CHAPTER I

INTRODUCTION

Trade is a transformed version of the barter system. The emergence of currency revised the pace of trade. Trade is considered to be essential for marketing of goods and services. Marketing is not a novel business concept of the 20th century but the process is as old as human history. Retail is any business that directs its marketing efforts towards satisfying the end consumer based upon the organisation of selling goods and services as a means of distribution (Omar, 1999). The retailing sector does retailing by organizing the available product on a relatively large scale and supplying them to customers on their required level in lesser unit. Retail business involves selling commodities from a retail store, online orders, through vendors and so many other channels. Retail business is a global phenomenon and is multifaceted in nature. Retail business is not related to the size of the business, and it all runs on the basic principles of customer satisfaction, customer loyalty and profitability.

Retailing can be said to be the interface between the producer and the individual consumer buying for personal consumption. Retailing is the conclusive set of activities or steps that involves purchase of the products or services in large quantities or manufacturing products themselves and selling them to the end user for their own personal or household use in the required level. It is the last link that connects the individual consumer with the manufacturing and distribution chain. Retailer is a person or an agent or agency or company involved in the act of selling goods to the individual consumer at a margin of profit.

Retail industry is generally classified as, Organized and Unorganized Retailing. Organized retailing refers to trading activities undertaken by licensed retailers, i.e. retailers registered for sale tax, income tax and other statutory taxes. These include outlets such as corporate backed hyper markets and retail chains. On the other hand Unorganized Retail refers to the traditional formats of low cost retailing, for example, local shops, owner operated general stores, convenience stores, hand cart vendors, peddlers and pavement vendors.
Retailing, one of the largest sectors in the global economy, is going through a transition phase not only in India but all over the world. Indian Retail industry, hailed as a Sunrise Sector, is one of the most important players in the economic development of the country. Retailing in India is gradually moving towards becoming the next boom industry after agriculture. India’s retail is dominated by a large number of small retailers consisting of the local kirana shops, owner manned general stores, footwear shops, apparels shops, paan and beedi shops, hand cart hawkers and pavement vendors. In India 95 percent of the retail businesses is under unorganized sector. The organized retailing in India is still at its nascent stage. Organized retailing, in India has gone through phases of rapid expansion, uncertainty and slowdowns constantly in the past few years. In the years to come the growth of organized retailing and buying potential of the Indian population is going to take a higher growth trajectory. The food retail industry in India dominates the shopping basket. Indian retail industry is progressing well. The primary goal of any marketer is to contact the consumers at the instant that the decision of the consumer can be influenced in favour to them. The goal of retailer is also to influence consumers in favour of them.

An attempt is made to identify the marketing mix that influences the consumer in selecting the outlet for purchases. Consumer behaviour is affected by psychological factors namely, beliefs and attitude, motivation, learning and perception. Out of the factors affecting consumer behaviour, attempt is made to study the consumer perception towards outlet. Further a study on retail business is all about study of the relationship of consumer satisfaction, loyalty, and profitability, hence attempt is made to evaluate the consumer satisfaction and store loyalty of the consumer towards organized retail outlet, the influence of perception on consumer satisfaction, influence of perception on store loyalty and the relationship that exist among perception, consumer satisfaction and store loyalty.

1.1. ANTIQUITY OF RETAILING

When the farmers started producing more food than required, retailing as an occupation began. Trading was an important part of daily life in the ancient world.

In India the existence of the current kirana and other shops can be traced from the Manusmriti and Kautilya’s Arthashastra. Those texts provided guidelines for dealing with
customers, after sales services, quality and price guarantees. Indian history and archaeology recorded the existence of market during the Harrapa civilization. Elaborate description of local and periodic village market called as haats are also found. The new retail formats that are now seen in India have their genesis in Europe. The earlier traders were believed to be the Cretans and they flourished for 2000 years and their culture has influenced other great trading civilizations. The Phoenicians followed the Cretans as the major trader of the civilization. They distributed the goods of Egypt and Babylonia.

Romans followed the Phoenicians. The Romans established different form of retailing. Ancient ruins initiated the first departmental store in Rome. After the fall of Roman Empire retailing, the independent peddlers were the only retailers. In the 12th century, artisans and traders began to organize into guilds and opened up small shops. During 13th century fairs and markets flourished. Larger markets were called fairs and people travelled long distances to utilize the advantage of these markets. Tea centres run by Lipton were the first chain of stores.

