CHAPTER – I
INTRODUCTION AND DESIGN OF THE STUDY

1.1 INTRODUCTION

India is a big country with vast natural resources to cherish with. It has diverse demographic profile, thanks to lopsided development of economy. A large gap is in the anvil between the rich and the poor, with the latter constituting major chunk of the population. Of late, there is a tendency of growth in number of middle-income class families who have started showing passion for goods, hitherto, they did not care of. Thanks to globalization, Indian population got themselves exposed to western culture, with the traditional customs and practices taking the backseat. Major changes, which have taken place recent times in the consumption pattern of the public attributed much to the changes in their lifestyles. This prompted many entrepreneurs making a beeline to get into retail. People today find little time to prepare beverages in their houses and with established brands of food and beverage occupying the shelves of supermarkets and malls; it has become easier for the people to select the items of their choice. Consumer behaviour study is based on consumer buying behaviour with the consumer playing three distinct roles of user, player and buyer. Research has shown that consumer behaviour is difficult to predict even for experts in the field\(^1\). Organization are aware that it is much more expensive to attract new consumers and also existing one. Marketing oriented organizations build relationship with their needs. This means that they eat food, were cloths and use transport to move from one point to another on a daily basis. When consumers buy these on a daily basis and necessities of food and beverage comes first. According to NSSO year 2006-2007 report it shows that for every one rupee consumer expenditure on food and beverage constitute 53 and 39 paisa in rural & urban area. More over the life style of the Indian consumers have been dramatically changing due to paradigm shift, increase in

double income house hold etc. This changes in consumer behaviour augur well for food and beverage industry and also retail industry too.

The boom in retail is visible, as it is expected to grow by twenty-five percent per annum. The food and beverages constitute nearly fifty-three percent of consumption expenditure of the people and it is a welcome feature for those who have ventured out into retail. The present day media have brought the people very close to the products of daily consumption and the focus has been shifted from the durable products to the non-durables particularly the beverages. Further, much emphasis has also been made for the people to be health conscious, thus paving the way for increased demand for health drinks.

Every one purchase product purchase a product or a service due to some expectations about the product or service do when it is used. Satisfaction is a per ones feeling of pleasure or disappointment resulting from the products perceived performance in relating to his or her expectation. If the performance fall short the consumer will dissatisfied. If the performance matches the expectation the consumers is satisfied. If the performance exceeds expectation the customer will delighted.

The growing market for food and beverages is much evident from the fact that many companies doing business abroad have started showing greater interest in venturing out into the Indian market. The food and beverage retail market in India is estimate at$ 46 billion and make up for 2% of country total market(KSA Technopack report 2007). Much to the delight of the consumers, there is an increased number of players in food and beverages, highlighting the superiority of their brands over others. The growing competition has added juice to the hitherto unexplored market, opening the floodgates in retail in India.
1.2 NEED FOR THE STUDY

The growing market for food and beverages and the changes, it has brought, steal the limelight in retail. The traditional market segmentation based on age and income has given way to classification of the market based on gender and lifestyle of the consumers. India, a good example for heterogeneous market, has presented an interesting scene, as the marketers need to bring into the foray all their versions in the same product line in competition with each other. This is quite in response to the unrelenting behaviour of the consumers in the market place.

It is quite interesting to note that the buying decisions which need to be based on rational thanking, may end with impulse buying. This may be due to the reason that not every consumer evokes same response to the same stimulus as that of another. Every individual is different from others. Right from the race, religion, norms, customs, and values to the rituals of daily life, each individual experiences difference which makes his behaviour quite unpredictable. A marketer would be successful only when he is able to determine as to why a consumer behaves in a particular manner and devises appropriate strategies in response to the behaviour exhibited by the latter.

It has hence become imperative for the researcher to bring into focus the variables that affect consumer behaviour. The extent, each variable impact the behaviour needs to be studied, as it would lead to the realization of objectives of the study. The present study has narrowed down by taking only ‘food and beverages’ product class in a bid to bring depth to the study and have the research as a meaningful exercise.

