CHAPTER I
INTRODUCTION

The Indian economy has witnessed phenomenal growth during the last decade. The country posted positive growth even during the recent economic slowdown and is among one of the fastest growing economies with an impressive average growth of over 7.4 percent gross domestic product (GDP) for the last five years. The real Gross Domestic Product (GDP) stood at 6.9 percent in 2009-2010. The GDP growth projection for 2010-2011 is 7.1 percent.\(^1\) The key drivers of India’s growth include a booming domestic market by increasing consumption and a surge in investment, supported by certain inherent fundamental strengths such as favourable demographics. Over the last two decades, the market sectors have undergone some significant qualitative structural changes due to liberalization of trade in 1991 and recent industrial policies in 2006 resulting in a competitive retail environment. Furthermore, shifting demographics, increasing disposable money, changing lifestyles, and rising consumer expectations resulted in today’s consumers becoming more knowledgeable, more sophisticated, and more demanding (Prikh, 2006). The characteristics of new consumers include wanting more for less; education about purchases; convenience; value for time; and personal attention and empathy. The concomitant changes in retailing have indeed enabled the emergence of new types of retail formats such as supermarkets, convenience

\(^1\) Central Statistical Organization (CSO) & Investing in India-2010, KPMG Network, October 2010
stores, discount stores and hypermarkets. The new expansions, which are adoptions of western formats, have brought about paradigm shift in the concept of shopping and shopper buying behaviour from low price to convenience, value and superior shopping experiences (Prasad and Aryasri, 2011). Consequently, the new wave of consumerism has enabled the country to be one of the largest consumer markets in the world. Over the next two decades, India is going to become fifth largest consumer market from its present twelfth position and overtakes Germany to be behind the US, Japan, China and the UK. That real consumption would grow from current Rs 17 trillion to Rs 70 trillion by 2025. The conspicuous structural shifts in consumption pattern, changing lifestyles, eating and food habits have also immensely contributed to the growth and development of Indian retailing. The fastest growing retail sector in Indian economy is expected to be dynamic and sales are expected to follow an upward trajectory with 8% constant value CAGR (compound average growth rate). Presently (2010), the Indian retailing is estimated at USD 410 billion which grew from USD 120 billion in 1990 (A.T Kearney Global retail development Index report 2010). It reveals that the growth in the retail sector has grown by around 4 times. Similarly the organized retail is estimated at USD 20 billion in 2010 which has grown about 35 times from USD 0.6 billion in 1990.

The new retail formats changed the total concept of shopping and shopper’s buying behaviour, ushering a revolution in shopping in India. As

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there is high growth being registered in the retail sector in the developed
countries and the developing countries such as India which is almost on the
verge of a retail revolution, there is a high research interest in this area. In
addition to the high growth in the organized retail in the recent times, the retail
format choice becomes an area of concern for a retailer as well as consumer.
Standing on the threshold of a retail revolution, Indian food and grocery
retailing has witnessed a rapid transformation in many areas of the business by
setting scalable and profitable retail formats across categories.

In India organized retailers are trying out a variety of formats, ranging
from supermarkets, discount stores to organise. Gaining and sustaining a
strategic competitive advantage in retailing requires knowledge of the store
attributes that consumers value and use to discriminate between stores and why
those attributes are important. Hence, there is a growing need to evaluate the
true drivers of shopping behaviour in the Indian context. The trademark of
Indian food and grocery retailing, the Neighbourhood kirana stores with high
level personalized service, is making consumers reluctant to depart from
traditional ways of shopping. The innovations brought by retailers and
marketers in the practice of retailing have been providing new paradigms in the
way shoppers have been disposed towards their act of shopping. Studies on

3 Prasad, CJS and Reddy, DRR (2007) “A study on role of demographic and
psychographic dynamics in food and grocery retailing in India”, Vision-The journal
of Business Perspective, Vol.11, No.4, pp.21-30.

market”, International Journal of Retail & Distribution management, Vol. 32, No.10,
pp. 482-494.
shoppers in India have largely been limited to their time and money spending pattern, demographic profile, and preferences for a particular format\textsuperscript{5}. Numbers of consumers divide their patronage among multiple formats which can satisfy their needs. The new expansions are adaptations of western formats based on store choice and patronage are widely studied across the world. The emerging modern retail formats conforming to the changed shopper expectations and realignment of the choice set of stores providing new experiences and options to shop for the consumer\textsuperscript{6}.

