THE ROLE OF DEMOGRAPHIC AND PSYCHOGRAPHIC DYNAMIC IN GROCERY RETAILING

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ABSTRACT

The grocery retail sector in India has gone through a tremendous change in the last few years with new retail outlets opening across the country and the introduction of new retail formats as well. The most notable trend among all retail sectors can be seen in the grocery business. Traditionally grocery purchases were limited to the neighbourhood general store or to the "kiryana" store both typified by the counter service format, easy credit terms, limited variety and personal service. However there is now a trend towards retail consolidation which has resulted in self-service stores, providing convenience in the form of organized aisles, greater choice, push trolley system, and a single check out point. Additionally, providing good growth potential for global retailers amid the economic slowdown, India has emerged as the most alluring market for investment in the retail sector, surpassing the likes of China, Russia and the United Arab Emirates. India has been ranked as the most attractive nation for retail investment among 30 emerging markets by US-based global management consulting firm A T Kearney. According to the entity's Global Retail Development Index (GRDI), India is followed by Russia (2), China (3), United Arab Emirates (4) and Saudi Arabia (5). India was placed at the second spot last year.

The study was conducted through questionnaires of 100 respondents through convenient sampling from all socio economic classes. The research instrument consisted of a questionnaire with regard to purchase habits and demographics. The demographic variables of interest were age, gender, household size, occupation, education and level of income. According to the results of this study the demographic influence on choice of retail outlet is partial with household size, education and income having a significant effect on the choice of retail outlet selected.

Keywords: *Consumer perceptions, Demographic variables and purchasing behavior of consumer on the retail store.*

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SECTION 1

INTRODUCTION

Favorable demographic and psychographic changes relating to India's consumer class, international exposure, availability of increasing quality retail space, wider availability of products and brand communication are some of the factors that are driving the retail in India. Over the last few years, many international retailers have entered the Indian market on the strength of rising affluence awareness of global brands and international shopping experiences and the increased availability of retail real estate pace.

A review of historical developments in retail and distribution (Chandler 1977 and 1990;Messinger and Narasimhan 1995; Colla 2004; OXIRM 2004) shows that increases in consumer disposable incomes combined with technological developments result in the growth of new retail formats and the eventual consolidation of the retail sector. This changing of the retail atmosphere can take a few decades as was the case during the period 1850 to 1920 in the United States, or more rapidly as in Thailand where the share of modern stores, mostly owned by global retailers, increased from 5 per cent to 50 per cent of total retail sales in a single decade during the 1990s.

Over the past 10 years the India has also witnessed a great surge in the number of food and grocery retail outlets that deliver a value added shopper experience. It appears that the scene is set for a decline in importance of the traditional "kiryana" or neighbourhood store, an increase in general stores and the emergence of new formats such as superstores, malls, and retail chains. There are many customers who still prefer going to the traditional store but there are also many customers who have already switched to the new format due to the convenience, the greater variety and the overall shopping experience. This study attempts to analyze the customer demographic factors that influence the choice of retail outlets for groceries.

SECTION II

Literature Review

In developing countries the dominant form of retailing for grocery and household items has traditionally been the small neighborhood food store (Goldman, 1974, p. 50). In fact large supermarkets and other modern formats of retailing as seen in the world today have their roots in 1916, when Clarence Saunders opened the first self-service store in Tennessee, Memphis called the Piggly Wiggly store (Allvine, 1968, p.61).