1.3 STATEMENT OF THE PROBLEM

Consumers are not expected to behave in the same manner at the marketplace. Each one is confronted with different factors – some from within and some others external to him. The internal ones are peculiar to him and even his near and dear do not possess the same characteristics. Such psychographic variables are complex in nature and are attributed to so many factors including
those which are relevant to the society, he belongs to. Even the external stimuli are not alike, as everyone cannot be expected to experience the same set of cues in the external environment. People living in the posh areas cannot be compared with those who huddle themselves in congested areas, though both make their purchasing at the same mall. This is quite evident in metropolitan cities, leave alone other cities and towns where such differences persist in a glaring manner. It is thus pertinent to define the problem precisely before dwelling in length on the study.

1.4 OBJECTIVES OF THE STUDY
The objectives of the study are as follows:
1. To analyze Food and Beverage Market in India
2. To find out the demographic characteristics of the sample respondents and their perception on food and beverage.
3. To study the respondents’ existing purchasing behaviour practice towards foods and beverages.
4. To study the perception of consumers towards the market of food and beverage products.
5. To examine the problems faced by the consumers of foods and beverages at the retail organization.
6. To identify various influencing factors on the choice of store format for purchasing foods and beverages.
7. To ascertain the value system and life styles of consumers of food and beverage in Salem district.
8. To offer suggestions for improving the quality of service offered by the retail organizations for enhancing repeat purchase of foods and beverages based on the results of the study.

1.5 SCOPE OF THE STUDY:
The scope of the study is confined to the respondents in Salem district only.

1.6 OPERATIONAL DEFINITION OF CONCEPTS

FOOD
Food is any substance consumed to provide nutritional support for the body. It is usually of plant or animal origin, and contains essential nutrients, such as carbohydrates, fats, proteins, vitamins, or minerals. The substance is ingested by an organism and assimilated by the organism's cells in an effort to produce energy, maintain life, or stimulate growth.

**BEVERAGE**

A drink, or beverage, is a kind of liquid which is specifically prepared for human consumption. There are many groups for drinks. It can be divided into various groups such as plain water, alcohol, non alcoholic drinks, soft drinks (carbonated drinks), fruit or vegetable juices and hot drinks. In addition to fulfilling a basic need, drinks form part of the culture of human society.

**NON-ALCHOLIC BEVERAGE**

A soft drink (also called soda, pop, coke, soda pop, fizzy drink, tonic, seltzer, mineral, sparkling water, or carbonated beverage) is a beverage that typically contains water (often, but not always carbonated water), usually a sweetener, and usually a flavoring agent. The sweetener may be sugar, high-fructose corn syrup, fruit juice, sugar substitutes (in the case of diet drinks) or some combination of these.

**FT-FAIR TRADE**

The Fair trade industry does not reveal how much of this is the extra price charged for Fair-trade goods, or how much of the extra price reaches the producer. Fair-trade branding has extended beyond food and fiber, a development that has been particularly vibrant in the UK where there are 500 Fair-trade towns, 118 Fair-trade universities, over 6,000 Fair-trade churches, and over 4,000 UK schools registered in the Fair-trade Schools Scheme.

**GDP-GROSS DOMESTIC PRODUCT**

Gross domestic product (GDP) is the market value of all officially recognized final goods and services produced within a country in a given
period of time. GDP per capita is often considered an indicator of a
country's standard of living.

**FMCG-FAST MOVING CONSUMER GOODS**

Fast-moving consumer goods (FMCG) or consumer packaged
goods (CPG) are products that are sold quickly and at relatively low cost.
Examples include non-durable goods such as soft drinks, toiletries, and grocery
items.

**F&B-FOOD AND BEVERAGE**

F&B is a common abbreviation in the United States and Commonwealth
countries, including Hong Kong. F&B is typically the widely accepted
abbreviation for "Food and Beverage", which is the sector/industry that
specializes in the conceptualization, the making of, and delivery of foods. The
largest section of F&B employees are in restaurants and bars, including hotels,
resorts, and casinos.

**BTL-BELOW THE LINE**

In organizational business and marketing communications, Below The
Line (BTL) is an advertising technique.