At the start of 20th century, markets were witnessing the inventors to the present day retailing scenario. Many American retailing institutions originated after 1850. During this time peddlers and general stores were the only retailers in the country. Departmental stores started gaining prominence after 1850. As Departmental stores grew in cities, rural citizens used the first form of dialogue or mail order marketing; this allowed them to get the goods they needed without the hassle of traveling long distances into the city.

The development of rail road system and refrigeration in the period of 1890-1920 enabled shoppers to travel more widely and choose from a great assortment of merchandise. The first set of department stores was opened. They offered comforts like convenient and consolidated locations, longer hours and better prices. American retailing witnessed the proliferation of other formats such as super market chains and shopping malls between the two world wars.

The period between 1950 and 1970 witnessed the emergence of major players and formats. The first convenience store Seven - Eleven (Texas) was opened. The next big retail shift came when Sam Walton opened the first Wal-Mart and discounter such as Kmart and Target opened their stores. These stores used low cost and high turnover
technique to provide customer with lower prices. Wal-Mart integrated computer systems to its operations. In 1974, the first scanner was installed at a Marsh’s supermarket in Troy, Ohio. In the next decade, the retail Industry witnessed the emergence of category killer and wholesale club. The industry started getting consolidated at this time. During 1980’s superstores and retail category killer made up about one-third turnover of US retail revenue (Piyush et al., 2009). Mall of America, one of the largest malls in the world, opened in Minneapolis, introduced its general merchandise catalogue business. This was the time when the retailers started focusing on ‘store as brand’ strategy.

The 1990’s can be called as Internet era. This period also witnessed major internalization efforts by large retailers (Piyush et al., 2009). The current decade is witnessing a lot of turbulence in the retail industry. The focus has shifted to the emerging economies and retailers are searching for a different business model to succeed in these markets ruled by small retailers.

1.2.1 GLOBAL RETAIL SCENARIO

Retailing has played a major role in the global economy. In developed markets, retailing is one of the most prominent sectors. Modern day retail emerged in three successive waves (Reardon and Hopkins, 2006). The first wave hit in the early to mid of 1990s, the second wave of organized retail swept during mid-to-late 1990s and the third wave of organized retail boom started in the late 1990s and early 2000 in some parts of Africa, Central and South America, South-east Asia, China, India and Russia and continues to grow at a rapid pace.

A study of Asia Pacific region (Coyle, 2006) reports that in 2005, retail food sales in the Asia Pacific region amounted to 1.8 trillion dollars with modern supermarkets accounting for about 75 percent of 1.35 trillion dollars and traditional outlets accounting for the rest. The share of organized retail in developed countries is much higher than in developing countries like India. In 2006, the share of organized retail in the US was around 85 percent. In Japan, it was 66 percent and in the UK it was 80 percent while in developing countries like India, China and Russia it was 6 percent, 20 percent and 33 percent respectively. But, the consumer market in the developed countries is saturating and hence, major retail players in those countries are increasingly invading their footprint.
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in developing countries like India, China and Russia. This is positively supported by the faster growth rate of household expenditure in Brazil, Russia, India and China compared with developed countries. This indicates higher growth potential for retail sector in these countries. Goldman Sachs (2007) argued that the economic potential of Brazil, Russia, India and China show signs of becoming the four most dominant economies by the year 2050. The A.T. Kearney Global Retail Development Index (KGRDI) ranks the top 30 emerging countries for retail development and identifies windows of opportunity for global retailers to invest in developing markets. In KGRDI 2007 list, the top five positions had three Asian countries with India on top, China in third position and Vietnam in fourth position. The number of retail outlets present in the developing countries supports this information (Refer Appendix Table 1.1). In the past five years, US based Wal-Mart, France based Carrefour, UK based Tesco, and Germany based Metro Group, saw 2.5 times faster revenues in developing countries’ market compared to their home country market. Technology is transforming the way retailers operate in both developed and developing markets (Gurusamy, et al. 2011).

In developed economies, organized retail has 75 to 80 percent share in total retail compared to developing economies, where un-organized retail has a dominant share. Organized retailing in most economies typically passes through four distinct phases

- Phase I, new entrants create awareness of modern formats like hypermarket, supermarket, and department store and raise consumer expectations.

- Phase II, consumers demand more modern formats as the markets develop, thereby leading to an exponential growth.

- Phase III, the high rate of growth leads to a state of mature market.

- Phase IV, the domestic market reaches a saturation point leading to limited growth, so retailers explore and evaluate new markets across the globe.

