012) “Development of modern retailing in India: It’s impacts on distribution and procurement networks and changing consumption pattern” have mentioned that due to the modernization the smaller stores have started to develop themselves in relation to the assortments, home delivery services and ambience. Because of this the overall income and consumption has been increased and has provided the way for better prices for the consumers.

Research findings:

Table 1.1

To identify demographic profile of the customers visiting organized retail outlets & unorganized retail outlets

DETAILS		FREQUENCY	PERCENTAGE
GENDER	Male	35	35
	Female	65	65
AGE	21- 30	32	32
	31- 40	38	38
	41- 50	17	17
	51-60	13	13
MARITAL STATUS	Married	68	68
	Unmarried	32	32
EDUCATION	Higher secondary	28	28
	Degree	24	24
	Post graduate	32	32
	Professional	16	16
INCOME	10000-20000	24	24
	20000-30000	28	28
	30000-40000	23	23
	ABOVE 40000	25	25

Inference:

The above table reveals that nearly 65% of the respondents are female and majority of the respondents belongs to the age group of 31-40. Nearly 68% of the respondents are married and majority respondents belong to the category of postgraduates (32%) and Income level Rs. 20000-30000

2: To analysis the factors which influence consumers to prefer organized retailing and unorganized retailing

H₀: There is no significant relationship between factors which influence the customers to prefer organized retail outlet and unorganized retail outlet

H₁: There is significant relationship between factors which influence the customers to prefer organized retail outlet and unorganized retail outlet

Table 2.1

Factors influencing consumers to prefer organized retailing and unorganized retailing

S.NO.	VARIABLES	ORGANISED		UNORGANIZED	
		Value	Asymp.Sig.(2-sided)	Value	Asymp.Sig.(2-sided)
1	QUALITY OF PRODUCT	5.326 ^a	.946	17.296 ^a	.139
2	IMMEDIACY OF THE STORES	25.975 ^a	.011	19.832 ^a	.070
3	STATUS	19.047 ^a	.087	12.834 ^a	.381
4	CHOICE / VARIETY OF BRANDS	16.909 ^a	.153	20.784 ^a	.054
5	EASY AVAILABILITY OF PRODUCTS	11.580 ^a	.238	33.820 ^a	.001

6	SUPPORTIVE SALES PERSONNEL	9.231 ^a	.416	18.599 ^a	.099
7	PROPER PACKING OF PRODUCTS	12.040 ^a	.442	25.475 ^a	.013
8	PRODUCT BUNDLING OFFERS	16.826 ^a	.156	23.757 ^a	.022
9	PROPER SHELF DISPLAY OF THE PRODUCTS	9.793 ^a	.634	18.030 ^a	.115
10	CLEANLINESS OF THE STORES	12.825 ^a	.171	14.444 ^a	.273
11	BILLING DURATION	13.133 ^a	.359	11.151 ^a	.516
12	SHOPPING ENVIRONMENT	7.877 ^a	.547	18.340 ^a	.106
13	ENTERTAINMENT OF CHILDREN	26.148 ^a	.010	11.064 ^a	.523
14	CREDIT AVAILABILITY	12.028 ^a	.443	24.285 ^a	.019
15	BARGAIN FACILITY	9.253 ^a	.681	18.649 ^a	.097
16	PROPER PARKING FACILITY	22.720 ^a	.030	19.331 ^a	.081
17	EASY REPLACEMENT OF DEFECTED PRODUCTS	15.343 ^a	.223	22.177 ^a	.036

Inference:

From the above chi- square table, it found that

1. The Quality of the product in the organized retail outlet, the chi- square value is 0.946 and in unorganized retail outlets the value is 0.139 which is greater than 0.05 so it is stated there is no significant difference between factors which influence the customers to prefer organized retail outlet and unorganized retail outlet.
2. The Immediacy of the stores in organized retail outlets the value is 0.011 which is less than 0.05 so the null hypothesis is rejected. In unorganized the chi- square value is 0.070 which is greater than 0.05 so the null hypothesis is accepted
3. Status in the organized retail outlet, the chi-square value is 0.087 and in unorganized retail outlets the value is 0.381 which is greater than 0.05 so it is concluded that the null hypothesis is accepted.
4. Choice /variety of brands in the organized retail outlet, the chi-square value is 0.153 and in unorganized retail outlets the value is 0.054 which is greater than 0.05 it is concluded that the null hypothesis is accepted
5. Easy availability of products in organized retail outlets the value is 0.238 which is greater than 0.05 so the null hypothesis is accepted. IN unorganized the chi-square value is 0.001 which is less than 0.05 so the null hypothesis is rejected
6. Supportive sales personnel in organized retail outlet, the chi-square value are 0.416 and in the unorganized retail outlets, the value is 0.099 which is greater than 0.05 it is concluded that the null hypothesis of organized and unorganized is accepted.
7. Proper packing of products in organized retail outlets the value is 0.442 which is greater than 0.05 so the null hypothesis is accepted in unorganized the chi-square value is 0.013 which is less than 0.05 so the null hypothesis is rejected
8. Product bundling offers in the organized retail outlets the value is 0.156 which is greater than 0.05 so the null hypothesis is accepted. In unorganized the chi-square value is 0.022 which is less than 0.05 so the null hypothesis is rejected
9. Proper shelf display of the products in the organized retail outlet, the chi-square value is 0.634 and in the unorganized retail outlets the value is 0.115 which is greater than 0.05 it is concluded that null hypothesis is accepted.
10. Cleanliness of the stores in the organized retail outlet, the chi-square value is 0.171 and in the unorganized retail outlets, the value is 0.273 which is greater than 0.05 it is concluded that the null hypothesis is accepted.
11. Billing duration in organized retail outlet, the chi-square value is 0.359 and in unorganized retail outlets the value is 0.516 which is greater than 0.05 it is concluded that null hypothesis is accepted
12. Shopping environment in organized retail outlet, the chi-square value is 0.547 and in unorganized retail outlets the value is 0.106 which is greater than 0.05 it is concluded that the null hypothesis is accepted.
13. Entertainment of children in organized retail outlets the value is 0.010 which is less than 0.05 so the null hypothesis is rejected. In unorganized the chi-square value is 0.523 which is greater than 0.05 so the null hypothesis is accepted
14. Credit availability in organized retail outlets the value is 0.443 which is greater than 0.05 so the null hypothesis is accepted. In unorganized the chi-square value is 0.019 which is less than 0.05 so the null hypothesis is rejected thus it concluded by stating that there is no significant difference between factors which influence the customers to prefer organized retail outlet and unorganized retail outlet.
15. Bargain facility in the organized retail outlet, the chi-square value is 0.681 and in unorganized retail outlets the value is 0.097 which is greater than 0.05 it is concluded that the null hypothesis of organised and unorganised retail outlets is accepted
16. Proper parking facility in organized retail outlets the value is 0.030 which is less than 0.05 so the null hypothesis is rejected. In unorganized the chi-square value is 0.081 which is greater than 0.05 so the null hypothesis is accepted
17. Easy replacement in organized retail outlets the value is 0.223 which is greater than 0.05 so the null hypothesis is accepted In unorganized the chi-square value is 0.036 which is less than 0.05 so the null hypothesis is rejected

3. To identify the problem faced by the customer of organized retail outlet

H_0 : There is no significant difference between satisfaction level of the respondents and problem faced by the respondents in organized retail outlets

H_1 : There is significant difference between satisfaction level of the respondents and problem faced by the customers in organized retail outlets

Table 3.1
To identify the problem faced by the customer of organized retail outlet

FACTOR	SA	A	N	DS	SDA	TOTAL	RANK
WEIGHTS	5	4	3	2	1		
INCONVENIENT LOCATION	24	38	18	8	12	23.4	2
LONG QUEUE FOR BILLING	30	38	19	6	7	25.2	1
NON-COOPERATIVE ATTITUDE OF SALES PERSONNEL	20	28	30	12	10	22.4	4
NO HOME DELIVERY	24	20	20	23	13	21.26667	5
IMPROPER SPACE MANAGEMENT	12	32	25	21	10	21	7
POOR AFTER SALES SERVICE	17	24	31	16	12	21.2	6
SELLING OF COUNTERFEITER PRODUCTS	18	29	33	15	5	22.66667	3
UNAVAILABILITY OF GOODS	15	28	26	10	21	20.4	8