**FICCI-THE FEDERATION OF INDIAN CHAMBER OF COMMERCE & INDUSTRY**

It is a non-government, not-for-profit organisation. The FICCI draws its
membership from the corporate sector, both private and public, including the
SMEs and the MNCs. The chamber has an indirect membership of over
2,50,000 companies from various regional chambers of commerce.

**URBANIZATION**

Urbanization is the physical growth of urban areas as a result of rural
migration and even suburban concentration into cities, particularly the very
largest ones. The United Nations projected that half of the world's population
would live in urban areas at the end of 2013.

**GLOBALIZATION**
Globalization is the process of international integration arising from the interchange of world views, products, ideas, and other aspects of culture. Globalization describes the interplay across cultures of macro-social forces. These forces include religion, politics, and economics. Globalization can erode and universalize the characteristics of a local group.

**PROCESSED FOOD**

Processed food is commercially prepared food designed for ease of consumption. Products designated as convenience foods are often prepared food stuffs that can be sold as hot, ready-to-eat dishes at room-temperature, shelf-stable products; or as refrigerated or frozen products that require minimal preparation (typically just heating).

**HYPER MARKET**

A hypermarket is a superstore combining a supermarket and a department store. The result is an expensive retail facility carrying a wide range of products under one roof, including full groceries lines and general merchandise. In theory, hypermarkets allow consumers to satisfy all their routine purchasing needs in one trip.

**SUPER MARKET**

A supermarket, a large form of the traditional grocery store, is a self-service shop offering a wide variety of food and household products, organized into aisles. It is larger in size and has a wider selection than a traditional grocery store, but is smaller and more limited in the range of merchandise than a hypermarket or big-box market.

**CONSUMER**

The person who actually consumes the merchandise produced. A consumer is anyone who typically engages in any one or all the activities in the purchase decision making. The person, who does the buying. Anyone who regularly makes purchases from a store or a company is termed as “consumer”. Thus, consumer is typically defined in terms of specific store or company.

**RETAIL MARKET**
A group of consumers who have common or similar needs which can be collectively addressed by a retailer who choose to cater to the same group or consumer segment

RETAILER

It is the last entity in the distribution channel. It includes all business and individuals who actively participate in the transfer of ownership of goods and services to their end users.

RETAILING

A set of business activity that adds value to the products and services sold to the final consumers for their personal, family or household use.

RETAILING STRATEGY

A statement that indicates the target market toward which a retailer plans to commit its resources, the nature of the retail offering that the retailer plans to use to satisfy the need of the target market and will attempt to build a sustainable competitive advantage over competitors.

TRADITIONAL RETAIL STORES

These stores are unorganized retail stores, small in size, and consumer friendly that offers limited assortments of merchandises that caters to the needs of the neighborhood consumers. It comprises kirana stores, general stores usually known as neighborhood stores.

MODERN RETAIL STORES

These stores are organized retail stores, large in size, which offer wide variety of merchandise and services that attracts consumers even from far off places. It comprises supermarket, departmental stores, hyper market and malls.

DEMOGRAPHICS

Information about population in terms of age, sex, income, household size and so on.

ASSORTMENT

Selection of merchandise carried by a retailer. It covers both breadth of the product categories and variety within each category.
SALES PROMOTION
The technique of offering short-term incentives to consumers, so that they are motivated to purchase the retailer’s products or services.

FRANCHISEE
The owner or controller of an individual store in a franchisee agreement.

Kiosk. A small selling space which offers a limited merchandise assortment.

ANCHOR STORE
A large, well known retail operation located in a purchasing centre or internet mall that services as an attracting force for consumers to the center.

ORGANISED RETAIL
Organized retail is nothing but a retail place where all the items are segregated and brought under one roof, unlike the unorganized retail where different things are sold in different shops. It also aims to bring maximum of different brands making the same type of product together.

UNORGANISED RETAIL
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/beedi shops, convenience stores, hand cart and the like.

DEPARTMENTAL STORE
A departmental store is a retail establishment which satisfies a wide range of durable goods and products to the consumer's personal and residential needs and at the same time offers the consumer a choice of multiple merchandise lines, at variable price points, in different product categories (Also known as "departments" hence the name).

