CHAPTER - I
INTRODUCTION AND DESIGN OF THE STUDY

1.1 INTRODUCTION

All of us are participants as active player in the world of consumer behaviour. The second industrial revolution and the modern changes are the challenges of understanding consumer behaviour. It is a particular person’s own interest for various reasons and it includes marketing, education and public policy etc.

The behaviour of the Indian consumers’ has a major change in organized retail sector. The consumer taste and preferences are changing fast in the fast changing world. Media and occupation of consumers have caused a major change in the way of lives and spending pattern of money. Consumers now want to shop, eat and entertainment under one roof. Consumers have today seen a tremendous increase of choices, new categories, and new shopping options and have increasing disposable income to fulfil their aspirations. They look for more information to make these choices. Consumers want convenience in shopping and want to enjoy shopping experience. Shopping is no longer seen as an ordinary task, but it is now more exciting and keeps the prospect engaged.

Consumer view in India is changing and the retailers need support to formulate their strategies to give added value to the consumers. So, each retailer needs to provide the better retail market place. This mainly involves identifying the key drivers of growth, the consumer profile and expectations. It also means evaluating the nature of competition and challenges in the market
place. All these have led the Indian organized retail sector to dedicate more attention to an analysis of the consumer behaviour in order to meet the target market needs more effectively.

1.2 CONSUMER BEHAVIOUR

Schiffman and Kanuk (2007)\(^1\) stated that “consumer behaviour is the behaviour that the customers display in searching for, purchasing, using, evaluating, disposing of products and services that they expect which will satisfy their needs”.

1.3 IMPORTANT TERMINOLOGIES

Organized retail refers to a form of retailing where consumers can buy goods in a same physical and shopping environment over different location. Such retail may need the use of different store formats like single products store, departmental stores and shopping malls etc. The category of goods retailed would include food, grocery, apparel, consumer durables, jewellery, footwear, accessories, beauty products, home décor, books, music, etc.

The Credit Rating Information Services of India Limited (2013)\(^2\) research revealed that the organized retail has occupied the Indian retail market with 10% growth rate. In 2006-07 total retail market was Rs.10 trillion and organized retail had Rs 0.6 trillion, 5.4% market size. In 2011-12 organized retail occupied a growth rate of 21% and total retail market size was Rs. 23 trillion and over this the organized retail had Rs.1.6 trillion. The research has predicted that the growth of Indian retail in 2016-17 will be Rs.47 trillion and organized retail market share will be 10%.

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According to India Brand Equity Foundation (IBEF, 2012)\(^3\) report the retail sector accounts for 22% of India’s GDP and contributes to 8% of total employment.

### 1.4 UNORGANIZED RETAIL

According to the National Accounts Statistics of India (2006)\(^4\) “the unorganized sector” includes units whose activity is not regulated by statute or legal provision, and or those which do not maintain regular accounts.

### 1.5 DEPARTMENTAL STORES

It is a large store selling various product categories, with each operating as a department. Product mix is largely non-food like apparel, accessories, books, music, footwear etc. The level of service is very high.

Departmental stores are defined (Retail Management Text and Cases, 2010)\(^5\) “as those establishments depending on food, clothing and home related items for at least 10%, but less than 70% of their sales. These stores have at least 50 employees and a self-service ration of less than 50%”.

In India, past few years it has been a trend of increasing more departmental stores, and functioning well. The size of an average Indian departmental store has been 20,000 to 40,000 sq.ft, and internationally the size has been 75,000 to 1,00,000 sq.ft.

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1.6 RETAIL MARKET IN INDIA

Retailing is a huge and fast developing industry, retailers not only contribute to the general economy, but they are also part of the structure of society. Retailing is the most important factor of marketing where the marketer meets the ultimate consumer who exchanges value for the product and thus sanctions the very existence of the business. It is the final step in the distribution of merchandise.

During 1990s the retail revolution was begun in India and today it has spreaded across the country. In the 1990s India retail has major change from Kirana shops to modern retail formats which includes departmental stores, hypermarkets, supermarkets and speciality stores with a wide range of products. Today the retail formats have been established across the country in large metros, mini metros, to all categories of cities.

Retailing in India is accounting for 15% of its GDP. The Indian retail sector is one of the largest in the world, it comprising of organized and unorganized sectors. In 2012 India has emerged as the 5th most favourable destination for international retailers to invest in India.