Inference:

The problems faced by consumers were showed by its weights

1st – Long queue for billing 2nd – Inconvenient location 3rd – Selling of counterfeiter products 4th – Non cooperative attitude of sales 5th – Non home delivery 6th – Poor after sales service 7th – Improper space management 8th – Unavailability of goods
The respondents are mostly facing problem with long queue for billing so it is ranked 1

Problem faced by the respondents in unorganized retail

H_0 : There is no significant difference between satisfaction level of the respondents and problem faced by the respondents in unorganized retail outlets

H_1 : There is significant difference between satisfaction level of the respondents and problem faced by the respondents in unorganized retail outlets

Table 3.2
Problem faced by the respondents in unorganized retail

FACTOR	SA	A	N	DS	SDA	TOTAL	RANK
WEIGHTS	5	4	3	2	1		

UNHYGIENIC CONDITIONS OF THE STORE	34	37	13	9	7	25.46667	2
IMPROPER PACKING FACILITY	29	49	12	5	5	26.13333	1
IMPROPER SHELF SPACE	28	31	30	3	8	24.53333	4
UNAVAILABILITY BRANDED ITEMS	20	40	23	9	8	23.66667	5
UNAVAILABILITY OF DESIRABLE PRODUCTS	23	42	22	9	4	24.73333	3
SELLING OF COUNTER FEITER PRODUCTS	27	28	25	12	8	23.6	7
LACK OF KNOWLEDGE OF RETAILERS	25	35	19	11	10	23.6	7
BILLING PROBLEMS	32	21	26	10	11	23.53333	6

Inference:

The problems faced by consumers were showed by ranking it

1 – Improper parking facility 2 – Unhygienic conditions of the store

3 – Unavailability of desirable products 4 – Improper shelf space 5 – Unavailability branded items 6 – Billing problem 7 – Selling of counterfeit products and lack of knowledge of retailer. The respondents are mostly facing problem with Improper parking facility so it is ranked 1

Findings of the study:

- This study reveals that nearly 61% of the respondents are female and the majority of the respondents belong to the age group of 21-40.
- Nearly 63% of the respondents are married and majority respondents belong to the category of students (21%) and housewife (19%).
- When comparing the income of respondents, people without income (housewives & students) purchased from organized retail outlets.
- People prefer buying through organized retail outlets due to many factors like the immediacy of the store, easy availability of products, proper packing of products, product bundling offers, etc.
- Most of the respondents are attracted by the other facilities such as entertainment for children, credit card facilities, easy replacement offered by the organized retail outlet.
- Long queue for billing is the major problem faced by the respondents in organized retails.
- Improper parking facility and unhygienic condition of stores are the problems faced by the respondents in unorganized retail.

Suggestion:

- Standing in queues for billing for a long time is the major problem faced by customers of organised retailing. The organized retailers should take effective steps to improve their billing systems.
- Unorganized outlets may take necessary steps to improve their home delivery to cater to the needs of the customer
- Since most of the unorganized retailers are lagging in hygiene, maintaining a hygienic condition in their outlet is seems to be very important.
- There must be educated sales personnel to portray courteous behaviour to make consumers shopping more effectual.
- Availability of branded products with minimal need of bargaining may increase the sales volume of organised retailers; keeping this in mind they should take necessary measures to attract the consumers.
- Organized retailers should organise efficient and effective loyalty programs. This could help in providing recognition to customers.

Conclusion:

This research concluded that organized and unorganized retail sector in north Chennai can coexist and flourish. The growth in the retail market is due to the change in the consumers' behavior. There is a vast change in consumers buying behavior due to change in their income, lifestyles and information technology. They want to purchase products at a place where they can get food, entertainment, and shopping all in one roof. This has given organized retail market a major boost while on the other hand the traditional stores are cautiously taken care of choice of customers and satisfy them with the product which is demanded by them and consequently converts them into loyal customers.

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