1.2.2. RETAILING: AN INDIAN PERSPECTIVE

Growth in retail trade depends upon the fundamentals of an economy. With over 13 million outlets, India has the highest number of retail outlets in the world that accounts for 95 to 96 percent of the total retail industry in India and the average size of one store is 50-100 square feet (Mandeep, 2012). It also has the highest number of outlets, 11,903 per
million inhabitants. Indian economy is growing at a robust rate over the present decade compared to the past decade. According to McKinsey Global Institute, the average household disposable income in India is likely to grow by 5.3 percent during 2005 to 2025 and reach Rs 318,896 per annum as compared with 3.6 percent in the previous 20 years. This indicates the huge potential for retail sector in India (Kumar and Barani, 2012).

The retail sector has been at the helm of India’s growth story. Retail in India is highly fragmented and unorganized. Earlier retailing in India was mostly done through family owned small stores with limited merchandise, popularly known as kirana or mom and pop stores. In those times food and grocery was shopped from clusters of open kiosks and stalls called Mandis. There were also occasional fairs and festivals where people went to shop. During the twentieth century, infusion of western concepts brought about changes in the structure of retailing. The government set up the Public Distribution System outlet to sell subsidized food and started the Khadi Gram Udyog to sell clothes made of cotton fabrics. Some manufacturers like Bombay Dyeing started forward integrating to sell their own merchandise. Shopping centres or complexes that are primitive form of today’s malls came into existence. Since liberalization in early 1990’s, many Indian players like Shoppers Stop, Pantaloon Retail India Ltd, Spencer Retail ventured into the organized retail sector and have grown many folds. These were the pioneers of the organized Indian retail format.

Retailing accounts for over 10 percent of the country’s Gross Domestic Product. Around eight percent of the employment in retailing in India is gradually crawling to become the next booming industry to agriculture. Retail and real estate are the two booming sectors of India in present times (Guruswamy, et al. 2011). According to A T Kearney’s Global Retail Development Index (KGRDI) 2010, India has emerged as the fifth most favourable destination for international retailers, outpacing UAE, Russia, Indonesia and Saudi Arabia. According to KGRDI 2012, India remains a high potential market with accelerated retail growth of 15 to 20 percent expected over the next five years. Growth is supported by strong macro-economic conditions, including a 6 percent to 7 percent rise in Gross Domestic Product, higher disposable incomes and rapid urbanization. The Retail Industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. But all of them have not yet
tasted success because of the heavy initial investments that are required to compete with other companies and succeed them. The future of the India retail Industry looks promising with the growth of the market, with the government policies becoming more favourable and the emerging technologies facilitating operations. India’s overall retail sector is expected to rise to US$ 833 billion by 2013 and to US$ 1.3 trillion by 2018. In the overall retail sector, food and grocery is the dominant category with 59.5 percent share valued at Rs 792,000 crores, followed by clothing and accessories with 9.9 percent share at Rs 131,300 crores (Gurusamy, et al. 2011).

The Global slowdown has not spared India. The Gross Domestic Product growth slipped to 5 percent down from a 10 year average of 7.8 percent. This has moved India to 14th position in 2013, KGRDI. This position is nine spots lesser than its previous year KGRDI position. Still, India remains high potential market with retail expectation of 14 to 15 percent per year through 2015. This expectation is mainly because of long term fundamentals that are supporting the retail growth: large, young, increasingly brand fashion conscious population.

Foreign firms are more interested in entering Indian retail industry due to its prospects. Twenty nine transactions were conducted in the first half of 2011. Foreign players: Brook Brothers, Kenneth Cole, Sephora, Armani Junior, Starbucks and Dunkin’s Donut have already entered India in different sectors. But, the expansion plans are affected by high operating cost, low bargaining power with vendors and heavy discounting to improve sales that affected profits. To overcome this, many players are actively looking at improving sales productivity, cutting operating cost and reducing store size.

1.2.3. ORGANIZED RETAILING IN INDIA

The overall retail market contributes to 14 percent of India’s GDP, but organized retail penetration remains low, at 5 to 6 percent, indicating opportunity for growth. An important aspect of the current economic scenario in India is the emergence of organized retail. Modern retailing has entered into the retail market in India as is observed in the form of bustling shopping centres, multi-storied malls and the huge complexes that offer shopping, entertainment and food all under one roof. Organized Retail in the country is set to grow at a rate of 25 percent and reach a size of US$ 200 billion in 2020 while
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Traditional retail will reach a size of US$ 650 billion. Meanwhile the online retail format or e-retailing is likely to touch US$ 1.26 billion in 2015 (Guruswamy, et al. 2011). A large young working population with median age of 24 years, nuclear families in urban areas, along with increasing working women population and emerging opportunities in the services sector are going to be the key factors in the growth of the organized retail sector in India. In unorganized retail, food and grocery have maximum share, but in the organized retail segment, the picture is different altogether. Apparel and fashion accessories are the largest category with 38.1 percent of the market share, valued at Rs 29,800 crores, followed by food and grocery accounting for 11.5 percent of the organised retail market at Rs 9,000 crore.