Demand side of the equation will be responsive to the retailers' decisions. Researches by Chandler (1977), Messinger and Narasimhan (1995) and Colla (2004) prove that technological advancements and change in consumer disposable incomes trigger the introduction of new retail formats. (Cited in Ghani, 2005, p. 137)

Of greater interest to our study is the affect brought about by the changes in consumers habits. Modern retail formats rely on saving costs by offering a very large variety under one big centre which is usually located in the suburbs (low rental). The type of consumers attracted to such stores must own a car and should be willing to make more 'planned' as opposed to 'as needed' visits to distant locations. (Ghani, 2005, p. 140)

The Asia Pacific region on the whole accounts for $ 1,022.4 billion of retail sales. In the Asia Pacific region the most popular format for retailing is the supermarket which accounts for nearly 30% of industry's overall value. Sales by hypermarkets are the next most popular accounting for 19.4% of aggregate revenue. India the country closest to ours in terms of market model has a $200 billion food retail market. The Asia Pacific retail market is expected to grow at a healthy CAGR of 6.7% over the period 2007- 2012 to increase total market value by 38% in 2012 in comparison to 2007. (Food Retail Industry Profile: Asia Pacific, 2008, pp 10-11). Examples nearer to us of countries that have witnessed a surge in modern retail are India and Thailand. In Thailand the growth of modern retail was accomplished in the short span of 10 years. In 1991 the share of modern retail formats of total retail sales was only 5%; this increased to 50% by the 2001 (Ghani, 2005, 149). The Indian food retail market is worth Rs. 7,43,900 crore (Indian Currency). The Indian food and beverage market is worth $ 4.6 billion of which organized retailing comprises 2% of the total share. According to Prasad and Reddy (2007) there has been an upsurge in modern retail formats like convenience stores, supermarkets, hypermarkets and specialty stores in India. They argue that consumers income, education, family size and occupation all significantly influence the type of food retail format they prefer.

Demographic variables such as age, sex, marital status, family size, occupation, income/purchasing capacity, educational levels can have a significant influence on the prospects of retail business. Each variable affects the growth and development of retail outlets differently. A study conducted by Prasad and Reddy which served as a guide for us in developing our literature review and the research objectives focused on identifying the role of demographics as well as psychographics on the consumers. The demographic variables they identified were age, gender, family size, occupation and income levels.

Grocery shopping is an essential activity performed in every household and will consume the bulk of the monthly expenditure. As with any other type of consumer purchasing behavior it is determined by various factors. According to Smith, Park & Iyer (1989) grocery shopping is characterized by :(1). Multiple buying goals which require the processing of various in-store stimuli like products, brands, advertising and; (2)Repetition of shopping at regular intervals. Bell & Lattin (1998) suggest three unique characteristics of grocery shopping behavior: (1). Consumers typically shop for *multiple* items on a given trip; (2) For most of these items consumers are unable to determine actual prices before visiting the store; and (3) grocery shopping is repetitive. Singh, Hansenn and Blattberg (2006) have also characterized grocery shopping by purchase time and the basket size of the consumer. It can be reasonably inferred that new retail formats will cause a change in the grocery shopping behavior in terms of the convenience of one-stop shopping experience and a greater product assortment.

Another result would be a shift from the over the counter dealing with the shop keeper purchasing behavior to using trolleys, individually picking items from aisles and then lining up in queues to check out the products purchased. This change in retail outlets described as "retail consolidation" by Ghani (2005) occurred in the late nineteenth century in North America and Europe. The retail climate is already witnessing a rise in consumer awareness resulting in a greater demand for foreign products, frozen and ready to cook items and an entire shopping experience for customers.

Research done by Bell & Lattin (1998) explains how supermarkets differ in terms of pricing formats (EDLP versus Hi-Lo) and how this pricing strategy affects grocery shopping behavior. Montogomery, Leonard & Fox (2004) present an econometric model determining how marketing policies affect grocery shopping and spending behaviors across retail formats which include grocery stores, mass merchandisers and drug stores. They have incorporated factors related on where consumers shop (patronage) and how much they spend.

Aylott & Mitchell (1998) discuss the idea of stress as a detriment to grocery shopping. The two major stressors identified in the research were crowding and queuing while others included store layout, staff attitude, product assortment, music and lighting. The results of this study highlight the idea that consumers like the new retail formats because of the spaciousness as well as the wide product assortment that allows for convenient shopping at one place. This also raises the possibility of consumers visiting a retail outlet for the shopping experience rather than the actual shopping need.

