CHAPTER 1
RATIONALE & METHOD OF STUDY

1.1. INTRODUCTION
Retail is the final stage of any economic activity. Retailing includes all the activities involved in selling goods or services to final consumers for personal or non-business use. Any organization selling to final consumers whether it is a manufacturer, wholesaler or retailer is doing retailing. By virtue of this fact, retail occupies an important place in the world economy.

The Indian retail industry remained a large unorganized sector till the eighties. Corporate houses like Aditya Birla Group, Pantaloon, and Reliance entered into retailing after recognizing the vast potential of this sector. The retail industry in India has been attracting major manufacturing firms and is poised to grow at 28% per annum over next five year period.

A Global Retail Development Index developed by A. T. Kearney has ranked India third, among the top 30 emerging markets in the world.

With a contribution of 10% to the national GDP and employing 8% of the total workforce (only agriculture employs more) in the country, the retail industry has emerged as one of the main pillars of the Indian economy. Now, in order to excel in the marketplace, retailers aim at developing strategic advantage, they need to effectively manage their critical resources, real estate and locations above all their customers.

The consumer landscape is changing very fast. Occupational changes and expansion & penetration of media caused a significant change in the way the consumer lives and spends his money. Consumers today see an exciting explosion of choices, new categories and new shopping options and have increasing disposable income to fulfil their aspirations. They are seeking more information to make these choices. Consumers are increasingly seeking convenience in shopping
and want the shopping experience to be enjoyable. Shopping is no longer seen a
mundane chore, but it is now more exciting and an engaging prospect.

1.1.1 DRIVERS OF RETAIL CHANGE

We are all witness to the change happening in retail in the country. This change is
not restricted to the metro cities but has rapidly spread to smaller cities and towns.
The force driving this change is the Indian consumer. The size of the population in
India has always made it a large market. However, from the 1950’s to the 1980’s,
investments in various industries were limited due to low purchasing power in the
hands of the consumer and the government’s policies favouring the small-scale
sector. Initial steps towards liberalisation were taken in the period of 1985-90. Late
Prime Minister P. V. Narasimha Rao and the then Finance Minister, Manmohan
Singh is credited with having ushered in the first serious attempts at economic
reform and laid the platform for taking consumerism to another level. It was at this
time that many restrictions on private companies were lifted, and in the 1990’s, the
economy slowly progressed from being state led to becoming ‘market friendly’.

Following are some of the reasons behind the retail change in India.

a. Changing Income Profiles: The steady economic growth fuelled the
increase in disposable income in India. The average middle-class family’s
disposable income rose by more than 20% between 1999 and 2003.
According to NCAER data, the middle income and the upper middle-
income categories are likely to witness the most significant expansion in the
coming decade. The upper and middle classes are likely to increase their
share in the population from 19.6% in 1995-96 to 42.6% in 2010-11, a
substantial increase, while the middle-income category is likely to witness
an increase from 32.9% to 39.8%.

b. Diminishing difference between rural and urban India: Rural India
accounts for over 75% of India’s population and this in itself offers a
tremendous opportunity for generating volume driven growth. While food
grain production has steadily increased, tax benefits associated with incomes
in rural areas has fuelled the increase in the spending power of the average
rural family. These factors have created a vast market, which has led to rush amongst companies to tap this latent demand.

c. **Changes in consumption patterns:** Occupational changes and the expansion of media caused a significant change in the way the consumer lives and spends his money. The increase in the contribution made by services is also a reflection of the new opportunities, which are available to the youth in terms of job opportunities. The changes in income brought about changes in the aspirations and the spending patterns of the consumers. The buying basket of the consumer has changed. The share being spent on basics (food & beverages) is decreasing. On the other hand, expenditure on other items like medical and healthcare is increasing.

Penetration of credit cards is also on the increase in India. As of March 31, 2010, the total number of debit and credit cards issued in India was estimated to be around 191 millions. Indians withdrew/purchased nearly Rs.62,872 crores using credit cards and Rs. 26,172 crores using debit cards. Similarly, more and more households are availing of financing to buy an increasing range of products and services, from housing to automobiles to consumer durables to vacations. Higher education is also easily financed through loans. Spending on eating out has more than doubled in the past decade and is expected to double again in half that time. Sales of processed food have increased by 70% since 1998 in what is now a Rs.10,000 crore market.

d. **The emergence of young earning India:** Nearly 70% of the Indian population is below the age of 34. This is an Indian born post freedom and post liberalisation. Taking advantage of employment opportunities in the booming service sector, these young Indians are redefining service and consumption patterns. 3.2 crore youth are employed in the services sector in India including ITES and BPO. These young services sector earners are expected to spend close to one lakh crore in a year and the most visible symbol of this increasingly prosperous society is that they are thronging the
shopping malls, flashing the latest cell phones, and sporting hip designer wear.