Some of the international players that have already entered India include McDonald’s, Pizza Hut, Dominos, Levis, Lee, Nike, Adidas, TGIF, Benetton, Swarovski, Sony, Kodak, and Medicine Shoppe. Companies such as Gap, IKEA, and Abercrombie & Fitch are stepping up inquiries to enter the market. Some foreign companies are seeking local partners like LVMH had linked with local player Genesis Luxury Fashion in multi-brand retail. India’s vast middle class with its expanding purchasing power and its almost untapped retail industry are key attractions for global retail giants wanting to enter newer markets.

1.2.4. GROWTH DRIVERS IN INDIA FOR RETAIL SECTOR.

- Improvement in infrastructure and rising incomes are enlarging consumer market and accelerating consumer wants.
- Liberalization of the Indian economy.
- Increase in spending per capita income.
- Advent of dual income families.
- Shift in consumer demand to foreign brands like McDonalds, Sony and Panasonic.
- Consumer preference for shopping in new environment.
- The internet revolution is making the Indian consumer more accessible to the growing influences of domestic and foreign retail chains. Reach of satellite television channels is helping in creating awareness about global products for local markets.
• India’s biggest Unique Selling Proposition and asset base is its youthful population. About 47 percent of India’s population is under the age of 20; and this will increase to 55 percent by 2015. This young populace which is technology savvy, watch more than 50 television satellite channels, and display the highest propensity to spend, will immensely contribute to the growth of the retail sector in the country.

• Availability of quality real estate and mall management practices.

• Foreign companies’ attraction to India is the billion-plus population. (Hitesh Bhatia, 2010).

1.2.5. OPPORTUNITIES FOR THE GROWTH OF ORGANIZED RETAIL SECTOR IN INDIA.

1. India’s economic boom is a major source of opportunity. India is the fourth fastest growing major economy in the world. India is the third largest in terms of purchasing power in the world.

2. India's huge population has a per capita income of Rs 54,835.

3. The proportionate increase in spending with earnings is another source of opportunity.

4. The Indian economy is now expected to grow at over 7.1 percent and with average salary hikes of about 12.9 percent. Manufacturers and retailers of consumer goods and services can expect a major boost in consumption.

5. The demography dynamics are also favorable as approximately 60 percent of Indian population is below the age of 30.

6. Increasing instances of double income in most families is coupled with the rise in spending power.

7. Increasing use of plastic money for categories relating to apparel, consumer durable goods, food and grocery etc. is another opportunity.

8. Increased urbanization has led to higher customer density areas thus enabling retailers to use lesser number of stores to target the same number of customers. Aggregation of demand that occurs due to urbanization helps a retailer in reaping the economies of scale.
9. With increased automobile penetration and an overall improvement in the transportation infrastructure, covering distances has become easier than before. Now a customer can travel many miles to reach a particular shop, if he or she sees value in shopping from a particular location. Hypermarkets and supermarkets are the best suited retail formats for the food and grocery segment in India.

There is more untapped market in rural that still needs concentration and has high potential in India. According to industry experts, the next phase of growth is expected to come from rural markets, with rural India accounting for almost half of the domestic retail market value over US$ 300 billion (Marketing Master Mind, Nov 2010). Rural India is set to witness an economic boom, with per capita income having grown by 50 percent over the last 10 years, mainly on account of rising commodity prices and improved productivity. According to a white paper prepared by Chamber of Commerce and Industry (CII) Technopack (2009), the rural market grew at an impressive 25 percent in the year 2008 and is expected to have approximately 720 - 790 million customers with a size of US$ 425 billion in the year 2010 - 11. All these are favourable for the growth of organized retail in Rural.

Out of the four phases of organized retailing, India is in the second phase and the developed countries like US are in the fourth phase. But, India has demonstrated its capacity to bye pass many significant milestones like

- Typewriter to computer, bypassing the electronic typewriter,
- Landline telephones to mobile phones, bypassing pagers

This bye pass capacity and opportunities for the growth of organized retail sector may induce India to move to the fourth phase of retailing bye passing the third phase in an early period compared to other countries.

