

“Buying Behaviour of Rural Customers with respect to Small Retailers of Convenience Goods”

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Abstract

Abstract: Large format retailing is rising at a rapid pace in India but 84 % of Indian retail trade is generated from small retailers. In this situation, the buying behaviour of rural consumers with respect to small retailers of convenience goods has to be studied. The research presented here builds a picture of the changing perception and behaviour of rural consumers towards small retailers of convenience goods. The study is aimed at understanding the buying behaviour of rural customers while making purchases from small retailers of convenience goods. Another objective of the study is to measure the satisfaction levels of the customers of small retailers.

Keywords: *small retailers of convenience goods, consumer behavior, perception of consumers, rural consumers etc.*

1 Introduction

The term ‘retailing’ includes any business activity that involves a sale of goods and services to an end customer for non-business purpose. Today, ‘retailing’ is the catchword in Indian Industry.

About Indian Retail Industry

Retail industry is the biggest industry among other leading industries in India. India has fifth-largest position in the global retail space.

Growth of Indian Retail Industry: - This industry is growing by 25 per cent yearly due to certain positive changes in the Indian economy like increasing income level of middle class, changing lifestyle of people, favorable changes in demographic and economic factors, increasing disposable incomes, urbanization, changing consumer tastes and preferences etc. Indian retail industry will reach \$ 1.6 trillion by 2026 from \$ 641 billion in 2016.

The size of modern retail in India is expected to double to Rs 171,800 crores (US\$ 25.7 billion) from Rs 87,100 crores (US\$ 13 billion) in the next three years driven by Omni-channel retail. [1]

Employment from Retail Industry: -The sector is the largest source of employment after agriculture and provides nearly 8 per cent of the employment

GDP from Retail Industry:-This industry has deep access into rural India generating more than 10 per cent of India's GDP.

Organized and Unorganized Retail Industry:-The overall consumer retail market is growing at the rate of 12 per cent per annum. Organized retailing is expected to grow from 18% in 2021 from an estimated 9 per cent in 2017. India is expected to become the world's third-largest consumer economy, reaching Rs 27.95 lakh crores (US\$ 400 billion) in consumption by 2025.

The Indian retail industry is highly fragmented and the organized retailing still at a nascent stage which accounts for far less percentage than the unorganized retailing of the total Indian retail market. It is estimated that organized retailing accounts for less than 5% of today's total market, but is expected to develop between 14% to 18%.

Retail Stores: - The percapita retail store availability in India is highest in the world. The retail development is not only taking place in major cities and metros, but also in villages. India occupies 77th rank in World Bank's Doing Business 2019.

Foreign and Private Retail Players:-Foreign and private retail players play a vital role in Indian retail industry and have been a boost to Indian retail industry. According to a study by Boston Consulting Group, increasing participation from foreign and private players has given a boost to Indian retail industry. India's price competitiveness attracts large retail players to use it as a sourcing base. Global retailers such as Walmart, GAP, Tesco and JC Penny are increasing

their sourcing from India and are moving from third-party buying offices to establishing their own wholly owned/wholly managed sourcing and buying offices.

Investment in Indian Retail Industry:-India's retail sector investments doubled to reach Rs 1,300 crores (US\$ 180.18 million) in 2018. According to Anarock Retail, revenue of India's offline retailers, also known as brick and mortar retailers, is expected to increase by Rs 10,000-12,000 crores (US\$ 1.39-2.77 billion) in FY20.

FDI in Indian Retail Industry:-According to Indian Retail Industry Report (December, 2019), the Government of India has introduced reforms to attract Foreign Direct Investment (FDI) in retail industry. The government has approved 51 per cent FDI in multi-brand retail and 100 per cent in single brand retail under the automatic route which is expected to give a boost to ease of doing business and Make in India and plans to allow 100 per cent FDI in e-commerce. Cumulative FDI inflow in retail industry in the period of September 2019 to April 2000 stood at US\$ 1.89 billion.

Small Retailing of Convenience Goods:The retail market in India is transforming at a fast rate. The new large organized formats of retailing along with e-retailing are making threats for small retailers of convenience goods that existed through centuries in India. The small retailers constitutes over 92 per cent of the total sales in the country as of 2018 as per IBEF report. Here, small retailers means stores with <500sqft area. Majority of functions have to be performed by owners of small retailers themselves due to limited resources.

2. Sampling Plan

Before data collection, a plan for obtaining a sample from a given universe was prepared by the researcher.