KIRANA STORE
It is a small store that stocks a range of everyday items such as groceries, toiletries, alcoholic and soft drinks, tobacco products, and newspapers. Such stores may also offer money order and wire transfer services. They differ from general stores and village shops in that they are not in a rural location and are used as a convenient supplement to larger stores.
PURPOSIVE SAMPLING

It is also called as judgment sampling. The researcher chooses the sample based on who they think would be the appropriate for the study.

VALUES AND LIFESTYLE (VALS)

The Buyers are divided into different groups on the basis of lifestyle, or values. The VALS, signifying values and lifestyles, classifies the U.S. adults into eight primary groups based on responses to a questionnaire featuring 4 demographic and 35 attitudinal questions. The VALS system is continually updated with new data from more than 80,000 surveys per year.

1.7 RESEARCH METHODOLOGY

Research methodology shows the methods to be followed in the research activities starting from investigation to presentation of research report. It includes the research design, sampling framework, construct development, data collection, framework of analysis and limitations. The methodology followed in the present study is summarized below.

1.7.1 RESEARCH DESIGN

The research design is the overall plan of the research work. It is a blue print of the activities to be taken in the research work. It includes the way in which the collection, measurement and analysis of the data are done in the present research. The applied research design of the present study is purely descriptive in nature because of the following reasons namely it has its own confined objectives and also predetermined methodology. It is portraying the socio-economic profile of the respondents who make purchase of food and beverages products selected for the study, the factors that influence their selection of retail formats and their level of satisfaction towards price, brand and package of food and beverages products.

1.7.2 PROFILE OF THE STUDY AREA

Salem District is a district of Tamil Nadu state in Southern India. The city of Salem is the district headquarters. Other major towns in the district are Mettur, Omalur, Nangavalli, Mecheri and Attur. The district is well connected
by rail and road networks. Salem district is known for its mangoes, steel and Mettur dam, which is a major source of irrigation and drinking water for the state of Tamil Nadu. The vibrant culture of the region including Salem district dates back to the ancient Kongu Nadu. According to the 2011 census Salem district has a population of 34,80,008. Salem has a sex ratio of 954 females for every 1000 males. The district has a literacy rate of 73.23 percent. Salem district has nine Taluks. They are Attur, Edappadi, Nangavalli, Mettur, Omalur, Salem, Sankagiri, Valapady and Yercaud.

1.7.3 SAMPLING FRAMEWORK

Since the population of the study is unknown, the following formula is applied to arrive at the sample size.

\[ n = \frac{t^2 \cdot s^2}{d^2} \]

The sample size has been calculated using the above formula, where, the t-value of alpha level 0.05 is 1.96, the alpha level has been usually considered as 0.01 or 0.05. For this study, the alpha level of 0.05 has been considered, ‘s’ is the standard deviation estimate of the population and ‘d’ is the acceptable margin of error for mean being estimated.

\[ t = 1.96 \]

\[ s = \text{standard deviation} = 1.793 \]

\[ d = (\text{number of scales in the variable} \times \text{accepted margin of error}) = 5 \times 0.03 \]

Calculated value of \( n = 548.89618 \)

Thus the sample size of the study has been rounded off to 549.

The sample size for the study is 549. The 549 are distributed in nine taluks of Salem district with 61 each for taluk. The purposive sampling method is applied for choosing the sample from each taluk, since, the population is unknown.
Table 1.1
Sampling framework

<table>
<thead>
<tr>
<th>Taluke</th>
<th>Total No. of Questionnaire Distributed</th>
<th>The Number of Questionnaire Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attur</td>
<td>61</td>
<td>54</td>
</tr>
<tr>
<td>Edappadi</td>
<td>61</td>
<td>56</td>
</tr>
<tr>
<td>Nangavalli</td>
<td>61</td>
<td>55</td>
</tr>
<tr>
<td>Mettur</td>
<td>61</td>
<td>56</td>
</tr>
<tr>
<td>Omalur</td>
<td>61</td>
<td>58</td>
</tr>
<tr>
<td>Salem</td>
<td>61</td>
<td>58</td>
</tr>
<tr>
<td>Sankagiri</td>
<td>61</td>
<td>58</td>
</tr>
<tr>
<td>Valapady</td>
<td>61</td>
<td>57</td>
</tr>
<tr>
<td>Yercaud</td>
<td>61</td>
<td>56</td>
</tr>
<tr>
<td>TOTAL</td>
<td>549</td>
<td>508</td>
</tr>
</tbody>
</table>

The table 1.1 shows that the 549 questionnaire are distributed among respondents of nine Taluks in Salem district. Only 508 filled in questionnaires were received.