1.2.6. SOUTH INDIA: HUB OF RETAIL ACTIVITY

The quantum of annual consumption of retail in the four southern states of India viz. Tamil Nadu, Andhra Pradesh, Karnataka and Kerala constitute US$94 billion per annum. Out of that organized retail is expected to be in the range of US$8.9 billion. Thus, the share of organized retail is around 9 percent of total retailing in South India.
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The growth of modern retailing happened in the southern part of India much faster than in any other region. It is now estimated that the organized retailing in south India is growing at around 35 percent per annum. Chennai especially is a pioneer in the adoption of modern retail in India. 12 percent of Tamil Nadu’s retail market is estimated to be organized. Chennai came to be known as retailing hub in India as organized saree and jewellery retailing evolved from there more than three decades ago. The emergence of organized formats in home electronics and household appliances retailing gained momentum in Tamil Nadu long ago with the establishment of Viveks, Vasantha, Rathna and VGP. There are around 200 consumer durables and home electronics retailing in South India. Stores like Saravanas, Nalli’s, Spencer’s, Landmark, Kumarans, G.R. Thanga Maligai, and Kirtilals are renowned ones in Chennai. In fact the first large format in food and health care retail Spencer’s was established in Chennai, followed by Nilgiri’s expansion into Chennai from Bangalore in the early 80s. RPG established its supermarkets Food world a few years ago. The City Centre is the new mall scientifically planned and developed in Chennai. Univercell is a chain of cell phone retail and allied services retail outlets launched from Chennai in addition to The Mobile Store of the Essay groups. In view of the multi-product and store availability it is decided to survey the end users of Chennai district for this research purpose.

South India keeps up its pace of growth in organized retailing and this growth is expected to gather momentum in the tier two cities viz. Coimbatore, Trichy, Pondicherry and Madurai in Tamil Nadu, Vijayawada, Vishakapatnam, Guntur and Rajamundry in Andhra Pradesh, Mysore, Mangalore, Belgaum and Hubli in Karnataka and Kozhikode, Kollam and Kottayam in Kerala.

Organized retailing in India began in south. The availability of land at prime locations coupled with lower real estate prices made multi storeyed shopping complexes possible. And now South India, notably Chennai and to a lesser extent Bangalore and Hyderabad have emerged as centres of Organized retailing. In Chennai 20 percent of food sales now is accounted by supermarkets and retail chains and an equal share of consumer durables is sold through specialty chains such as Vivek’s. Manufacturer owned retail chains exist and are springing up in Chennai. Even though the big retail chains like Crossroads, Saga and Shoppers Stop are concentrating on the upper segment and are
selling products at higher prices, some like RPG’s Food world and Big Bazaar are tapping the huge middle class population. The retail sector will soon become the growth engine for Indian economy.

1.2.7. SEGMENTS IN INDIAN RETAIL INDUSTRY

India’s retail pie is shared by different sectors namely food and grocery, fashion and accessories, foot wear, home and office improvement, catering service, telecom, pharmaceutical sector, beauty and wellness, jewellery, time wear, books music and gifts entertainment, furniture and furnishing and others. Among different segments, food and beverage segment is seeing increased activity from foreign players, such as Starbucks partnered with Tata Group to own and operate cafés and Dunkin’ Donuts recently opened its first store in Delhi, in partnership with local franchisee Jubilant Food Works. According to a study by Deloitte Touch Tohmatsu in India, Mass grocery and apparel are the two most favoured segments for foreign direct investment in multi-brand retail.

In case of overall retailing revenues, the food and grocery segment accounted for the highest share at 58 percent of the total retailing pie aggregating to Rs.11.49 lakh crores during 2010. In the organized retailing, the food and grocery segment stood as the second largest contributor with revenues aggregating Rs.24, 273 crores during the same period. According to Technopack report 2011, food and grocery market in India was estimated at US$ 325 billion in 2011 that is 69 percent of the overall retail and was expected to grow to US$ 425 billion by 2016. The organized food and grocery retail market in India is estimated at US$ 9 billion in 2011 and is expected to grow to US$ 34 billion by 2016, at Common Annual Growth Rate of 30 percent. The food and grocery segment is the highest contributor to the retail sector. Hypermarkets and supermarkets continue to dominate, but cash and carry format is growing fast, with significant expansions planned from Bharti, Wal- Mart, Metro Group and Carrefour. (A.T.Kearney, Global Retail Development Index, 2012). As food and grocery occupies first position in case of unorganized retail and second position in case of organized retail due to its important contribution in retailing in India the study is conducted in food and grocery segment.
1.3.1. TYPES OF RETAILERS

**Store Retailers:** operate on a fixed point of sale and depending upon the certain criteria they are divided into discount stores, specialty store, category killer, convenience store, off-price retailer, and warehouse clubs.