India's retail market is expected to grow at 7% over the next 10 years; it will expect to reach a size of US$ 850 billion by 2020. Traditional retail is expected to grow at 5% and reach a market size of US$ 650 billion (76%). The organized retail is expected to grow at 25% and reach a market size of US$ 200 billion by 2020. The favourable points for this growth are:
1. Due to change in consumer expectations for convenient and entertainment in shopping place, organized retail stores are established with those facilities.

2. Growth of Indian economy, growth in income level and change in lifestyle of consumer, urbanization and development of satellite cities, growth of education and employment opportunities for women, rapid development of IT related industries are the most favourable drivers for growth of organized retail sector.

3. Government of India has also taken the policy decision to allow FDI in retail sector which makes the domestic players to take immediate steps to provide value added services to sustain in the market.

4. When we consider the consumer segment the departmental stores are providing and occupying the important role in organized retail sector. They provide the needed services to middle and upper middle income consumer segment. Moreover they get popularity due to their availability even in tier three cities.

1.7 NEED AND IMPORTANCE OF THE STUDY

In India the scope of retailing has increased in the last few years, offering ample amount of opportunities to Indian business. Due to large consumer base India provides an opportunity for their retailers all over the world to sell their products in India. In any business, change is the only permanent thing. Consumers prefer modern retail stores over the conventional and traditional stores. This has resulted in a major change in consumer behaviour.
Well managed and separately owned retail stores are the identity of today’s retail sector. The country’s economic growth, high income people, changing lifestyles of consumers, urbanization, increasing of working women, the growth of IT and favourable demographics are the drivers for the rapid growth of this sector.

The entry of multinational companies and the growth of big corporates in India are the main reasons for the change of lifestyle of the consumers in a big way which has never seen before. This has led to the retailers operating the business in a highly competitive environment. In this competitive business environment, it is very difficult for the retailers to satisfy the consumers. In order to satisfy the consumers, they have to provide more services over the others. The retailer wants to maintain sustainable competitive advantage by implementing new innovative ways for satisfying and retaining the consumers. So the retail sector in India must take urgent steps to survive in the market along with multinational operators.

After considering the important changes in the consumer scenario in India, especially with regard to the present changing pattern in organized retail stores, the researcher has decided to study on consumer behaviour in organized retail industry with reference to Departmental Stores. This study has been focused on the Coimbatore region which is a fast growing industrial belt in South India.

It provides a guideline for further research in the area of organized retailing. This study gets importance because in this study, the consumer awareness, factors influencing consumer behaviour, marketing strategies,
promotional mix, benefits and problems faced by the consumers and opportunities for the departmental stores in this area have been studied. This research is also getting importance because it aims to identify the consumer response and decision making behaviour in organized departmental stores. It also shows the future scenario of organized retailing keeping in view of current perspective.

1.8 PROFILE OF THE STUDY AREA

Coimbatore region is located at western part of Tamilnadu. It consists of seven districts Coimbatore, Tirupur, Erode, Nilgiris, Salem, Dharmapuri, Namakkal and Krishnagiri. Coimbatore is the third largest city in Tamilnadu next to Chennai and Madurai. Coimbatore region consists of 4 corporations, 30 municipalities, 17 administrative zones and 280 zonal wards.

According to the Census (2011)\(^6\), the population of Coimbatore region is 1,75,19,550 of which male and female were 88,58,410 and 83,30,210 respectively. The density of population in Coimbatore region is 731 people per sq.km. The average literacy rate is 75 percent.

Coimbatore region is well known for its Pumpset manufacturing Textile factories, Turmeric products, Silver anklets, Granites, Educational institutions, Health care, etc. Coimbatore region is having three important manufacturing centres namely “Power loom city” (Erode), “Knits capital” (Tirupur) and “Mango city” (Salem). Coimbatore is called as “Manchester of South India” where huge number of Textile mills are located in this region. Dharmapuri and Krishanagiri districts are rich with Horticultural products and Granites.

\(^6\) http://www.census2011.co.in/census/state/tamil+nadu.html, accessed on 12/09/2012
Coimbatore region is one of the important destinations of the modern retailers. This region has some important shopping malls like Brookfield mall, Fun Republic in Coimbatore and upcoming Reliance shopping mall in Salem. There are lots of single brand and multi brand retail stores like Lee, Arrow, etc., and Departmental stores like Jayasurya's Departmental stores, Spencer’s, Kumudham Departmental Stores, Big Bazaar, Metro Departmental stores, Sri Kumaran departmental stores, Shoppers stop, Bharathi Supermarket, Nilgiris, Ponmani Departmental stores etc., located in this region which provide modern shopping experience to the consumers in this region.

