A STUDY ON DETERMINING CONSUMER SEGMENT TO BE TARGETED IN ONLINE GROCERY IN AHMEDABAD

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ABSTRACT

With increase in number of smartphones users and growing internet accessibility, the online retail is poised to become the future of shopping. As the middle income group is increasing in India they are continuously facing lack of time to go to brick and mortar stores. Convenience coupled with lack of time is the major driver for increase in number of online grocery stores. The scope of study was restricted to Ahmedabad. For this purpose a well structured questionnaire was prepared. The questionnaire comprise two parts,in the first part there was demographic details of population and the second part contained questions regarding consumer segment to be targeted in online grocery .Only 57 questionnaires are capable of analysis. Three customer segments, namely Students, Married Professionals and Single Professionals were identified. Considering various parameters such as average number of family members and family income, frequency and size of grocery purchases and willingness to buy groceries from an online medium Students and Single Professionals were chosen as the target set of customers.

KEY WORDS

Online grocery, customer segment,

INTRODUCTION

India has seen tremendous economic growth in the last decade. In recent times, the e-commerce industry has emerged to be one of the leading industries. With increase in number of smartphones users and growing internet accessibility, the online retail is poised to become the future of shopping. As the middle income group is increasing in India they are continuously facing lack of time to go to brick and mortar stores. Convenience coupled with lack of time is the major driver for increase in number of online grocery stores. Data Analysis and Qualitative research indicates that though there are customer reservations about using online grocery stores, there is a change in customer behavior. As a result, online grocery stores are set to increase in coming years. Online grocery stores are up against age-old local grocers who have built their loyal customer base on trust, reliability and quick, customized service. Many of them are now trying to rope in local grocers to expand their business and meet the growing demand apart from ensuring speedier deliveries. Forbes India takes a look at three online grocery retailers that have developed business models that have been more successful than most others. : Big Basket, Local Banya,Zopnow.Present study is considering two of them: Big Basket, Local Banya.

PROBLEM DEFINITION

To know the consumer segment to be targeted in online grocery.

RESEARCH METHODOLOGY

The scope of study was restricted to Ahmedabad. For this purpose a well structured questionnaire was prepared. The questionnaire comprise two parts,in the first part there was demographic details of population and the second part contained questions regarding consumer segment to be targeted in online grocery .Only 57 questionnaires are capable of analysis.

- In the initial stage, focus group discussions and in-depth interviews among housewives in the Vastrapur area in order to determine the present buying behavior and 5 major purchase drivers for online grocery shopping. The qualitative interviews used to determine the tentative list of grocery products which the consumers will like to buy online.
- Secondary data sources are also utilized to in addition to qualitative analysis for verification of the obtained quantitative data.

SALIENT FEATURES OF THE INTERVIEW ARE

1. **Awareness-** On one hand, some of the participants were not aware of online grocery model. These included people who had not been active buyers of groceries. On the other hand, people who had worked in the metros were not only aware of the service but were also frequent users of the same. Some of them although were aware of the concept as they were active purchasers of other FMCGs online but hadn't purchased groceries online due to multiple reasons such as closer proximity of the grocery store, someone else being the main purchaser in the household.
2. **Convenience –** Participants mentioned that the online grocery purchase is more convenient to them. The participants who had worked as professionals in cities such as Bangalore and Hyderabad appreciated the convenience factor a lot. They were even ready to pay premium price for the convenience. The time of delivery was also important to such participants.
3. **Prices were secondary concern –** The participants reflected price as the secondary primary driver for purchasing through online channels. The participants were ready to pay extra for the time saving and door step delivery. A meager delivery charge on every order was acceptable to all participants. In fact, these customers were less aware of the prices of the groceries sold offline. They had a perception or believed that price differential between the two modes was not substantial.
4. **Quality is prime concern –** All participants mentioned that quality was their prime concern. Quality was non-negotiable to them. They could not compromise their health for convenience. They were willing to try these channels given they have the option to check the products on delivery. People who were not aware about online groceries thought quality check on delivery was essential for them to use this channel.
5. **Customer Segments in Ahmedabad –** The participants did not feel that such a venture will be successful in Ahmedabad. The reason behind this that they mentioned was that Ahmedabad consists of greater proportion of business families whereas such a model will

be more successful in cities with greater proportions of working class people or office going people.