**Non-store Retailers:** use of various methods such as broadcasting of infomercials, direct response and advertising. They are categorised as direct selling, direct marketing, automatic vending and buying services.

**Corporate organization:** achieves economies of scale, greater purchasing power, wider brand recognition and better trained employees because of central buying of merchandising. They are classified as corporate chain store, voluntary chain, retailer co-operative, consumer co-operative, franchise’s organization and merchandising conglomerate.

Corporate chain stores involve common ownership of multiple units. In such units, the purchasing and decision making are centralized. Chains often rely on specialization, standardization and elaborate control- systems. Consequently chains are able to serve a large dispersed target market and maintain a well-known company name. Chain stores have been successful mainly because they have the opportunity to take advantage of economies of scale in buying and selling goods. They can maintain their prices, thus increasing their margins, or they can cut prices and attract greater sales volume. Unlike smaller, independent retailers with lesser financial means, they can also take advantage of such tools as computers and information technology. Examples of retail chains in India are Reliance Fresh, Apollo pharmacy, Vasan eye care, Natural saloon, Shoppers Stop; West side and Tanishq.

In this research the researcher has considered corporate chain stores namely: Reliance fresh, Aditya More, Heritage Fresh, Big Bazaars’ Food Bazaar, Spencer’s Daily and Nilgiri’s for the purpose of the study. The similarity of the six corporate chain stores is their format and they deal with food and grocery products in Chennai.

1.3.2. TYPES OF RETAIL FORMAT.
The retail format is the store package that the retailer presents to the shopper. A format is defined as a type of retail mix, used by a set of retailers (Levy, 2002).

**Malls**

Mall is the largest form of organized retailing today. Located mainly in metro cities, in proximity to urban outskirts they range from 60,000 square feet to 70,000 square feet and above (Tayzan, 2012). They lend an ideal shopping experience with an amalgamation of product, service and entertainment, all under a common roof. In a mall the various sections or offerings are under one roof and owned and operated by different entity. City center, Express Avenue, and Shoppers stop are examples of malls.

**Discount Stores**

As the name suggests, discount stores or factory outlets offer discounts on the Maximum Retail Price through selling in bulk, reaching economies of scale or excess stock left over at the season. The product category can range from a variety of perishable or non-perishable goods. Some examples are Brand Factory and Megamart.

**Department Stores**

Department stores are large stores ranging from 20000 to 50000 square feet, catering to a variety of consumer needs. Further they are classified into localized departments such as clothing, toys, home and groceries. Some examples are Big Bazaar, and Ambika Apallam depot.

**Hyper markets or Supermarkets**

Large self service outlets catering to varied shopper needs are termed as supermarkets. These are located in or near residential high streets. These stores today contribute to 30 percent of all food and grocery organized retail sales. Super Markets can further be classified into mini supermarkets typically 1,000 square feet to 2,000 square feet and large supermarkets ranging from of 3,500 square feet to 5,000 square feet and having a strong focus on food and grocery and personal sales. In a hyper market the various
sections or offerings are under one roof and owned and operated by same entity. Examples of Hyper mart in Chennai are Star Bazaar from Trent in Ampa Mall.

**Convenience Stores**

These are relatively small stores 400 to 2,000 square feet located near residential areas. They stock a limited range of high-turnover convenience products and are usually opened for extended periods during the day, seven days a week. Prices are slightly higher due to the convenience premium.

**Multi Brand Outlets**

Multi Brand outlets, also known as category killers, offer several brands across a single product category. These usually do well in busy market places and metros.

**E-tailers**

Retailers offering buying and selling of products and services through online are known as E-tailers. (Tayzan, 2012).

1.4.1. RETAIL OUTLET: AN ANALYSIS OF MARKETING MIX.

Marketing Mix is the set of controllable tactical marketing tools that the firm blends to produce the response it wants in the target market (Kotler et al.1999). The Marketing mix of retail outlet consist of 7 P’s :

1. **The product or service** (quality, level, brand name and service line).
2. **The Price** (allowance, commissions, discounts, payment terms and perceived value).
3. **The Place** (location, accessibility, distribution channel and distribution).
4. **The Promotion** (advertising, personal selling, sales promotion, and public relation).
5. **The People** (personnel, training, discretion, commitment, incentives).
7. **The Process** (policies, procedures, mechanization, employee discretion and customer involvement).