Population for the Research

All the rural customers of small retailers of convenience goods are the population for the research. Researcher has selected the sample from population by using a **purposive convenient random sampling technique**.

Sampling Unit: An individual customer present in the research area is considered as sampling unit.

Sampling Method:**Purposive convenient random sampling technique** is used for the study. Convenience sampling is a non-probability sampling technique in which respondents are selected

because of their convenient accessibility and proximity to the researcher. This method is acceptable and appropriate taking into account the nature of the study.

Sample Size:

Sample size of customer is 384 which are calculated with the help of statistical formula. For calculation of sample size the confidence level considered is 95% and its value is 1.96. The maximum variability is 50% that is 0.5 and confidence interval/ margin of error is 5%

3. Data Analysis

Table No.1 Shopping Frequency of Customers

(Figures in brackets are percentages)

Type of Retail format	Daily	Weekly 1 day ≤ 6 days	2 to 3 times a month	Once in a month	Rarely
Small Retailers of Convenience Goods	72 (18.75)	248 (64.58)	48 (12.50)	16 (4.17)	0 (0.00)

Source: Primary Data

Customers purchase provisions, groceries and other consumables from small retailers of convenience goods. Above table and graph shows the purchasing frequency of provisions, groceries and other consumables by customers from small retailers of convenience goods.

The significant number of customers makes weekly purchases from small retailers of convenience goods.

Table No.2 Purchase Occasion of the Customers.

(Figure given in the bracket is percentage)

Type of the retail shop	Need arises	Emergency	Requirement of product in large quantity	Offer on product	New product is introduced
Small Retailers of Convenience Goods	240 (62.50)	141 (36.88)	50 (13.02)	32 (8.33)	22 (5.73)

Source: - Primary Data

Purchasing process starts with certain motive. Researcher identified purchasing motives such as need, emergency, offer on product and arrival of new products.

Therefore, ‘Need’ and ‘Emergency’ are the two main reasons for most of the customers to make purchases from small retailers of convenience goods.

Table No. 3 Basis of Product Selection by Customer

(Figure given in the bracket is percentage)

Type of retail shop	Price	Offer on product	Quality	Quantity	Recommended by sales person
Small Retailers of Convenience Goods	210 (54.68)	42 (10.94)	107 (27.86)	180 (46.88)	62 (16.15)

Source: - Primary Data

The researcher has identified various bases for product selection by customers such as price, quality and quantity, offer on products and recommendation of sales person.

Therefore it is inferred that most of the customers select a particular product on the basis of its price when making a purchase from small retailers of convenience goods.

Table No.4 Products Purchased from Small Retail Stores

(Note- More than one response from single respondent)

Sr. No.	Product	No. of Respondents	No. of Responses	Percentage
1	Bakery Food products and grocery items	384	210	54.69
2	Milk and Milk Products	384	280	72.92
3	Personal Care and Beauty Products	384	210	54.69
4	Home care	384	140	36.46
5	Stationary items	384	150	39.06
6	Other items	384	120	31.25

Source: Primary Data

The researcher has observed that customers visit small retailers of convenience goods to purchase bakery food products, grocery, milk and milk products, personal care and beauty products, home care products and stationary items.

Therefore it is seen that most of the customers purchase milk and milk products and grocery items from small retailers of convenience goods.

Table No.5. Reasons for Purchasing from Small Retailers

(Note- More than one response from single respondent)

Sr.No.	Reason to purchase	No. of Respondents	No. of Responses	Percentage
1	Near to home	384	291	75.75
2	Saves time	384	311	80.90
3	Available as per required quantity	384	298	77.70
4	Credit Facility	384	232	60.50
5	Personal Relations with retailer	384	194	50.50

Source: - Primary Data

Various reasons to make purchases from small retailers of convenience goods have been cited by the customers of small retailers. These are near to home, saves time, available as per required quantity, credit facility and personal relations with the retailer. These reasons vary from customer to customer.

It is found that most of the customers make purchases from small retailers of convenience goods as it saves purchasing time of customers and as they are located near to their homes. Another reason for customer to make purchases from small retailers is availability of a particular product as per the required quantity.

Table No. 6 Payment Methods at Retail Shop.

(Figure given in the bracket is percentage)

Payment by customers	Small Retailers of Convenience Goods
Cash	280 (72.92)
Credit Card/Debit Card	104 (27.08)

Source: Primary Data

It is concluded that majority (72.92%) customers make cash payment for their purchases at LFRs. While 27.08% of the customers make the payment through UPI/credit/debit card.