1.7.4 SOURCES OF DATA

The present study is completely based on the primary data. The secondary data collected from the books, journals and magazines were used to write the conceptual framework of the study and also the review of literature. The primary data were collected with the help of a structured questionnaire.

1.7.5 CONSTRUCT DEVELOPMENT

A well structured questionnaire was prepared on the basis of the objectives of the study. The questionnaire is divided into five parts. The first part covers the personal, social and economic profile of the respondents. The second part includes the purchase pattern of food and beverage products and choice of store formats of the respondents. The third part covers the factors
influencing the respondents on purchase of food and beverage. The fourth part influences on consumer responses towards various elements of marketing mix of food and beverage product market and the last part covers the Values and Lifestyles (VALS) segments of the respondents and their perception towards food and beverage products.

A pilot study was conducted among 50 respondents from Salem district. Further, observations were also made on the behaviour of consumers at the store formats.

1.8. FRAME WORK OF ANALYSIS

The data collected were analyzed in tune with the objectives of the study using the following tools.

GROWTH RATE ANALYSIS

The growth rate analysis was carried out to assess the growth of Food and Beverage in Salem district. The data related to various aspects of the Food and Beverage Market from 2003-2004 to 2011-2012.

The annual growth rate was computed by \( y = a + b_1 x_1 + e^2 \)

Where \( y \) = Growth variable
\( x_1 \) = period (year)
\( b_1 \) = regression coefficient
\( a \) = intercept and
\( e \) = error term

To compute the compound growth rate, the exponential function of the form mentioned below was used

\[ Y_t = AB^t v_t \]  

Where,
\( Y_t \) = Growth variable
\( t \) = time
\( v_t \) = error term

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A = Y in the base of year
B' = 1+g

g - being the constant rate of growth to be estimated.

Taking logarithm of (1) gives

\[ \log Y_t = \log A + (\log B)^t + \log v_t \]  ---- (2)

By defining

\[ Q_t = \log Y_t, \quad X_t = a, \quad a = \log A, \quad b = \log B \]
\[ V_t = \log V_t \]
\[ Q_t = a + b x_t + v_t \]  ---- (3)

We obtain the value of A and B of (1) using the above definitions value of ‘g’ obtained as follows

\[ \log B = b, \quad B = \text{Antilog} b \]
\[ B = 1+g, \quad g = B - 1 \]

**CHI SQUARE TEST**

In order to examine the relation between the degree of consultation and profile variables, the Chi-Square Test\(^4\) of the following formula was applied:

\[
\text{Chi Square} = \sum \frac{(O-E)^2}{E} \text{ with } (c-1)(r-1) \text{ degrees of freedom.}
\]

Where,

\[ E = \frac{\text{RowTotal}*\text{ColumnTotal}}{\text{GrandTotal}} \]

\[ O = \text{Observed Frequency}, \]
\[ E = \text{Expected Frequency}, \]
\[ r = \text{Number of Rows}, \]
\[ c = \text{Number of Columns} \]

**KRUSKAL WALLIS TEST**

Kruskal Wallis test, is an non-parametric test used to assess the significance of the difference between the respondents under different

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classifications on the priorities. The results are presented in tables for demographic profile of consumers’ perception on the various elements of marketing mix related to food and beverage products with suitable hypothesis and relevant interpretations.

