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# A Comparative Study of Buying Patterns in Organized & Unorganized FMCG Retail Stores

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**Abstract:** In today's 'Post Modern Era', shopping has become more of a social and leisure activity, reducing the total number of cognitively planned purchases made by consumers (Banerjee & Saha, 2012). This has to a great extent, led marketers to concentrate more and more on individuals' changing buying pattern, which has further helped them in identifying that such hedonic and pleasure driven shopping endeavors have enhanced impulse buying among consumers making it socially acceptable and very often a common practice.

This paper tries to study the FMCG purchasing pattern of customers in organized & unorganized retail stores. The paper will also help in knowing about influencers of FMCG buying decisions. It will trace out the suggestions for organized & unorganized FMCG retailers to attract & maintain customers.

**Key words:** Retail, FMCG, buying pattern, organized, unorganized, Customers etc.

### I. Introduction

The Indian retail industry has emerged as one of the most dynamic and fast-paced industries due to the entry of several new players. It accounts for over 10 per cent of the country's Gross Domestic Product (GDP) and around 8 per cent of the employment. India is the world's fifth-largest global destination in the retail space. India's retail market is expected to grow at a Compound Annual Growth Rate (CAGR) of 10 per cent to US\$ 1.6 trillion by 2026 from US\$ 641 billion in 2016. While the overall retail market is expected to grow at 12 per cent per annum, modern trade would expand twice as fast at 20 per cent per annum and traditional trade at 10 per cent.

India has replaced China as the most promising markets for retail expansion, supported by expanding economy, coupled with booming consumption rates, urbanizing population and growing middle class. With the rising need for consumer goods in different sectors including consumer electronics and home appliances, many companies have invested in the Indian retail space in the past few months.

The fast moving consumer goods (FMCG) segment is the fourth largest sector in the Indian economy. The market size of FMCG in India is estimated to grow from US\$ 30 billion in 2011 to US\$ 74 billion in 2018. Food products are the leading segment, accounting for 43 per cent of the overall market. Personal care (22 per cent) and fabric care (12 per cent) come next in terms of market share. Growing awareness, easier access, and changing lifestyles have been the key growth drivers for the sector.

The Government of India's policies and regulatory frameworks such as relaxation of license rules and approval of 51 per cent foreign direct investment (FDI) in multi-brand and 100 per cent in single-brand retail are some of the major growth drivers for the consumer market. Sales for organized (i.e. "large") retailers grew four times faster than the sales for unorganized (i.e. "small") retailers in India during 2005-09. However, unorganized retailers captured as much as 85% of the increase in retail sales over this time period.

Product or service requirements refer to the buying motives and their associated purchase criteria. Retailer accessibility is the evoked set of product/supplier options available to the consumer to satisfy his product requirements (Sheth, 1981). Based on the consumers' requirements and product/retailer accessibility, competing offers are evaluated by the consumer.

Most consumers buy many products, and they operate in a pressured work environment with little time available to evaluate, in formal way, detailed and subtle criteria. They therefore argued that buyers use only a subset of product requirements (i.e., evaluative criteria) to decide between different products and retailers when making actual purchasing decision (**Shaw, Dawson and Blair, 1992**).

Consumer product manufacturers and retailers face greater competition in the 21st century than at any other time in history. These challenges are not only from other local, national, and global businesses but also from consumers. Consumers' expectations and demands have heightened with more access to information, greater financial ability and willingness to purchase, and evolving demographic trends, e.g., gender shopping roles and responsibilities (**Chen, Hui-Chu & Robert, D., 2009**). Price discounts and buy one and get one provided by FMCG stores are most effective. It was found that customers are highly loyal and they do not prefer to the switch stores based on the promotion (**Sathish, M. & Naachimuthu, K. P., 2011**).

The basic belief of marketing-oriented organization is that the customer is the hub around which the business revolves. Therefore, understanding what makes people in general buy and what makes the customer in particular buy is a vital part of business success. Market itself means – customer, around whom all marketing strategies are formulated and implemented. In order to meet competition at the market place, the retailers are using various methods to add value to the final product which will reach the hands of the consumers.

## II. Objectives of the Study

- To study the buying pattern of customers in organized and unorganized FMCG retail stores.
- To investigate the influencer for FMCG buying decisions with special reference to Rajasthan State.
- To identify the benefits enjoyed by customers at organized FMCG retail stores.
- To identify the benefits enjoyed by customers at unorganized FMCG retail stores.

And one hypothesis is:

**Null Hypothesis:** There is no significant relationship between buying influencers for unorganized & organized customers towards organized retail stores.

**Alternative Hypothesis:** There is a relationship between buying influencers for unorganized & organized customers towards organized retail stores.

### III. Materials & Methods

Survey method is used as the main research method for the study, where primary data was collected with the help of a structured questionnaire. Questionnaire was administered among a sample of 150 respondents (50 customers at organized & 100 customers at unorganized retail stores), who were selected Stratified Proportionate Random Sampling technique from five selected cities i.e. Jaipur, Jodhpur, Kota, Udaipur & Chittorgarh.

### IV. Results

#### 1. Type of the Retail Stores mostly visited for FMCG shopping:

Most of the respondents visit local markets & super markets to purchase FMCG products. Customer also likes to go at discount store & consumer cooperatives for price benefits. Besides this they also deal with mobile vendors for fruits & vegetables products specially who make these available nearby to their homes (Fig1)

#### 2. Buying Decisions Influencer:

As FMCG products are routine nature product which is frequently purchased by customers, therefore people are not dependents upon their spouse or family members for such buying. (Fig.2)

3. **Spearman Rank Correlation Coefficient** is computed for this data to find out the relationship between buying motives of unorganized & organized customers towards organized retail stores.