( Booms and Bitner, 1981).
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Etzel et al. (2007:16) explains that the elements of the marketing mix, namely product, place, price and promotion, could influence consumers’ perceptions of the business, and therefore their selection of a store. According to Consumer Outlook study (Refer Appendix Table No. 1.2) factors that are considered by consumers in the store can be broadly classified as product, price, place, people and promotion. Hence the researcher has attempted to find whether there exist association between demographic and psychographic factors of consumers and five elements: product, price, place, people and promotion of marketing mix of outlet in selection of outlet.

1.4.2. PERCEPTION

As said earlier consumer behaviour is affected by psychological factors namely, beliefs and attitude, motivation, learning and perception. This research specifically focuses on the perception that affects consumer behaviour.

Perception is a process by which individuals organize and interpret their sensory impression in order to give meaning to their environment. People’s behaviour is based on their perception of what reality is, not on reality itself (Robbins and Timothy, 2008). Customer perception has a big influence on a customer’s retail preference. It is important for retailers to know what customers’ preferences are in order to acknowledge future demands and shape their marketing strategies accordingly (Schiffman and Kanuk, 2000:8). Perceptions of customers that influence final purchasing decision are to a great extent influenced by the marketing mix.

Consumers are constantly bombarded by stimuli, advertisements, products, and stores. Perception is the process by which people select, organize, and interpret information from the outside world. People receive information in the form of sensations by sensory receptors: eyes, ears, nose, mouth and fingers. People interpret the sensations they receive by their past experiences (Solomon and Stuart, 2000). Perception determines what consumers see and feel. The perception process is very important for marketers to understand the consumer behaviour.

Perception is influenced by factors in

- The perceiver
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- The target and
- The situation

Consumer perception towards the outlet is influenced by factors in the consumer, factors in the outlet and the situation of the consumer. If the retailer wants to influence the perception of the consumer he needs to modify or amend the factors of the outlet as retailer could not make any effect on consumer or the situation. As marketing mix is the set of controllable tactical marketing tools that the firm blends to produce the response it wants in the target market, the retailer can make changes on the marketing mix of the outlet i.e. factors in the target to influence the perception of the consumer.

As there is plethora of options for consumers to select the stores, they consider different factors before making a selection of organized retail outlet. According to KSA Technopack India Pvt Ltd., Consumer Outlook Study (2000) in India, 75 percent of consumers look out for attractive display in a store. The other factors are polite and courteous sales people, quality of product, non-intrusive sales people, value for money, range of products, scheme and promotion, exchange or return policy, a trial room, and acceptance of credit card and entertainment centre for children. The least preference is given to an entertainment centre for children (Refer Appendix Table 1.2.).

The present customers give prime importance to services such as shorter waiting time, safe customer parking, returns, refunds, and exchanges, store appearance, merchandise assortments, friendliness of staff, convenient operating hours, and credit payment. They want their shopping to be a pleasant experience, a way of entertainment with their family and friends and also want to save their precious time (L. Shanti, 2011).

Thus considering different studies, the researcher has broadly classified the factors of the outlet that influence consumer perception into product, price, store atmosphere, sales people, service and promotion. In order to survive in today’s tough retail climate, companies must find ways to create stronger and more direct links with their customers.

1.4.3. CONSUMER SATISFACTION
Marketing oriented companies build relationship with their existing customers by providing satisfaction (Gronroos, 1989). Satisfaction is a person’s feeling of pleasure or disappointment resulting from the product’s perceived performance in relation to his or her expectations. If the performance matches the expectations, the customer is satisfied. Consumer satisfaction is a reasoned or emotional response to a product, service or consumer experience at a particular time. Consumer satisfaction is the extent to which consumers are happy with the products or services provided by a business. The researcher attempts to study the consumer satisfaction and its impact. Further, consumer satisfaction depends on the product’s perceived performance relative to a buyer’s expectations. If the product’s performance falls short of expectations, the customer is dissatisfied. If performance matches expectations, the customer is satisfied. If performance exceeds expectations, the customer is highly satisfied and delighted (Armstrong and Kotler, 2005). So satisfaction depends on perceived performance. If one wants to have a successful business, then he should earn satisfied customers. In practice, cost of acquiring a new customer is five to seven times more than retaining an existing customer. So, successful companies rely on their satisfied customers return to repurchase and recommend the company’s offering to others. The goal of market is attracting and retaining customers through long term satisfaction of their needs (Arun and Meenakshi, 2008). Hence, the researcher attempts to ascertain the relationship between perception towards the outlet and consumer satisfaction.