ANALYSIS OF VARIANCE (ANOVA)

Analysis of Variance is used for examining the differences in the mean values of the dependent variable associated with the effect of the controlled independent variables, after taking into account the influence of the uncontrolled independent variables. One-way analysis of variance involves only one dependent variable or a single factor. The null hypothesis may be tested by the F statistic based on the ratio between these two estimates:

$$F = \frac{SS_{x} / (c - 1)}{SS_{error} / (N - c)} = \frac{MS_{x}}{MS_{error}}$$

Where

$$SS_{x} = \sum_{j=1}^{c} n (\bar{Y}_{j} - \bar{Y})^2$$

Where

$$SS_{error} = \sum_{j=1}^{c} \sum_{i=1}^{n} (\bar{Y}_{j} - \bar{Y})^2$$

$$Y_{i} = \text{Individual observation}$$

$$Y_{j} = \text{Mean for category (j)}$$

$$Y = \text{Mean over the whole sample, or grand mean}$$

$$Y_{ij} = i^{th} \text{ observation in the } j^{th} \text{ category}$$

$$C = \text{Number of independent variables or groups}$$

$$N = \text{Total sample size (nxc)}$$

The ‘F’ statistics follows the F distribution, with (c-1) and (N-c) degree of freedom.
In the study the one-way analysis of variance has been administered to find out the association between the perception of consumer about marketing mix of the food and beverage, and their values and lifestyles.

FACTOR ANALYSIS

Factor analysis is a general name denoting a class of procedures primarily used for data reduction and summarization. In research, there may be a large number of variables, most of which are correlated and which must be reduced to a manageable level. Relationships among sets of many interrelated variables are examined and represented in bonus of a few underlying factors. Factor analysis is somewhat similar to multiple regression analysis, in that each variable is expressed as a linear combination of underlying factors. The amount of variance a variable shares with all other variables included in the analysis is referred to as communality ($H^2$). Factor loading indicates the level of correlation between variables associated with the factor. The eigen value represents the level of variance explained by each factor. The factor scores are composite scores estimated for each respondent on the derived factors. The cunbach alpha indicates the reliability of the variables in each factor. In the present study, the factor analysis was used for data reduction purpose.

STRUCTURAL EQUATION MODELLING (SEM)

Structural equation modeling was used to test the hypothesized model by applying LISREL 8.3 (Joreskog and Sorbon, 1993) to covariance matrix. It is used to measure the direct and indirect effect of product, price, brand, advertisement, and impulse buying tendency factors on the consumer behaviour. The given figure represents the hypothetical model.

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By the result of SEM, the ‘t’ statistics of the path coefficients have been examined to indicate the direct and indirect effect of independent variables on dependent variable directly and also through mediating variable (Anderson and Gerbing, 1988)\(^7\).

1.9 PERIOD COVERED FOR THE STUDY

The study pertains to the period from 2009 to 2013.

1.10 LIMITATIONS OF THE STUDY

The study is restricted to Salem district only and may not be applicable to other areas. Collection of data was a tedious process as respondents when they visit the store format were very busy in their purchasing and highly reluctant in spending time for providing data. The opinions of the respondents are based on the primary source of data only.

1.11 CHAPTERISATION

**Chapter I: Introduction and Design of the Study**

This chapter consists of the introduction, need for the study, statement of the problem, objectives of the study, research methodology followed, framework of analysis, scope of the study, period covered by the study, and limitations of the study.

**Chapter II: Theoretical Framework and Review of Literature**

This chapter brings out the Theoretical Framework of consumer behaviour and review of literature related to the study.

**Chapter III: Analysis of Food and Beverage Market in India**

This chapter discusses about the Indian food and beverage market, and its growth.

**Chapter IV: Analysis of Consumer Perception Towards Food And Beverage**

This chapter brings out Analysis of demographic profile of consumer their perception of food and beverages market and consumers’ purchase behaviour.

**Chapter V: Impact of Demographic Factor on the Store Format and Purchase of Food and Beverage**

This chapter includes impact of demographic factor on the choice of store formats.

**Chapter VI: Analysis of Consumer Values and Life Style and Their Behaviour Towards Food and Beverage**

This chapter deals with analysis of consumer values and life style and their perception towards food and beverages.

**Chapter VII: Findings, Suggestions and Conclusion**

This chapter deals with findings, suggestions and conclusion