1.1.2. CHALLENGES TO RETAIL DEVELOPMENT IN INDIA

Organised retailing in India is little over a decade old. It is largely an urban phenomenon and the pace of growth is still slow. Some of the reasons for this slow growth are:

- **a. Retail not being recognised as an industry in India:** Lack of recognition as an industry hampers the availability of finance to the existing and new players. This affects growth and expansion plans.

- **b. High cost of real estate:** Real estate price in some cities in India are among the highest in the world. The lease or rent of the property is one of the major area of expenditure; high lease rental eat into the profitability of a project.

- **c. High stamp duties:** In addition to the high cost of real estate, the sector faces very high stamp duties on transfer of property, which varies from state to state. The presence of strong pro-tenancy laws makes it difficult to evict tenants. The problem is compounded by problems of clear titles to ownership, while at the same time land use conversion is time consuming and complex as are the legal processes for settling of property disputes.

- **d. Lack of adequate infrastructure:** Poor roads and lack of cold chain infrastructure hampers the development of food and fresh grocery retail in India. The existing supermarkets and food retailers have to invest a substantial amount of money and time in building a cold chain network.

- **e. Multiple and complex taxation system:** The sales tax rate vary from state to state, while organised players have to face a multiple point control & tax system, there is considerable sales tax evasion by small stores. In many locations, retailers have to face a multi-point octroi. With introduction of
value added tax (VAT), in 2005, certain anomalies in the sales tax system causing disruptions in the supply chain are corrected to a certain extent.

1.2. STATEMENT OF THE PROBLEM

Having studied the relevant literature and preliminary data gathered, the researcher thought it would be best to conduct an extensive and conclusive research to understand the effect of business practices adopted by supermarkets on buying behaviour of consumers. With this intention the researcher intended to undertake a research titled: ‘A study on the effect of Business Practices adopted by Supermarkets on Buying Behaviour of Consumers with special reference to selected Supermarkets in Pune City’.

The emergence of new trends in retailing is a significant event in Indian marketing scenario. Indian markets though were having a steady and confined sphere of activities in pre-liberalisation era have witnessed many changes due to opening up of economy. The marketing system underwent many changes which were important and in tune with growth of market driven economy. The initiatives by the government to extend free market mechanism in different sphere of economy was widely responsible for many innovations in marketing system. One such major change was allowing organised large scale retailers, chain shops and department stores to operate and promote a large scale marketing activity. The growth of organised retailers is having a direct bearing on marketing environment and changes in the marketing system. Supermarkets, large scale malls, speciality stores & chain stores have been established in almost every part of the country. The phenomenon of marketing through supermarkets is no longer restricted to Metros & Class-A cities.

In order to attract customers, many marketing innovations & developments have been implemented by the store managers. Customer retention, creating favourable image & promoting impulse buying are the three planks of marketing activities which were initially undertaken as basic business practices by the supermarkets. The present study tries to assess the effect of various business practices adopted by supermarkets to retain & attract customers from different segments. The study is
also a systematic analysis of different marketing practices adopted by supermarket managers. The key questions addressed in the study are: What are the major strengths of business practices adopted by supermarkets in Pune city. What are the marketing practices and innovations undertaken by these supermarkets & how consumer buying behaviour is influenced by these practices. Hence the title of the study is ‘A study on the effect of Business Practices adopted by Supermarkets on Buying Behaviour of Consumers with special reference to selected Supermarkets in Pune City’.

1.3. SIGNIFICANCE OF THE STUDY
The significance of the study can be explained as follows:

1. Academic significance: The study has an academic significance considering the new & emerging trends in the field of marketing, specially retailing. The retail business specially has acquired a great significance in terms of contribution to economy, generation of employment, as well as expansion of marketing activity. Every research in retailing shall help to know about new theory & innovations in marketing, their applications in Indian context & limitations in implementation in Indian scenario.

2. Professional significance: The study shall be of some use to professionals & practicing marketing managers. The marketing managers shall know the changes & developments in the field of retailing, new facets of competition as well as consumers response to innovations in marketing.

3. Significance for policy makers & regulating authority: The study shall help the policy makers to decide various policies related with governance of supermarket & retail houses. It shall also help the policy makers to decide as to how the supermarket & big retail houses are working in the present context & what should be the government's response to various retailing activities. The town planners and the tourism development authorities will be guided to draw new maps.
1.4. **OBJECTIVES OF THE RESEARCH**

The present study attempts to analyse the following objectives:

1. To study the growth & development of retail sector in India.
2. To study the business practices adopted by supermarkets.
3. To analyse the buying behaviour of the consumers visiting supermarkets.
4. To find out the factors influencing buying decisions of the consumer visiting supermarkets.
5. To evaluate the effect of business practices adopted by supermarkets on the buying behaviour of consumers.