To facilitate the knowledge available on the impact of modern retail formats Singh, Hansenn and Blattberg (2006) have conducted an empirical study of the effect of the entry of a Wal-Mart super center into a local market. By developing a joint model of purchase time and basket size they studied the impact of competitor entry or Wal-Mart in their case on two key household decisions: store visits and in-store expenditures.

Their results indicated that the local supermarket lost 17 % volume and the majority of these losses were due to fewer store visits with a much smaller impact attributed to basket size. Changing consumer styles have also played a part in the grocery shopping behavior.

According to Colla (2004) customers frequenting the modern store formats would have higher per capita disposable incomes and be dual-income families who consume packaged and frozen foods. Additionally such families tend to be located in the metropolitan cities rather than in smaller towns. As a result, the changing retail format depended on the level of urbanization. According to research cited by Aylott & Mitchell (1998) and based on common knowledge, the majority of the monthly grocery shopping is done by women. The increase in working women has changed grocery shopping from being a leisurely social task to a more functional chore where convenience and time pressure are major factors (Aylott & Mitchell, 1998).

The coming of modern retail formats is an important phenomenon in India. It can be considered a factor of the positive socio-economic change vis a vis growth in the urban middle class, growth in disposable incomes, increasing proportion of working women and greater consumer awareness regarding the type of products purchased.

There is a need to identify what grocery shopping behavior is, especially in relation to the Indian consumer and the factors that influence it.

SECTION III

THE GROWTH DRIVERS

- The Demography Dynamics: Approximately 60 per cent of Indian population below 30 years of age.
- Double Incomes: Increasing instances of Double Incomes in most families coupled with the rise in spending power.
- Plastic Revolution: Increasing use of credit cards for categories relating to Apparel, Consumer Durable Goods, Food and Grocery etc.
- Urbanization: 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.
- Covering distances has become easier: with increased automobile penetration and an overall improvement in the transportation infrastructure, covering distances has become easier than before. Now a customer can travel miles to reach a particular shop, if he or she sees value in shopping from a particular location.

SECTION IV

Objectives of study:

- This study is aimed at finding out the relation between major demographic variables and purchasing behavior of consumer on the retail store.
- To study the preference given by consumers in term of quality, price, service, scheme and location for retail purchase.
- To study the relation between psychographic variables and buying behavior of consumer on the retail store.
- To know which type of media greatly affects the purchasing behavior of consumer.

Research Methodology:

Primary sources: Data was collected from the consumers of Chandigarh, Mohali, Panchkula & zirakpur; personal interviews, filling up of questionnaire by the respondents and discussions with the consumers

Secondary sources: Related books, journals, and reports as well as internet sources were consulted

Analysis & Interpretation: Statistical tools such as tables & diagrams etc are used

Sampling Plan: 100 consumers were selected on a convenient sampling

Hypothesis

$H1_0$: Consumer's Age has no significant influence on purchasing from different types of food and grocery retail outlets

$H2_0$: Consumer's Occupation has no significant influence on purchasing from different types of food and grocery retail outlets

$H3_0$: Consumer's annual income has no significant influence on purchasing from different types of food and grocery retail outlets.

$H4_0$: Consumer's education has no significant influence on purchasing from different types of food and grocery retail outlets.

Limitations of the Study:

- The bias of respondents while responding cannot be eliminated.
- The study was limited to only in Chandigarh and Mohali, Panchkula and Zirakpur.