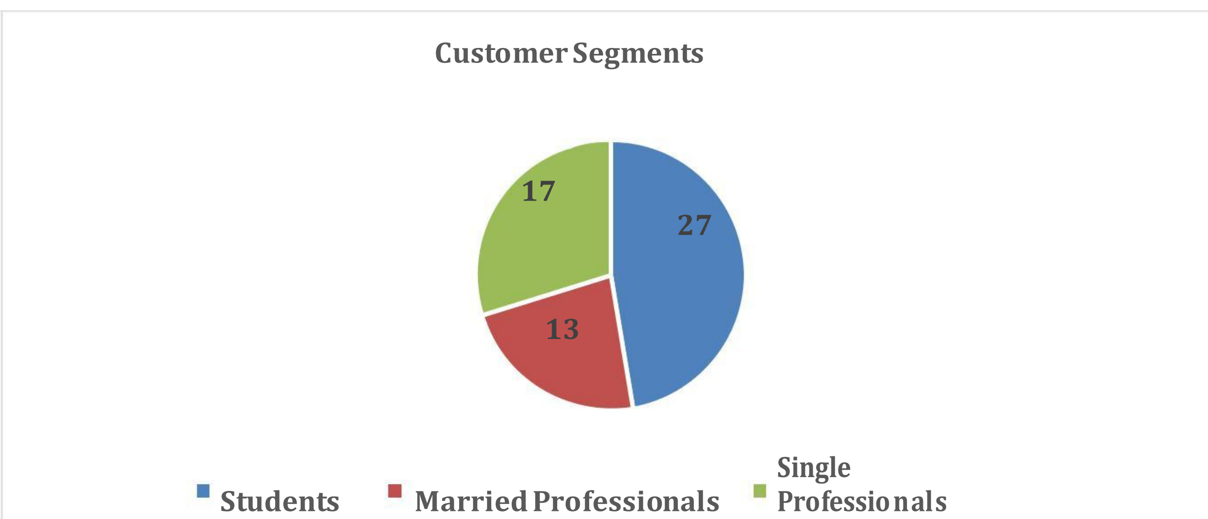
6. **Inhibitors / Constraints –** Psychological barriers of physical touch and freshness concerns were the main inhibitors as mentioned by the participants. The delivery timing was also a constraint faced by participants who were working before. They needed convenient delivery timing.
7. **Products -** The participants had no inhibitions in buying FMCG products or packed/branded products through online channel. Their primary concern appeared to be with perishing ability of the products like fruits, vegetables and meat etc. Also, users mentioned that the final end products made using the groceries bought through the offline and online mode had rarely any difference with respect to taste. They needed assurance of the quality for these products to purchase through this channel.
8. **Impulsive Purchase** – The participants felt that impulsive purchases would be very less in online channel as compared to a physical store. Impulse purchases form a significant portion of the total purchase, because they help to profitably monetize the footfalls generated by groceries. Many of them depend upon impulse purchase to satisfy their needs.

DATA ANALYSIS AND FINDINGS

Based on the primary and secondary research, the following were identified as most likely to be potential customers for an online grocery retailer. The segmentation was done based on their occupation and marital status. The following three categories of respondents were considered most important:

1. **Students**
2. **Married Professionals**
3. **Single Professionals**

Out of the 57 respondents a break up of these three segments is depicted below.



The three segments were analyzed on a number of parameters through the questionnaire given to the respondents. Based on analysis of the responses, the target segment out of these three was evaluated.