The above objectives set for the study are accepted on the backdrop of changing scenario of retail in India.

1. **To study the growth & development of retail sector in India.**
   Since liberalisation of Indian economy, there is a great push to free market & open economy system. This in turn has resulted in a vast advancement of the market driven economic activities. Retail is an offshoot of this market driven economy. Significant growth is noticed in the retail sector, especially development of supermarkets, malls and large chain of retail outlets. As such it is necessary to know about the trends regarding retail development in India.

2. **To study the business practices adopted by supermarkets.**
   The big retailers adopt a mix of diversified marketing strategies. They attract the customers by adopting different & innovative marketing activities. This study aims at examining these business practices adopted by supermarket managers.

3. **To analyse the buying behaviour of the consumers visiting supermarkets.**
   Impulse buying has been noticed as a major marketing phenomenon for the customers who visit malls & supermarkets. The display of products results in POP decisions.
4. **To find out the factors influencing buying decisions of the consumer visiting supermarkets.**

As stated earlier, impulse buying, effective display & shelf arrangement are the factors along with ambience & exhibits that causes change in the consumers perception towards products. The study tries to evaluate the factors that influence buying decisions of the consumers.

5. **To evaluate the effect of business practices adopted by supermarkets on the buying behaviour of consumers.**

The business practices adopted by the supermarkets needs to be evaluated so as to assess its effectiveness in achieving the objectives of the organization and formulating new strategies.

1.5. **STATEMENT OF HYPOTHESES**

The researcher was fully aware that hypotheses remain the guiding force for the researcher in his endurance to complete the task under taken. For a research to be conclusive the researcher needs to formulate hypotheses and validate them. The researcher had formulated the following hypotheses, and validated them in the later part of the study.

1. Convenience of shopping & Store image are the major factors that influence the consumers in their buying.

2. The more the educational qualification of consumers, the more is the brand consciousness.

3. There is an association between influence of children on buying decision in terms of price & quality of products.
1.6. RESEARCH METHODOLOGY

1.6.1. Research Design

The research design for the purpose of the study is drafted and the steps to be taken in the research were set out in a systematic manner. The present research design explains how the research process is carried out.

1.6.2. Method Adopted: Having known and studied advantages & disadvantages of different research methods the researcher decided to conduct a survey, as the objectives of the study were related to gathering opinions, attitudes, feelings that could not be easily observed.

1.6.3. The researcher has used different sets of data collection techniques in order to have a comprehensive and desired level of information. The nature of the study demanded that the researcher should collect data from varied reliable sources.

The researcher has used and relied on both the primary and secondary sources of data collection.

i) Tools for primary data collection: The primary data for the purpose of the study were information and responses from consumers & store managers of supermarkets in Pune city.

The required data was collected by addressing the appropriate class of respondent and requesting them to provide necessary information. In order to collect primary data, the researcher has approached following two classes of respondents.

1. Consumers
2. Store Managers

The consumers are respondents who provide information regarding their understanding, experiences, opinion and perception towards marketing practices adopted by supermarkets. The questionnaire for the consumers consisted of twenty five closed ended questions. The questionnaire incorporated different scaling techniques as demanded by the study.
The store managers were identified as the respondents. They were the key personnel in making decisions, drawing & implementing plans to achieve the goals for their organizations. Their experience and interaction with customers is an important source of information to understand how different classes of customers respond, react and reciprocate to business practice adopted by supermarkets. A well structured and comprehensive questionnaire was prepared to collect data from these respondents. The questionnaire consisted of both open and closed ended questions. As it was thought to be appropriate in depth interviews of the store managers were also conducted in order have a detailed view of their vision about the business practices in organized retailing.

Pilot testing of questionnaire was done before finalizing them. The questionnaires were then administered on the respondents. The responses of the respondents were recorded. To remove any bias all the answers to the multiple questions were read out, it was appealed to the respondents to choose the option they felt was more true than false.