SECTION IV

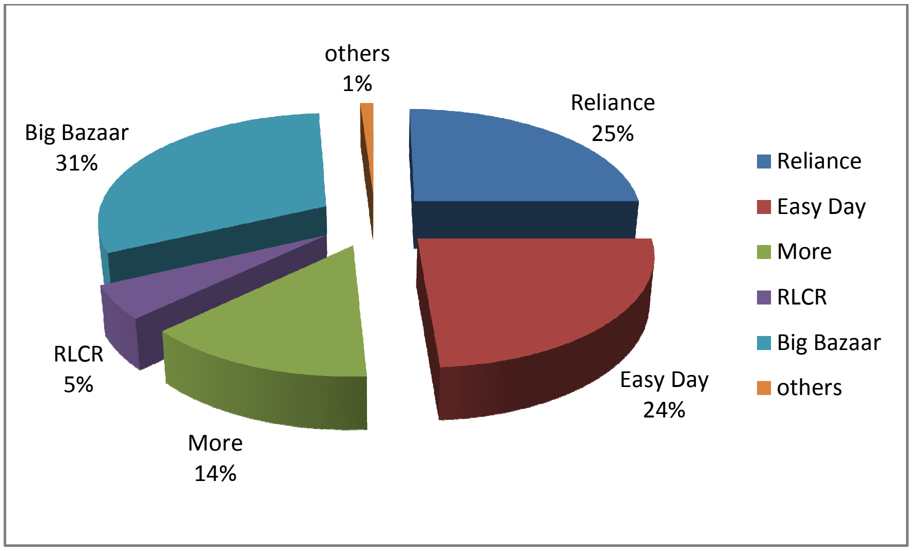
Analysis & Interpretation of Findings:

Out of 100 respondents, 65 were female 35 were mail indicating that people who usually visit mall are females. There were 6 age categories of respondents ranging from below 18 years to over 51 years. In general though, the sample was predominantly between the age of 25 years to 30 years (33%); while the upper age group was 14%. (table 1.1)

TABLE 1.1

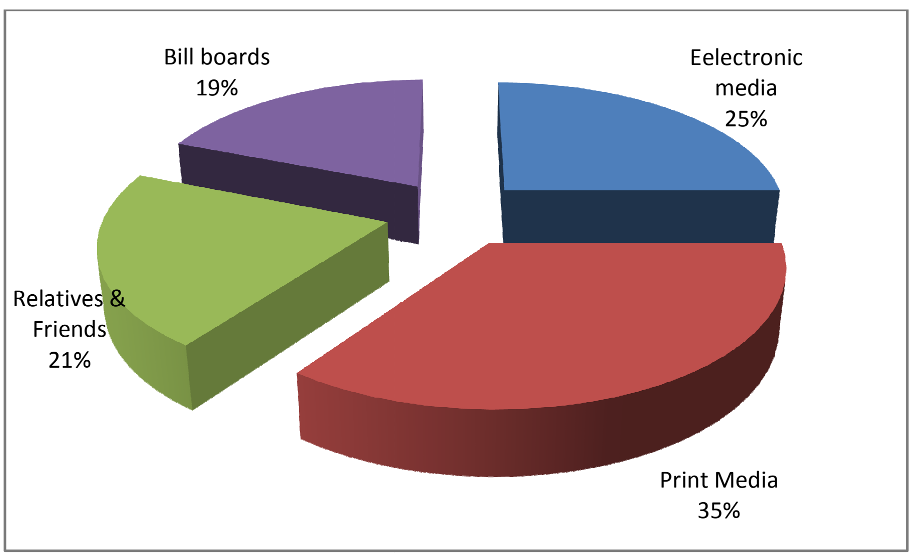
VARIABLE	n= 100	%
GENDER		
MALE	35	35
FEMAL	65	65
AGE		
BELOW 18	11	11
18-24	9	9
25-30	33	33
31-40	21	21
41-50	12	12
51+	14	14

Figure 1: Graph showing retail chains that consumers prefer to visit for grocery shopping:



The graph is showing that Majority of respondents prefer to purchase food and grocery from Big bazaar due to wide range of products, attractive prices and discounts etc. but some respondents prefer convenient store like Reliance Fresh to purchase.

Figure 2: Sources of information



The above graph shows that the main source of information for retail store is print media.