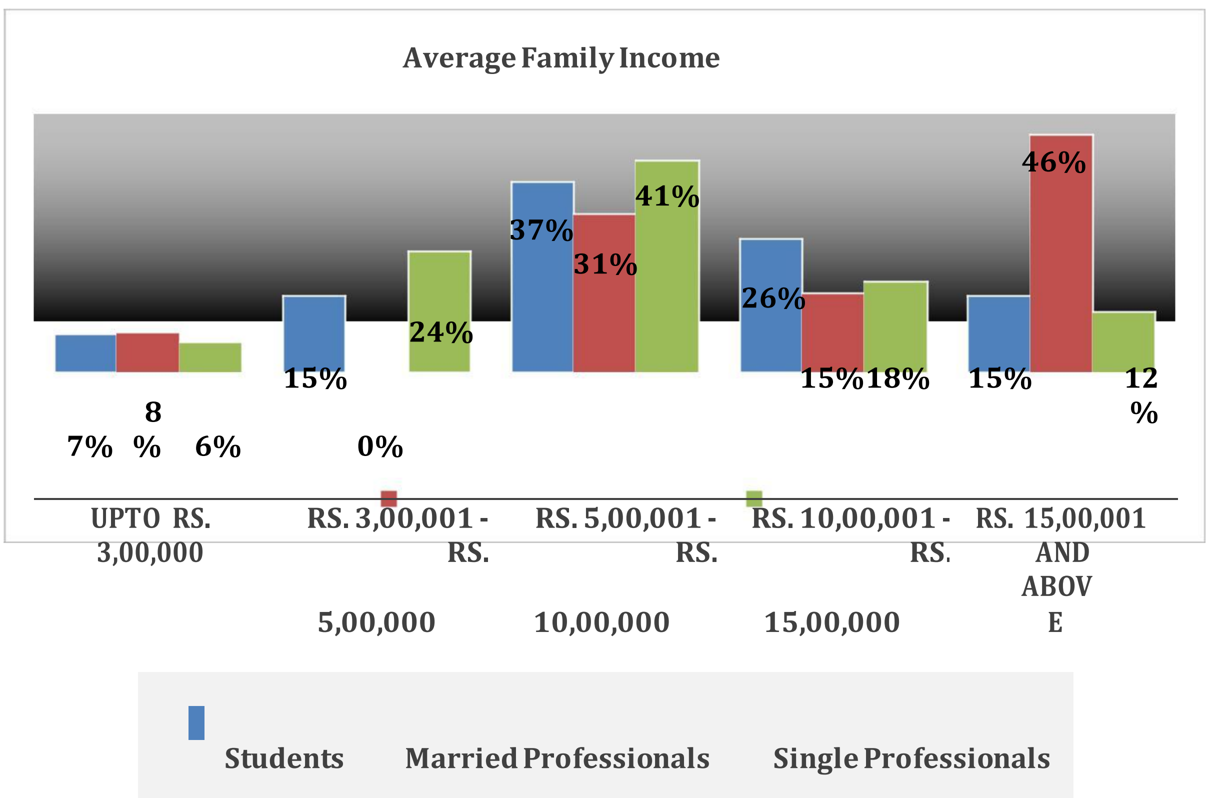
1. **Average Number of Family Members:**

The average number of family members for the three segments is:

Students: 4.26
Married Professionals: 3.15
Single Professionals: 3.24

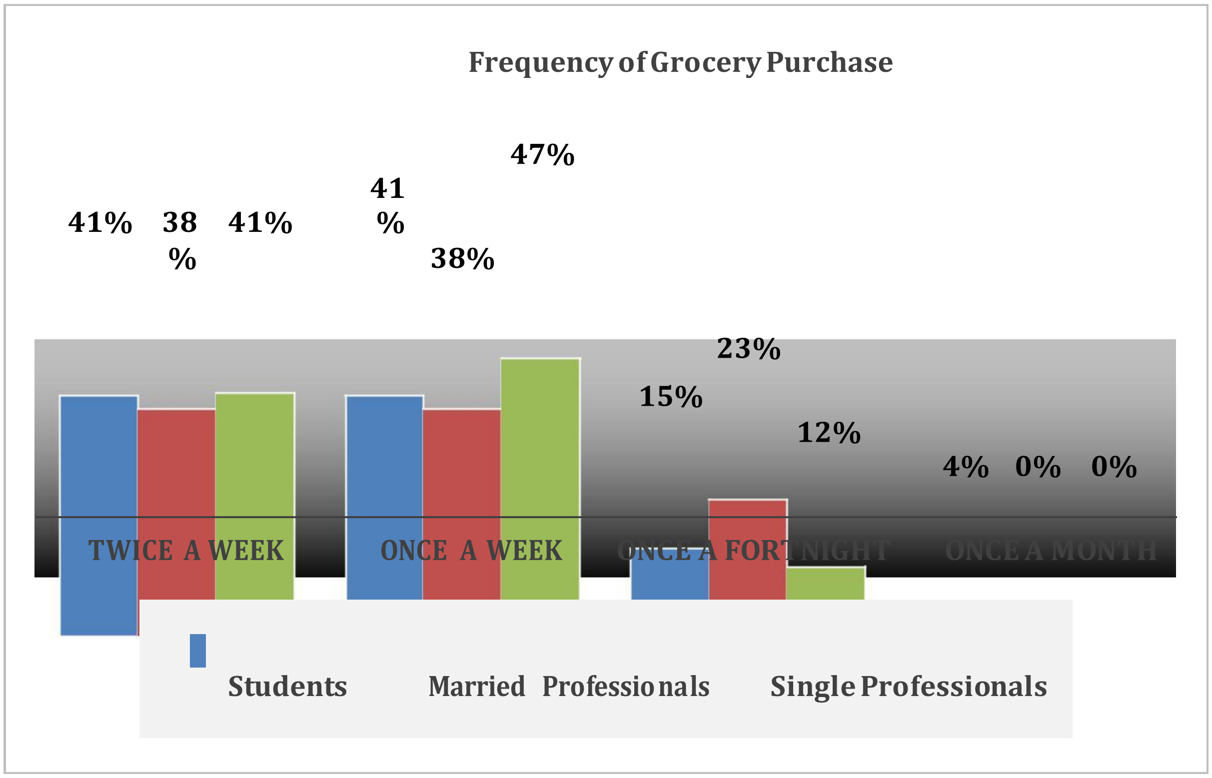
Higher is the number of people higher will be the demand of grocery generated by the particular household. Students and Single Professionals are the two segments with the highest number of family members. The student segment can influence their parents and relatives to buy online which can be important customers to gain for the company. Married professional will usually be nuclear families with 2-3 members.