1.9 STATEMENT OF THE PROBLEM

Present retail market environment in India has become increased competition and policy decision to allow foreign direct investors. This requires the retailers to formulate strategies to be competitive to attract and retain customers. This requires the study of consumers’ behaviour. Coimbatore region is having largest growth of organized retail stores particularly chain departmental stores. As Coimbatore region comprises of mixed profile consumers who are moving to modern shopping pattern this study has been undertaken to study their shopping behaviour. Hence the researcher has taken a descriptive research with sample survey to understand the consumers’ behaviour in departmental stores in Coimbatore region.
1.10 OBJECTIVES OF THE STUDY

The study entitled “A Study on Consumer Behaviour in Organized Retail Industry with Reference to Departmental Stores in Coimbatore Region” has the following objectives:

1. To analyze the structure and growth of Indian retail industry.
2. To analyze the factors influencing the consumers to utilize the departmental stores for their purchase.
3. To ascertain the promotional strategies adopted by the departmental stores in the study area.
4. To know about the similarity between retail mix elements and attained benefits of consumers lead to higher shopper loyalty.
5. To know the benefits of organized departmental stores.
6. To identify the problems faced by the consumers in the departmental stores.
7. To provide suitable suggestions and recommendations on the basis of findings.

1.11 HYPOTHESIS

The following hypothesis were assumed in order to test various aspects of the study.

Hypothesis 1: There is a significant influence of the changes in the organized retail industry in the consumer behaviour in departmental stores.
**Hypothesis 2**: There is a significant association between the demographic variables and consumer behaviour in departmental stores.

**Hypothesis 3**: There is a significant association between the promotional strategies and the consumer choice of departmental stores.

**Hypothesis 4**: There is a significant association between the retail mix elements and loyalty of consumers with departmental stores.

1.12 RESEARCH METHODOLOGY

1.12.1 Type of the Study

Descriptive research study was used based on consumer behaviour, items relating to awareness, factors influencing consumer behaviour, etc.,

1.12.2 Sample Design

**Population**: The consumers visiting the organized departmental stores were population for this study which is huge and infinitive in nature.

**Sampling Unit**: The Consumers visiting organized departmental stores in Coimbatore region were taken as the sampling unit of the study.

**Sampling procedure**: In this study, Multi Stage Sampling design was adopted. In the first stage areas of the study in Coimbatore region were selected based on Random Sampling. In the second stage, the Departmental stores were selected based Quota
Sampling proportionate to number of stores and in the third stage Convenience Sampling technique was used for selecting respondents.

**Sample Size** : The total sample size was **1000**.

The following table provides the distribution of sample size.

<table>
<thead>
<tr>
<th>S.No</th>
<th>Area</th>
<th>Number of Stores</th>
<th>No. of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Coimbatore District</td>
<td>12</td>
<td>300</td>
</tr>
<tr>
<td>2</td>
<td>Salem District</td>
<td>8</td>
<td>200</td>
</tr>
<tr>
<td>3</td>
<td>Tirupur District</td>
<td>4</td>
<td>100</td>
</tr>
<tr>
<td>4</td>
<td>Erode District</td>
<td>5</td>
<td>125</td>
</tr>
<tr>
<td>5</td>
<td>Krishnagiri District</td>
<td>3</td>
<td>75</td>
</tr>
<tr>
<td>6</td>
<td>Namakkal District</td>
<td>4</td>
<td>100</td>
</tr>
<tr>
<td>7</td>
<td>Dharmapuri District</td>
<td>2</td>
<td>50</td>
</tr>
<tr>
<td>8</td>
<td>Nilgiri District</td>
<td>2</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td></td>
<td><strong>1000</strong></td>
</tr>
</tbody>
</table>

1.12.3 **Period of the Study**

The period of the research study was two years, starts from February 2012 to February 2014. The researcher took first six months to collect the reviews of related studies and identify the research gap. Another six months was spent to draft the research design, to prepare data collection instrument and
conduct the pilot study. After finalizing the questionnaire, six months have been spent to collect the data from the target respondents. The researcher took six months to analyze and interpret the collected data and six months to prepare the thesis.

1.12.4 Data Collection

1.12.4.1 Primary Data Collection

A well-structured questionnaire was used as the instrument to collect the primary data from the organized departmental stores. The questionnaire was prepared to know the facts like consumer’s profile, consumer awareness, factors which influencing the consumers to utilizing the departmental stores, retail mix elements, marketing strategies etc.