$H1_0$: Consumer's Age has no significant influence on purchasing from different types of food and grocery retail outlets

$H1_1$: Consumer's Age has significant influence on purchasing from different types of food and grocery retail outlets

TABLE 2

Item 1 * Age Cross tabulation

Count

		Age						
		<18	18-24	25-30	31-40	41-50	>51	Total
Item 1	Big Bazaar	3	4	9	8	5	2	31
	Reliance Fresh	4	2	8	5	2	4	25
	RLCR	0	0	2	1	0	2	5
	Easy Day	1	2	8	5	4	4	24
	More	3	1	5	2	1	2	14
	Others	0	0	1	0	0	0	1
Total		11	9	33	21	12	14	100

<u>Interpretation</u>: As calculated chi- square value (17.18) is less than table value (37.7) at 5% level of significance for 25 degrees of freedom, alternative hypothesis $H1_0$ is rejected and it could be concluded that consumer's age has no significant influence on type of food and grocery retail store. The age groups and retail formats are independent to each other.

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	17.18[a]	25	.855

a. 27 cells (90%) have expected count less than 5. The minimum expected count is .09.

$H2_0$: Consumer's Occupation has no significant influence on purchasing from different types of food and grocery retail outlets

$H2_1$: Consumer's Occupation has significant influence on purchasing from different types of food and grocery retail outlets

TABLE 3

Item 1 * Occupation Cross tabulation

Count

		Occupation					Total
		Student	House-wife	Private-Employee	Govt-employee	Businessman	
Item 1	Big Bazaar	5	10	8	4	4	31
	Reliance Fresh	6	7	9	3	0	25
	RLCR	0	1	3	1	0	5
	Easy Day	1	8	8	6	1	24
	More	4	5	3	0	2	14
	Others	0	0	1	0	0	1
Total		16	31	32	14	7	100

Interpretation: As the calculated chi- square value (24.41) is less than table value (31.4) at 5% level of significance for 20 degrees of freedom, alternative hypothesis H1c is rejected and it could be concluded that consumer's occupation has significant influence on type of food and grocery retail store. The occupation groups and retail formats are dependent to each other.

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	24.41[a]	20	.502
Likelihood Ratio	23.742	20	.254

a. 20 cells (66.6%) have expected count less than 5. The minimum expected count is .07.

$H3_0$: Consumer's annual income has significant influence on purchasing from different types of food and grocery retail outlets.

$H3_1$: Consumer's annual income has significant influence on purchasing from different types of food and grocery retail outlets.

TABLE 4

Item 1 * Income Cross tabulation

Count

		Income					Total
		1-3lakh	3-6lakh	6-9lakh	9-12lakh	>12lakh	
Item 1	Big Bazaar	10	14	5	1	1	31
	Reliance Fresh	12	10	3	0	0	25
	RLCR	2	3	0	0	0	5
	Easy Day	4	15	5	0	0	24
	More	7	4	3	0	0	14
	Others	0	1	0	0	0	1
Total		35	47	16	1	1	100

Interpretation: : As the calculated chi- square value (50.33) is more than table value (31.4) at 5% level of significance for 20 degrees of freedom, alternative hypothesis $H2_0$ is accepted and it could be concluded that consumer's annual Income has significant influence on type of food and grocery retail store. The annual Income groups and retail formats are dependent to each other.

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	50.33[a]	20	.808

a. 24 cells (80%) have expected count less than 5. The minimum expected count is .01.

$H4_0$: Consumer's education level has no significant influence on purchasing from different types of food and grocery retail outlets.

$H4_1$: Consumer's education level has significant influence on purchasing from different types of food and grocery retail outlets.

TABLE 5

Item 1 * Qualification Crosstabulation

Count

		Qualification				
		Matriculate	Under-graduate	Graduate	Post-Graduate	Total
Item 1	Big Bazaar	2	2	16	11	31
	Reliance Fresh	4	2	15	4	25
	RLCR	0	0	5	0	5
	Easy Day	2	1	16	5	24
	More	3	2	4	5	14
	Others	0	0	0	1	1
Total		11	7	56	26	100

Interpretation: As the calculated chi- square value (10.253) is less than table value (25.0) at 5% level of significance for 15 degrees of freedom, null hypothesis $H4_0$ is accepted and it could be concluded that respondent's increasing literacy level have proved no relation with the type of food and grocery retail store.