2. **Average Family Income**



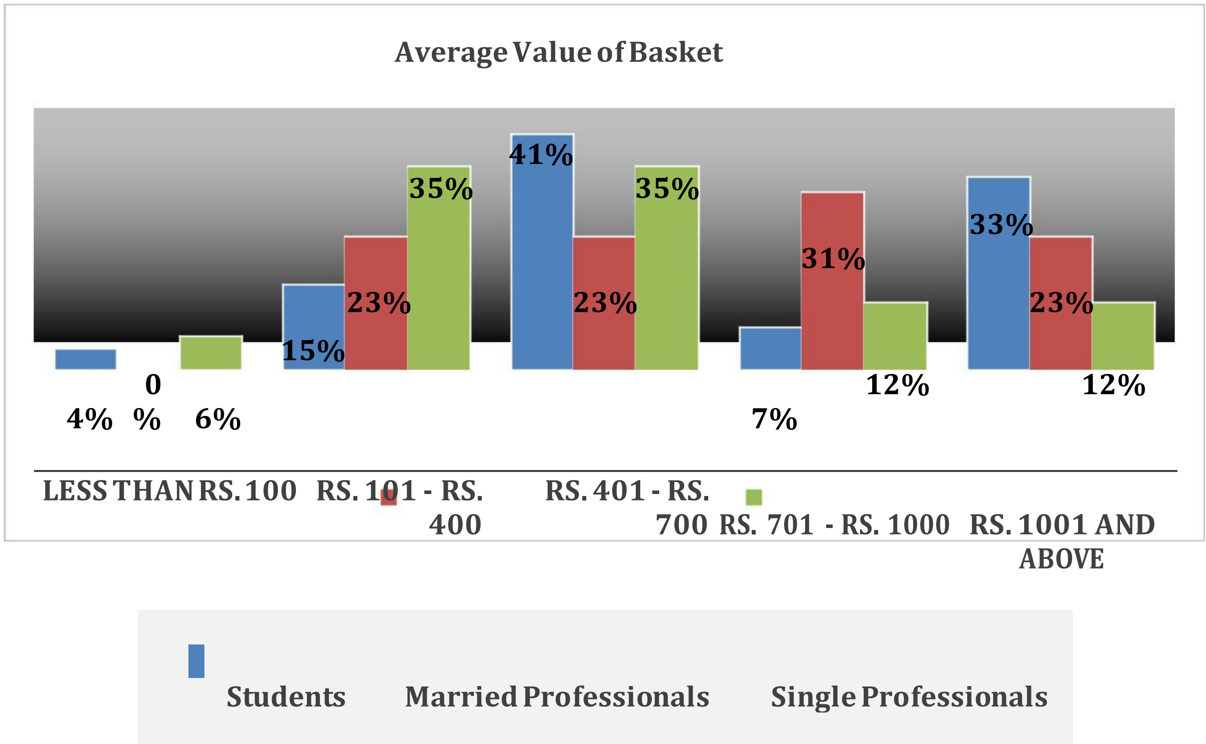
A considerable proportion of people for all three segments is located in the middle income group with the average income varying between Rs.5,00,001 to Rs.10, 00,000. There is a high chance that customers from this group might be price sensitive. The highest proportion of students and single professionals are located in this income bracket while the highest number of married professionals has a family income of greater than Rs.15, 00,000.