1.12.4.2 Pilot Study

After the formulation of the questionnaire, Pilot study was conducted. Based on the answers of the respondents and also based on the suggestions of the respondents, a relevant modification was made. After that the questionnaire was finalized to the main study.

1.12.4.3 Secondary Data

Secondary data were collected from previous Research papers, Journals, Magazines, Textbooks, Websites and Dissertations.

1.13 DATA ANALYSIS

The following tools have been applied for data analysis through SPSS statistical package.
1.13.1 Percentage Analysis

Simple Percentage analysis was applied to know and simplify the demographic profile and other information of the consumers.

1.13.2 Factor Analysis

Factor analysis was used to reduce the number of variables and discover the underlying constructs that explain the variance. Here a matrix was used to derive a facto matrix for the factors influence the consumers to utilize the department stores for their purchase.

1.13.3 Chi-Square

The chi-square value was used to judge the significance of population variance with a specified variance. The various hypotheses related to Demographic variables and duration of aware of departmental stores, frequency of shopping from the organized departmental stores, frequency of purchase from the local retail stores, consumers feel about the pricing of the organized departmental stores, consumers feel about the price of product under promotional offers, difficulty in buying the products through organized departmental stores, level of benefits provided by the organized departmental stores, level of satisfaction towards billing system, satisfaction level of family members with the organized departmental stores products, level of satisfaction with the product purchased through organized departmental stores and reason for dissatisfaction were tested by Chi-square analysis.
1.13.4 ANOVA

Analysis of Variance (ANOVA) is a statistical method for partitioning the total variation of a set of data into components associated with recognized sources of variation. Usually, the variance is classified into two parts:

1. Variance between the samples (or groups).
2. Variance within the samples (or groups).

1.13.5 Friedman Test

Friedman test was used to test the related factors between the groups.

All the above tools were applied through familiar Statistical packages.

1.13.6 Garrett Ranking Test

To find out the most significant factor which influences the respondent, Garrett’s ranking technique was used. As per this method, respondents have been asked to assign the rank for all factors and the outcomes of such ranking have been converted into score value. With the help of Garrett’s Table, the percent position estimated is converted into scores. Then for each factor, the scores of each individual are added and then total value of scores and mean values of score is calculated.

1.14 SCOPE OF THE STUDY

The purpose of this research is to analyze the consumer behaviour, which includes the factors influence the consumer to utilize the departmental stores for their purchase, the promotional strategies adopted by the departmental stores in the study area, retail mix elements, benefits of organized
departmental stores and problems faced by the consumers in the departmental stores. In the globalized economic scenario the consumers have ample opportunities to select any shop for buying good quality products. In an acutely competitive atmosphere it is important and challenging for the retailers to attract the consumers to sustain and to promote their business. Among the various aspects that build the rapport with the consumers and keep them in their fold, the consumer behaviour is much more important than the technical or product quality. Hence the outcome of the present study will be of immense help to the organized departmental stores bringing out the various aspects concerned with consumer behaviour which would surely serve a purpose for retailers to work out their appropriate marketing strategy so as to improve their stores in a better way.

1.15 LIMITATIONS

1. Since the study was focused on Consumer behaviour on organised departmental stores located only in Coimbatore region, the results of the study cannot be generalized to other region.

2. The study did not focus on different types of organized retail formats like discount stores, hypermarkets, shopping malls and supermarkets. This may be a limitation to understand the overall consumers’ behaviour on organized retail stores.

3. The study may have the limitation on time and cost factors which limit the sample size.
1.16 SCHEMES OF CHAPTER

The present study has been divided into five chapters

The First Chapter discusses the introduction and design of the study: This includes Introduction, Importance of the study, Statement of the Problem, Objectives of the Study, Methodology of the study, Period of the Study, Scope of the study, Limitations of the Study and Chapter scheme.

The Second Chapter deals with the review of related concepts and literatures available in the field of retailing and consumer behaviour related to the study.

The Third Chapter briefly discusses profile of the study area of the research such as profile of Coimbatore region and aspects of departmental stores. It includes the concept of retail, different formats of retail, challenges faced by retailers, departmental stores in the study area and retail consumer behaviour etc.

The Fourth Chapter gives the analysis and interpretation of the study. In this chapter the researcher has presented the analysis of the demographic characteristics, Consumer awareness of the departmental stores, Factors influencing the consumers to utilize the organized departmental stores, Promotional Strategies, Retail mix elements, Benefits and Problems etc., with various statistical tools.

The Fifth Chapter highlights the key findings and conclusions based on these findings and suggestions which have been proposed for enhancing the magnitude the performance of organized departmental stores.