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	10.253[a]	15	.370

a. 17cells (70.8%) have expected count less than 5. The minimum expected count is .07.

CONSUMER PERCPETIONS

To measure perception of consumers with regards to choice of retail outlet respondents were asked to indicate their levels of agreement or disagreement, using a five-point Likert scale, with different statements covering aspects such as **value for money, role of family in decision making, choice of variety.** Respondents indicated their degree of agreement or disagreement with each statement on a five point scale (1= Strongly Disagree, 2=Disagree, 3= neutral, 4=Agree, 5 = Strongly Agree)

TABLE 6 : Summary Results of the Perceptions of the Respondents (%)

	Statements	**1**	**2**	**3**	**4**	**5**
P1	I like doing things that are new and different.	10	20	30	25	15
P2	I go shopping to keep up with the trends.	10	30	15	25	20
P3	I go for shopping to find value for money.	25	32	5	23	15
P4	My family is the single most important thing to me.	10	15	10	25	40
P5	I like to have lot of varieties in my life.	0	5	25	30	40
P6	Price of product is good indicator of its quality.	30	15	40	10	5
P7	I like to lead others.	15	20	23	13	29
98	I have more ability than the most people.	0	2	15	38	45
P9	I enjoy making my own decision.	13	5	20	2	60
P10	I go for shopping to see what new products are available.	18	17	5	40	20
P11	I go shopping to find different brands.	2	3	20	30	45
P12	I like to have excitement and fun in doing shopping.	2	8	15	35	40
P13	Other people usually follow my ideas.	19	17	26	24	14
P14	I consider myself as an intellectual.	5	20	10	15	50
P15	I always take opinion of my family before taking purchase decision.	10	30	40	10	10

P16	I believe that higher the price of the product, higher is quality	25	32	5	23	15

VARIETY SEEKERS & INNOVATORS: For statement P1 40% respondents felt that they like something new & different, Statement P5 60% of respondents perceived the importance of variety

VALUES: 45% respondents agreed with the P2 statement that they go to shopping to keep up with the trends; however 40% of respondents disagreed with the statement. Using the statement P10 60% respondents agreed that they go for shopping to see what new products are available.

UTILITARIAN (STATEMENT P3 & P11): 57% respondents disagreed with the statement while 38% of respondents agreed with the statement P3, 75% of respondents agreed that they shop to find different brands and only 5% respondents disagreed with the statement P11.

FAMILY ORIENTATION: 65% respondents agreed and 25% respondents disagreed with the statement P4 but taking P15 in consideration 40% people disagreed on the statement that they always take opinion of their family before taking purchase decision.

ENTERTAINMENT SEEKER: 75% of respondents agreed that they like to have excitement and fun in doing shopping and only 10% disagreed with the statement.

PRICE AND QUALITY SENSITIVE: 57% respondents felt that there is no relationship between price and quality of the product, this is reflected in statement P16, same is reflected in P6 statement where 45% respondents disagreed with the direct relation of price and quality.

LEADER: In P7 statement 43% respondents agreed that they like to lead in their decisions while 36% respondents disagreed that other people usually follow my ideas in P13 statement.

SECTION V

Conclusion:

This study investigated the influence of demographic and psychographic dynamics of consumer on organized food and grocery retail outlets. Consumer are now into food and grocery shopping in a more involved manner then ever before .The organized food and grocery retail outlet are preferred kind of stores by consumer .Working woman and housewives are more likely to do shopping in retail outlets. Consumer's income levels play of modern format. The results show that consumers are more sensible towards optimization of time and money while shopping. The results also prove that most of the consumers are price and quality association conscious but find not direct relation between price and quality.

Hence, it is concluded and suggested that organized retails should exercise caution in serving the utmost needs, wants and preferences of potential and existing consumers in order to acquire and retain.

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