Both retailers and shoppers are currently in an evaluation phase with no clear verdict as to what may drive the choice of retail formats and patronage in the longer term. According to the study conducted by Sinha, Mathew and Kansal (2005)\textsuperscript{7}, it is found that store attributes like ambience, accessibility, price, and number of SKUs, type of merchandise, service mode and number of brands that would determine the choice of store formats based on the utility in grocery retailing. It is also empirically examined that the shoppers perceived utility and the store image is crucial in making the store choice\textsuperscript{8}. Research also exists on how store environment cues influence consumers’ retail format choice.


\textsuperscript{6} India Business Insight Database (IBID), 4, p.482.

\textsuperscript{7} Sinha, P. K., Mathew, E., Kansal, A., “Format choice of food and grocery retailer”, working paper No. 2005-07-04, IIMA.

decision criteria, such as perceived merchandise value and shopping experience.\(^9\)

Retail format choice has also been seen in the context of the risk reduction strategies of the shoppers.\(^10\) In addition to that, previous research studies also examined the role of situational factors on retail format choice behaviour and the task-store attribute relationship.\(^11\) It has also been found to be dependent on the timing of shopping trips, with consumers visiting smaller local store for short ‘fill-in’ trips and larger store for regular shopping trips.\(^13\) Notwithstanding the obvious importance of detecting the general product and store attributes that influence consumer decisions, related research suggests that the importance of specific criteria may be partially determined by the socio-economic, demographic and geographic attributes of the consumers. The recent past research findings from Carpenter and Moore (2006)\(^14\) reveal that shoppers’

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attributes wield significant influence on their consumption behaviour and choice of retail format in the context of USA grocery retailing. Fox et al., (2004)\textsuperscript{15} also examined the effect of demographics on format choice and findings from their study indicated that household size, income, and level of education influence consumers’ format choices. Although understanding and fulfilling shoppers’ requirements is the essence of building retail patronage, the retailing and marketing literature contain few studies which attempt to explain the way in which consumers patronage intentions vary with store image formed on store attributes which are congruent with each other\textsuperscript{16}.

The classifications produced from store attribute research have largely been done from an organizational or operational viewpoint rather than that of customers, which means that they are not related to any major consumer behaviour theory to help explain patronage behaviour\textsuperscript{17}. It is also seen that the image, a store projects has considerable impact on the shopping decisions of the consumers; the more favourable the store image the more likely are the consumers to shop and buy from particular retail formats\textsuperscript{18}. The recent past study of meta-analytical perspective on determinants retail patronage by Pan


\textsuperscript{17} India Business Insight Database (IBID), 10, p.425.

and Zinkhan (2006)\textsuperscript{19} suggests that various predictors (e.g., service, product selection, quality) are strongly related to shoppers’ store choice, whereas others (e.g., store attitude, store image) are important antecedents of shopping frequency.

1.1 Statement of the problem

Shopping for food and grocery products has witnessed a revolution in Indian retail market with the changes in the consumer buying behaviour driven by strong income growth, changing lifestyles and favourable demographic patterns. Most of the food and grocery products reach the consumers through traditional kirana stores which are unorganized. But the very fast changing trends in consumption patterns, food and eating habits of consumers have contributed immensely to the growth of ‘Western’ format typologies such as super markets, convenience stores, discount stores, and hyper markets.

Previous marketing research studies indicate that shoppers become more hard pressed for time and their preferences would shift towards one-stop shopping experiences\textsuperscript{20}. Apart from availability of time, money and effort, see-touch-feel and select factors also influencing shopper buying behaviour towards choice of retail formats in food and grocery retailing. It is also observed that some consumers may find needs satisfied by single retail store format, but the majority of consumers divide their patronage among multiple


retail formats that, in combination, can satisfy their needs\textsuperscript{21}. The outcome is that store shares customers or their customers “overlap”. In recent times, overlapping often occurs in Indian organised grocery retailing where research consistently shows that the overwhelming majority of consumers shop in more than one retail format. Overlap is the norm and store loyalty is the exception. Moreover, retail format choice was a dynamic decision and could be conceptualised as a problem of deciding when and where to shop\textsuperscript{22}.