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Respondent Class</th>
<th>Technique used</th>
<th>Justification</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Consumers</td>
<td>Questionnaire</td>
<td>a. To collect primary information as to perception towards supermarkets as a marketing activity centre. b. Evaluation of responses of consumers towards business practices. c. Understanding as to extent of satisfaction derived from these business practices.</td>
</tr>
<tr>
<td>2</td>
<td>Supermarket Managers</td>
<td>Questionnaire &amp; Structured Interview</td>
<td>a. To understand different marketing practices adopted by supermarket managers. b. To examine the utility &amp; effectiveness of marketing practices. c. Response of store managers towards consumer expectations in supermarkets.</td>
</tr>
</tbody>
</table>
ii) **Sources of secondary data collection:** As with any research, the researcher was aware about the value of secondary data. The secondary data provided the researcher with the information regarding the activities, scope and opinions of other researchers and experts in the initial stages. The data further guided the researcher in defining the variables of the study, identifying the classes of the stakeholder involved in the study. The secondary data provide useful and necessary information supplementing the qualitative aspects of research finding.

For this purpose, secondary data was collected from all associated sources that include:

a) Books on Marketing & Retailing.
b) Research Journals.
c) Magazines & Periodicals.
d) Newspapers, Published materials, directories & websites.

1.6.4. **Universe & Sample:**
The phenomenon of supermarket became a major marketing event in the city of Pune. The marketing environment has changed drastically with the emergence of supermarkets. Though the phenomenon is of recent origin with a history of a decade and half, it has changed many dimensions of retailing activities in the city. Hence it becomes essential to study the business practices adopted by supermarkets.

Considering the nature of the study, the researcher has set two-tier universe.

i) **Territorial Universe:** For the purpose of the study, the territorial universe is the city of Pune, which is having a geographical area of 700sq.km. and estimated population of 51 lacs as of 2009. Pune is recognized as ‘A’ class city and is 8th largest city in India.

ii) **Special Universe:** There are five major companies operating their supermarkets in Pune city. The researcher has proposed to select 30 supermarket managers as a part of the study.
Selection of Sample:
Given the nature of study, the units of the population and the different constraints that the researcher had to overcome in conducting the study, the researcher had to resort to sampling techniques in order to make this study very conclusive. The researcher had sufficient knowledge as to the advantages of adopting sampling tech techniques. Considering the universe, the researcher has selected a sample which benefits the specific requirement of the study. The sample selection process is completed by using following parameters.

i) Nature of the study.
ii) Technique of sample selection available to the researcher.
iii) Possibility of assessing data.
iv) Respondent willingness to answer.

Sample size determination
On above parameters the sample selection process is completed as follows:

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Respondent Class</th>
<th>Sample size selection method</th>
<th>Sample size</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Consumers</td>
<td>Non-probability Convenience Sampling</td>
<td>620</td>
</tr>
<tr>
<td>2</td>
<td>Supermarket Managers</td>
<td>Non-probability Convenience Sampling</td>
<td>30</td>
</tr>
</tbody>
</table>

Justification for sample size determination
In a paper ‘Determining Sample Size for Research Activities’, by Robert V. Krejcie & Daryle W. Morgan (1970), the authors tried to remove the dilemma that many researchers have to resolve while deciding the number of respondents to be sampled, out of the population. Outcome of their study has been taken into consideration while deciding the appropriate sample size. It may be noticed from the table given below, the authors recommend that optimal no. of respondents for a population of 51 lakhs is 384 for 95% level of confidence. However the researcher has collected data from 620 customers in Pune city, that comprised the total number of respondents for this study.
With respect to the sampling of supermarket managers, there were five major companies that were operating supermarkets in Pune city as on March 2009. All
these companies were included in the study. 30 different supermarket managers of these five companies were contacted and interviewed. This comprised of sample of managers of supermarkets.

1.6.5. DATA ANALYSIS
The filled in questionnaires were numbered serially and checked for consistency of data, and any non responses / inconsistent data. The questions and the responses were codified. Quantitative data analysis was carried out. The data is represented in tabular / graphical form wherever appropriate. Correlations and coefficients were calculated using non-parametric techniques. Hypotheses were validated using the appropriate statistical tools. Data analysis was carried out using SPSS (Statistical Package for Social Science for Windows V14).

1.7. SCOPE OF THE STUDY
The scope of the present study is confined to the study of business practices adopted by five major supermarkets and its effect on the buyer behaviour of consumers in Pune city, which is having a geographical area of 700sq.km. and estimated population of 51 lacs as of 2009.

1.8. LIMITATIONS OF THE STUDY
1. The study was restricted to supermarkets in Pune city only as majority of the supermarkets are located in the city area.
2. The researcher could not get detailed information about the business practices and policies adopted by the supermarkets as the managers were reluctant to share their information, however the researcher could manage to get some information and insights about their policies and procedures.
3. As the population of visitors to the supermarket is very large and diverse, it was not possible to contact each and every customer; however the sample selected is diverse as well as representative of the profile of customer population visiting supermarkets.

After having discussed the ‘why’ and ‘new’ of the study, the Chapter 2 ‘Review of Literature’ deals in the literature reviewed by the researcher.