Therefore customers of small retail stores of convenience goods follow the traditional way of making cash payment.

Table No. 7 Customer Reaction when required Product/ Brand is not available in Retail Shop

A= Always O= Often S= Sometimes R= Rarely N= Never M= Mean S.D. =Standard Deviation R= Rank

(Figures in the bracket are percentages)

Retail format type	Action	A	O	S	R	N	M	S.D	R
Small Retailers of convenience goods	Postpone purchase	10 (2.60)	60 (15.63)	214 (55.73)	70 (18.23)	30 (7.81)	2.87	2.47	IV
	Select substitute product/ brand	45 (11.72)	90 (23.44)	192 (50.00)	35 (9.11)	22 (5.73)	3.26	2.89	II
	Go to another retail shop for same brand	52 (13.54)	205 (53.39)	70 (18.23)	45 (11.72)	12 (3.13)	3.63	3.23	I
	Depends on the type of product and situation	36 (9.38)	70 (18.23)	210 (54.69)	33 (8.59)	35 (9.11)	3.10	2.74	III

Source: - Primary Data

The researcher has observed the reactions of customers when a particular product/brand is not available in retail shops. These actions are, the customer postpones purchase, selects a substitute product/brand, goes to another retailer shop for the same brand and depends on the type of the product and situation.

Therefore it is concluded that in case of customers of small retailers of convenience goods, they go to another retailer shop for same brand / product if required brand / product is not available and it is the most exercised reaction.

Table No. 8 Level of Satisfaction of Customers with Features of Small Retailers

More satisfied=MS Satisfied= S N= neither satisfied nor dissatisfied

Dissatisfied= D MD= More dissatisfied

Sr. No.	Factor	MS	S	N	D	MD	Mean	Standard Deviation	Rank
1	Price	31	158	84	73	38	3.18	2.87	II

2	Product Quality	31	116	115	84	38	3.05	2.73	IV
3	Personalized Sales services	23	192	92	46	31	3.34	2.98	I
4	Post sale services	19	123	115	96	31	3.01	2.67	V
5	Product Packing	15	116	192	46	15	3.17	2.77	III

Source: - Primary Data

The researcher has ranked the features of small retailers with help of 5 point Likert scale. The various features of small retailers of convenience goods responsible for customer satisfaction identified by the researcher are ‘price and quality of the product’, ‘sales services’, ‘post sales services’ and ‘product packing’.

Customers of small retailers are satisfied with the personalized sales service and product packing available with small retail outlets. While with other features the customers are neither satisfied nor dissatisfied that is neutral.

4. Findings

Data that is generated from customers’ survey is analyzed and following are the findings from it:

- * Significant number of customers make weekly purchases from small retailers of convenience goods.
- * It is found that ‘Need’ and ‘Emergency’ are the two main reasons why most of the customers make purchases from small retailers of convenience goods.
- * Most of the customers select a particular product on the basis of its price when making a purchase from small retailers of convenience goods.
- * It is revealed that milk and milk products and grocery items are the products predominantly purchased from small retailers of convenience goods.
- * It is found that most of the customers make purchases from small retailers of convenience goods as it saves purchasing time and another reason is availability of a particular product as per the required quantity.
- *The customers of small retail stores of convenience goods follow the traditional way of making cash payment.
- *Customers of small retailers are satisfied with the personalized sales service and product packing available with small retail outlets. Discounted price and offers on products are the two main features that attract customers to LFRs.

*There is impact of large format retailers on the buying behavior of customers and it is found that, high income customers get diverted towards large format retailing.

Conclusions:

With the Indian retail industry set to will reach \$ 1.6 trillion mark by 2026. Organized retailing is expected to grow from 18% in 2021. The retail market in India is transforming at a fast rate. The new large organized formats of retailing along with e-retailing are making threats for small retailers of convenience goods that have existed through centuries in India. The small retailers constitute for over 90 per cent of the total sales in the country as of 2018 as per IBEF report.

In view of the above this study throws light on the growth opportunities for both the small retailers as well as the large format retailers. The study has revealed the buying behaviour of that segment of the market whose contribution is to the total retail sales is sizeable and growing rapidly. So it is for both the players to make adjustment in their business strategies so as to take a bigger piece of the cake.

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