While first decision is on the store location choice problem, the second is the shopping trip incidence problem relating to the timing of shopping trips. Store choice has also been found dependent on the timing of shopping trips as consumers may go to a local store for short “fill-in” trips and to a more distant grocery store for regular shopping trips\textsuperscript{23}. Both these decisions are influenced by shopper characteristics and consumption patterns\textsuperscript{24}. Thus, mostly shoppers change their primary store loyalty in the very short term, but many shoppers change their primary store choice once or more each year\textsuperscript{25}. In addition to that,


the emergence of a variety of retail formats offering a diverse mix of offerings to the consumers, adds further confusion to the domain of store choice\textsuperscript{26}.

In the light of paradigm shift in shopper’s attributes and the development of modern retail formats, research of particular importance to this dissertation is the identification of shopper and store attributes affecting patronage behaviour when shoppers making decisions for shopping food and grocery products.

1.2 Need for the Study

At present, there are dissimilar product category-centric local avenues available for shopping products in the food and grocery segment in India. Fresh farm and animal products’ shopping is very different from the rest of the food and grocery shopping—unlike in more developed markets where the shopping destination for these two product segments is predominantly the supermarket\textsuperscript{27}. With many food and grocery oriented retailers lining up to grab their share of the Indian retail market, the long-term viability of these ventures depends on the appropriate store formats. Looking at the Indian food and grocery segment, there are two major strategic formats used by food and grocery oriented retailers: neighbourhood kirana stores, convenience stores (Traditional Formats), supermarkets, hypermarkets (Modern Formats).

Previous studies reported that the store selection was done in markets where retail formats were well stabilised. However, in Indian scenario, formats


\textsuperscript{27} India Business Insight Database (IBID), 7, p.3
have been found to be influencing the choice of stores as well as orientation of the shoppers. Also, retailers are experimenting with alternate formats with different success rates in designing and setting up of retail formats to cater to the needs and wants of discerning customers. Moreover, many retailers both domestic and foreign are looking to set up different food and grocery retail formats in the largest segment of the total retail sales in the country. Thus, there is a great need to understand consumer buying behaviour in the light of ever changing Indian consumers’ socio-economic, demographic and psychographic dimensions. However, there is no holistic study has been reported in the Indian context probing that which parameters shoppers’ consider important when they decide which retail format they want to shop in and from which parameters they derive maximum utility. Although choice of a retail format has been studied from several dimensions including the cost and effort as well as the non-monetary values, yet a few studies reported the complete picture combining the aspects of the tangibles as well as intangible values derived out of the shopping process. Moreover, there is a lack of comprehensive empirical study which explores and examines the influence of shopper and store attributes on retail format choice and patronage behaviour in the context of Indian food and grocery retailing. It is also found that few studies have reported examining the impact of situational factors on retail format choice behaviour in

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an ever-changing Indian food and grocery retailing. Therefore, this study assumed significance in understanding and expanding the body of knowledge through exploration and examination of determinant attributes of retail format choice and patronage behaviour in food and grocery retailing.

1.3 Objectives of the Study

The overall objective of this study is to present a better understanding of factors influencing consumer behaviour towards retail format choice and patronage in food and grocery retailing. The specific objectives for this study are:

1. To study the growth and development of food and grocery retailing in general and retail formats such as Neighbourhood Kirana Stores and Supermarkets in particular,

2. To examine the effect of consumer characteristics (socio-economic, demographic, and psychographic) on retail format patronage decisions,

3. To examine the effect of temporal aspects such as frequency of visit, purchase volume, and time spent in the store on retail format patronage behaviour,

4. To examine the effect of store format attributes on retail format patronage,

5. To investigate the effect of situational factors such as task definitions and perceived risk on retail format patronage,

6. To derive marketing implications from the information gathered.
1.4 Scope of the Study

The researcher identified scope of the research in the following ways:

1. The study was limited to major food & grocery retail store formats viz.,
   neighbourhood kirana stores, and supermarkets in twin cities of
   Secunderabad and Hyderabad in Andhra Pradesh.
2. The study subjects were adult food and grocery retail consumers from twin
   cities of Secunderabad and Hyderabad.
3. The scope of consumers’ attributes were limited to age, gender, marital
   status, monthly household income, education, occupation, family size,
   distance travelled, values, opinions, interests, activities and shopping
   orientations.
4. The scope of store attributes were confined to location, merchandise,
   customer service, price-promotions, ambience and store facilities only.
5. In addition, the study focused on temporal aspects (i.e. purchasing volume,
   shopping frequency, time spent on shopping) and situational factors (i.e.
   task definition and perceived risk) influencing store format patronage
   behaviour.

1.5 Overview of Data Collection and Analysis

To meet the objectives the study, formal interviews were conducted with
different food and grocery retail format managers in twin cities of Hyderabad
& Secunderabad, India. Academic expert’s opinions and suggestions were
sought to develop a conceptual model and survey instrument. Retail customers
were convenience sampling technique using mall intercept survey method for
collection of primary data by administering a structured non-disguised
questionnaire at forty food and grocery retail stores covering neighbourhood
kirana store formats, and supermarket formats where most of the food and
grocery products were purchased in twin cities of Hyderabad and
Secunderabad. The survey was conducted during October 2010 to March 2011.
The data analysis and results were based on 580 usable questionnaires duly
filled up by the retail customers, who actively participated in marketing survey.
Both descriptive statistical tools (Mean, Standard Deviations and cross
tabulations) and inferential statistical techniques such as factor analysis,
correlation, stepwise forward multiple linear regression (MLRA), chi-square,
and ANOVA were applied to test the formulated hypotheses from research
frame work.

1.6 Underlying Assumptions of the study

A number of assumptions underlying the proposed research:

1. First, it is assumed that, consistent with recent research and re-
conceptualizations, shopper characteristics and store attributes are
constructs that have applicability for determining retail format choice
and patronage in food and grocery retailing.

2. Research objectives described above can be meaningfully examined in a
cross-sectional analysis. Cross-sectional research cannot prove the
existence of effects that unfold over time. It can, however, reveal
whether constructs and variables are related as would be predicted, thus
sheding light on whether casual effects may exist without necessarily proving that they do. The question emerges, then, whether cross-sectional research is useful. Like much of the work in this area and the marketing research in general, this study adopts the perspective that it is, provided that the limitations of cross-sectional research are considered when drawing conclusions.

3. Relationships exist among the variables of the study and are measurable.

4. The mall intercept technique is a meaningful method for gathering the range of data needed to answer the research hypotheses.

5. The literature supporting the rationale for the study accurately reflects the need for the research.

6. The terms shopper, customer, and respondent are the one and same; store format and retail format are the one and same, interchangeably used as per the need and situation.

7. Importance of store attributes and store images are congruent with each other.

1.7 Organization of dissertation

This section provides an overview of the organization of the dissertation.

1. The first chapter provides introduction, statement of the problem, need for the study, research objectives, scope of the study, overview of data collection and analysis, underlying assumptions of the study and end with chapterisation.

2. The second chapter provides Global and Indian scenario of retailing; growth and development of global retailing including non store retailing,
special focus on Asia Pacific grocery retailing and extensive emphasis on Indian food and grocery retailing.

3. The third chapter provides literature relevant to shopper behaviour in retailing, theoretical frame work concerning previous models of the present study, a review of general constructs in the proposed model from a marketing literature which enable to understand and examine the proposed conceptual model and end with identification of research gaps.

4. Chapter four describes the research methodology covering research questions, formulation of hypotheses, research design, sampling design, survey instrument, measurement variables, diagnostic tests including reliability and validity, procedure for data collection and methods of data analysis.

5. Chapter five provides descriptive statistical results and analysis relating to the characteristics of the sample, measurement of key constructs, cross tabulations and inferential statistical result and analysis relating to Correlation, Multiple Regression, and ANOVA.

6. Chapter six provides discussions of statistical results and deriving implications for academia as well as retail managers.

7. In the final chapter, conclusions, suggestions, limitations and directions for future research are provided.