3.Frequency of grocery purchase



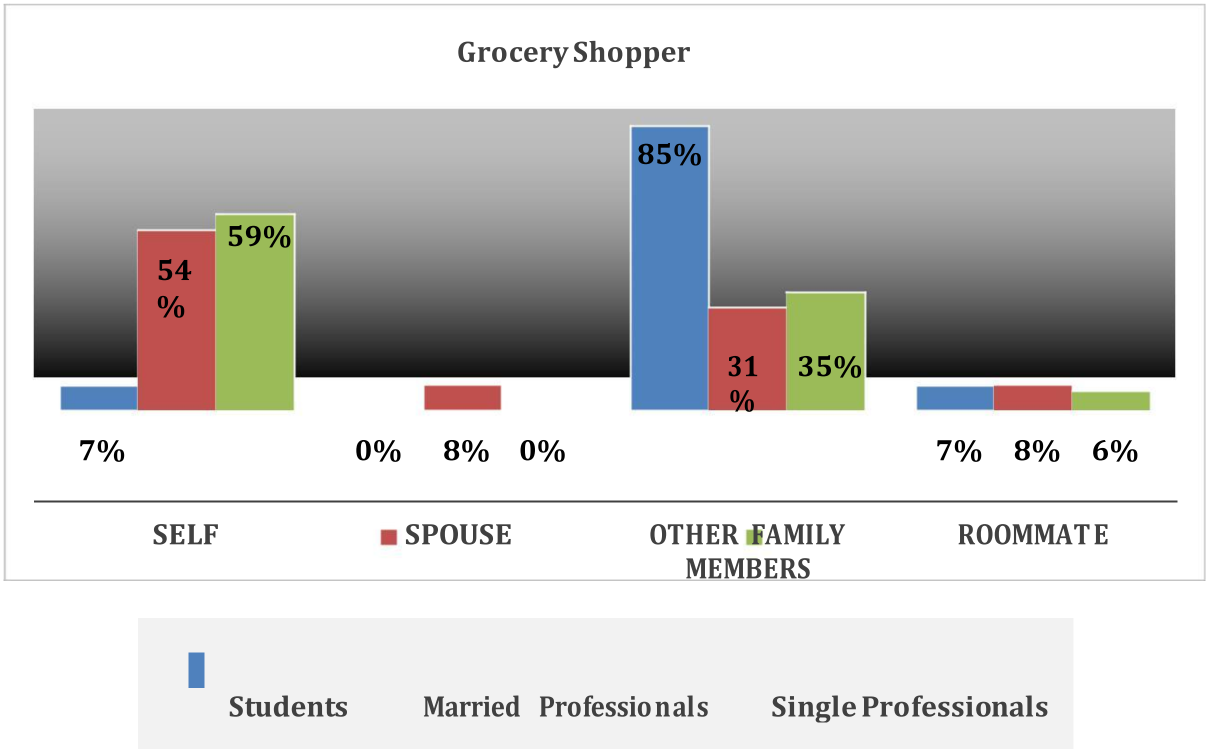
Groceries, being a perishable item, have a very high purchase frequency. Approximately 40% of respondents in all three segments purchase grocery twice a week and about another 40% purchase it once a week. The high frequency suggest a high demand for groceries as well a demand for a channel with lower lead time and which requires less time spent in shopping. This is consistent across the three segments.