1.4.4. STORE LOYALTY

Customer loyalty and brand loyalty are two very distinct aspects of business retention. Even though closely linked, they are actually two very different concepts, especially when it comes to the mind frame of the consumer. The main difference between the two is that customer loyalty mainly relates to the overall spending power of consumers and what retailer can offer them in terms of regular prices and money-saving offers. Brand loyalty, on the other hand, has very little to do with prices or money. But has everything to do with how a brand is perceived by the consumer, whether through promotional activities, reputation or their previous experiences with the company. The
other distinct aspect related to loyalty of retailing is store loyalty. Store loyalty is a customer‘s preference to patronize specific store or store chain over time.

The concept of Store Loyalty (Osman, 1993) is derived from brand loyalty concept which refers to the tendency to repeat purchase of the same brand. At the Store level, it refers to the tendency to repeat purchase at the same store (for similar or other products). In this study the researcher makes an attempt to study the store loyalty of consumer towards specific outlet. In this research, attempt has been made to ascertain store loyalty of consumer and effect of consumer perception on store loyalty. Further the effect of consumer satisfaction on store loyalty is brought out.

1.5.1. STATEMENT OF PROBLEM.

Marketing prominence has shifted from obtaining market share to obtaining share in individual consumers business. To obtain share in individual consumer business, retailer must know the factors that influence the consumer behaviour. Consumer perception influences consumer behaviour. Consumer perception of organized retail outlets is influenced by factors in the consumer, factors in the outlet and factors in the situation. To influence consumer perception a retailer can make work on factors of outlet. Retail business is all about the study of the relationship of consumer satisfaction, loyalty, and profitability.

This study reviews the relationship between factors of consumer and importance given to factors of the outlet in selection of outlet and it examines consumer perception, satisfaction and store loyalty towards outlet. This study further examines relationship between consumer perceptions, consumer satisfaction and store loyalty. Finally the study suggests measures to be taken by the organized retail outlet to influence consumer perception.

1.5.2. SCOPE OF THE STUDY

Consumer characteristics, store attributes, store image, store choice and retailing strategies are some of the key concepts that play a role in successful retailing (Schiffman and Kanuk, 2000). The marketing mix as well as store image attributes contributes to the
overall store image, which the consumers apply to evaluate the store on a multi-attribute utility function (Schiffman and Kanuk, 2000:150). The study is conducted to examine consumer perception. The study ascertains the relationships that exist between consumer perception, consumer satisfaction and store loyalty. The suggestion of the study will provide organized retailer measures to be taken in the outlet to influence consumer perception that will have an effect on consumer satisfaction and store loyalty.

1.5.3. OBJECTIVES OF STUDY

This study seeks to understand consumer perception towards organized retail outlet in Chennai District. For the purpose of the study food and grocery segment is selected as it occupies the first major portion in unorganized retailing and second major portion in organized retailing. The consumers of six corporate chain stores namely: Reliance Fresh, Aditya More, Nilgiri’s, Sperncers’ Daily, Heritage fresh and Food Bazaar of Big Bazaar is considered for the study. These stores are spread in Chennai district.

The objectives of the study

To study

- Consumers’ perception towards organized retail outlets, in Chennai District.

- Relationship between demographic and psychographic factors of consumers and their influence on importance given marketing mix of organized retail outlet in selection of outlet.

- Consumer perception towards organized retail outlet.

- Consumer satisfaction towards organized retail outlet.

- Store loyalty towards organized retail outlet.

- Influence of Consumer Perception towards Consumer Satisfaction and Store Loyalty.
• To suggest measures to be taken by the organized retail outlet to influence consumer perception.

SUMMARY

The retail market in India offers tremendous potential for growth and is fast replacing traditional stores with modern store formats. Chennai is emerging as the hub of modern retailing in south India. Even though the market conditions are conducive it becomes essential for the retailer to understand consumer behaviour to serve him better and obtain maximum business from him. As perception influences consumer behaviour, the researcher attempts to analyse consumer perception on organized retail outlet in Chennai District. As retail business is all about the study of the relationship or customer satisfaction, loyalty and profitability, this study attempts to find the influence of perception on consumer satisfaction and store loyalty and relationship among perception, consumer satisfaction and store loyalty.