4. Average Value of Basket:



The average value of basket lies between Rs.401 to Rs.700 for largest proportion of students and single professionals. For married professionals the largest proportion of population has the average basket size is above Rs.1001. This will be useful in estimating the average sales for each customer segment as well designing targeted discount schemes on products.

5. Grocery Shopper



Most of single and married professionals do grocery shopping by themselves. However, for a very high percentage of students, other family members are involved in grocery shopping. Online grocery retail seems to be a viable avenue to induce self grocery shopping by students.

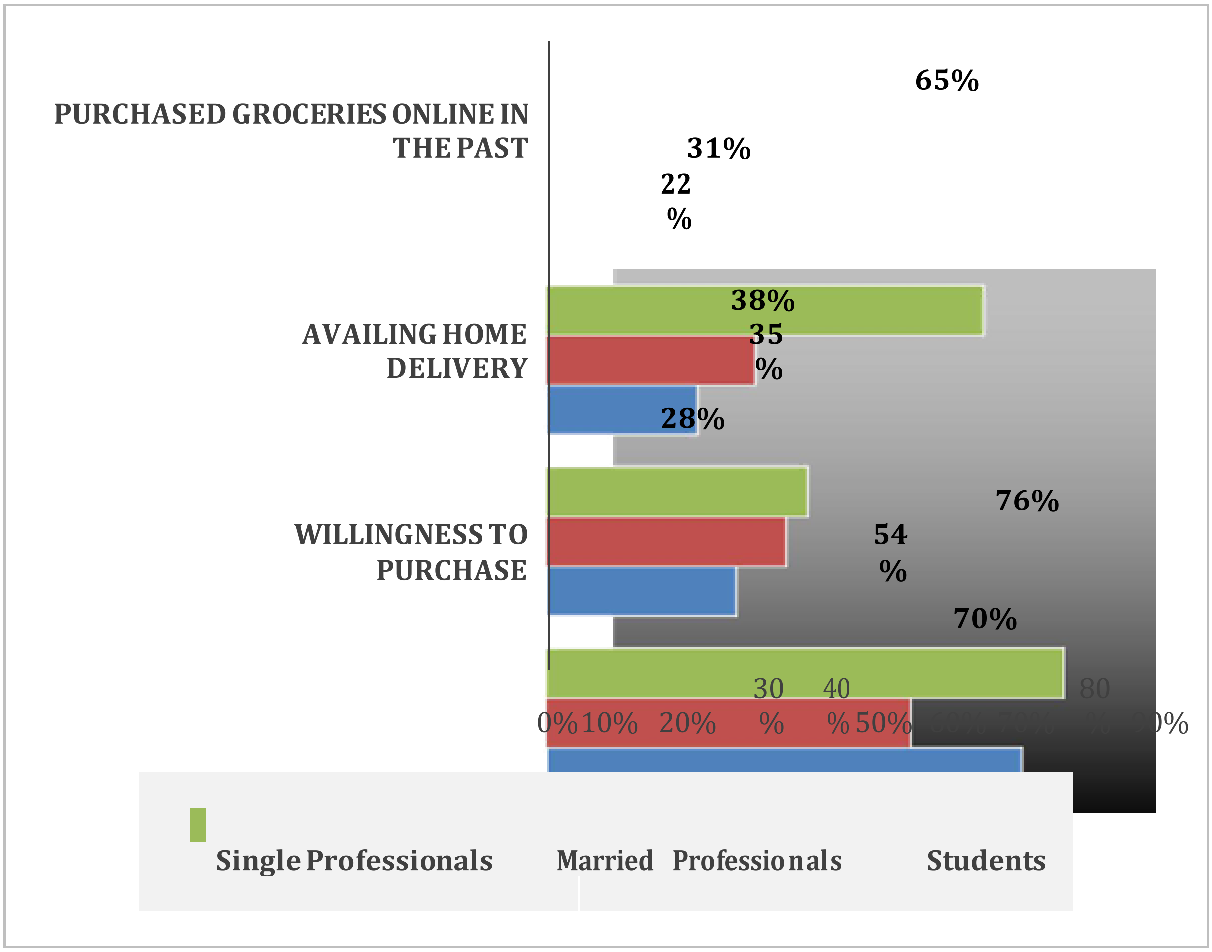
6. Other Factors

There a many other factors to determine the target segment. Some of the important ones

analyzed through the questionnaire are:

a. Purchased Online Groceries in the Past:

These set of customers already have experience of buying groceries online, and therefore will have less apprehensions regarding the same. This is highest for Single Professionals.



b. **Availing Home Delivery:**

A good proportion of Professionals, both single and married, have availed home delivery of groceries in the past. Thus, it will be relatively easy for them to adopt a new of online grocery retailer. This number is lowest among Students.

c. **Willingness to Purchase:** A large proportion of both students and single professionals show a willingness to buy groceries online. A significant number of single Professionals have bought groceries in the past. However, this number is very low for students, which suggests that they could be potential new customers.

CONCLUSION

After analyzing the three segments of different parameters, it is seen that Students and Single Professionals are similar in many aspects, such as high number of average family members and high frequency of purchase. Hence, both should be our target audience. Both are highly favorable towards online grocery shopping. Students do not have prior experience in online grocery shopping. Thus, there exists a gap which can be filled by an online retailer and serve its new student customers. Many of the single professionals have previously bought groceries online and are willing to continue the same. They are satisfied with this medium of buying and can be attracted by a retailer though competitive differentiation. An exploratory research was conducted for gathering data. Two focused group discussions with a diverse set of participants were conducted to understand the consumer behavior. A total of three interviews, including one with an expert were also conducted. Based on these, insights about online grocery shopping were generated. Convenience and quality were seen as the most important purchase drivers and concerns over quality were also identified. Data from some secondary sources were also considered. Building upon the understanding gained, a detailed questionnaire was created for of getting quantitative data for the search. Responses from 57 respondents were recorded and the data generated was analyzed. Three customer segments, namely Students, Married Professionals and Single Professionals were identified. Considering various parameters such as average number of family members and family income, frequency and size of grocery purchases and willingness to buy groceries from an online medium Students and Single Professionals were chosen as the target set of customers.

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