Spearman Correlation Coefficient (**R**) = **0.878**,  $df = 18$ , T Statistic = 7.784, Result: **Significant** ( $p < 0.01$ ), Null Hypothesis rejected (Table2). The result shows that there is a strong relationship between the shopping influencers identified by organized & unorganized customers towards organized retail stores.

Thus, it is very much clear that Quality, Retail Brand, one place for all goods, services, variety are some of the common factors which influence the customers be it organized or unorganized to purchase the routine products from organized retail stores.

#### 4. Benefits enjoyed from Unorganized Food Retail Outlets

Cooperation & language similarity are two key benefits enjoyed by most of the customers. Beside this personal attention & return-ability also can be found in unorganized retail outlets (Fig.3)

## 5. Benefits enjoyed from Organized Food Retail Outlets:

customers get benefited in organized retail stores in various ways such as all the necessities can be found under single roof, wide product range, discounts, Displays, neatness, superior quality, shopping carts etc. (Fig.4)

## 6. Liking about Organized Retail Store

This is clearly visible from table 3 that around 83% of the respondents is fond of the availability of service in the organized retail stores. Under product related aspects mostly customers have a good taste for product variety, quality & availability in organized outlets. 33.33% of the respondents like frequently discounts offered by organized retailers. Almost 65% of the respondents are fond of parking place facility provided by organized retailers & the obvious reason for this is safety of their vehicles.

## V. Discussion

Kiranas as well as organized retailers have certain positive as well as negative aspects that draw or repulse a consumer from buying from them. The major aspects that have come out in this study is that organized retailer is preferred for their cleanliness, offers, exclusive store brands, parking, while kiranas are preferred because of their nearby location and possibility of multi store shopping. While in organized outlets, consumers buy essentially convenience goods with low level of risk; in traditional retail, they buy essentially products of more involvement, which requires a more complex buying behaviour.

Therefore, there should be work upon a hybrid configuration of FMCG retail stores which has product assortment like in the traditional kirana stores, but convenience, ambience & displays like in modern stores.

### Suggestions to *Organized FMCG Retailers*:

- Should emphasize on new launches to make them available.
- Should make sure about stock replenishment order.
- Should give attention to freshness of fruits & vegetables.
- Should make vegetables available before lunch time.
- Should check expiry date of packed spices.
- Should avoid stock-out situation.

### Suggestions to *Unorganized FMCG Retailers*:

- Should locate their shop at non-congested locations.
- Should form own discount policy.

- Should keep a wide product range.
- Should give shelf space to branded, packed & popular products.
- Should implement fixed & fair price policy.
- Should provide basic amenities.
- Should also keep fresh fruits & vegetables in the stores.

*“The closer you are to the customer, the more you would understand, interpret & predict their behaviour & the more would be your chances of retaining them & attracting more footfalls”.*

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## VII. Tables & Figures

**Table 1 Demographic Profile of Respondents**

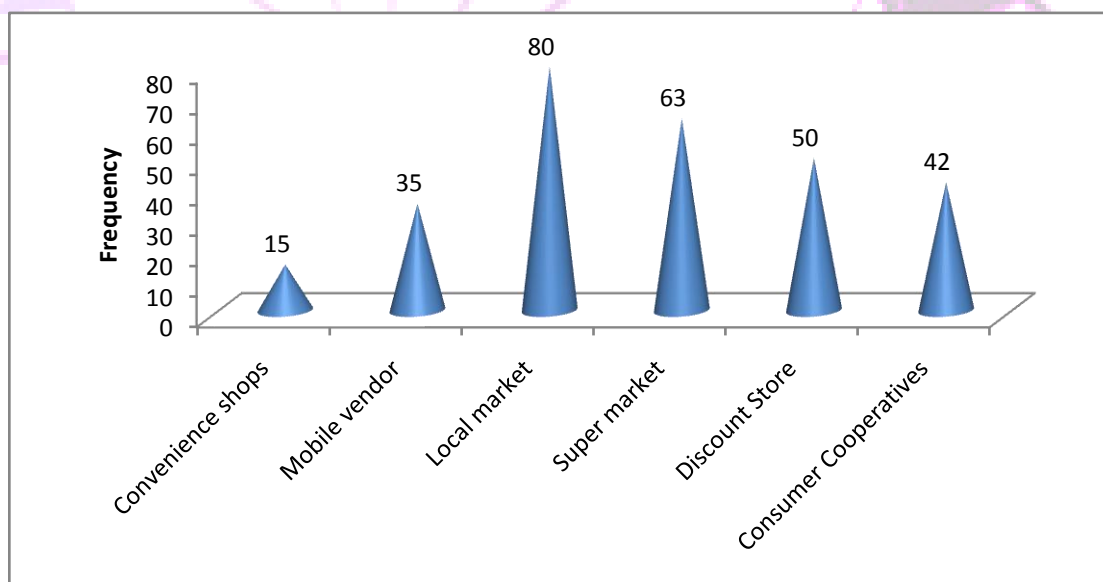
Age group (Yrs)	Frequency	Occupation	Frequency	Average Monthly Family Income (Rs.)	Frequency
Below 20	11	Business	20	Up to 20,000	34
20-30	51	Govt. service	23	20,000-40,000	47
30-40	41	Private Service	36	40,000-60,000	46
40-50	19	Professional	31	60,000-80,000	11
50-60	21	Student	22	80,000-1,00,000	4
Above 60	7	House wife	18	Above 1,00,000	8

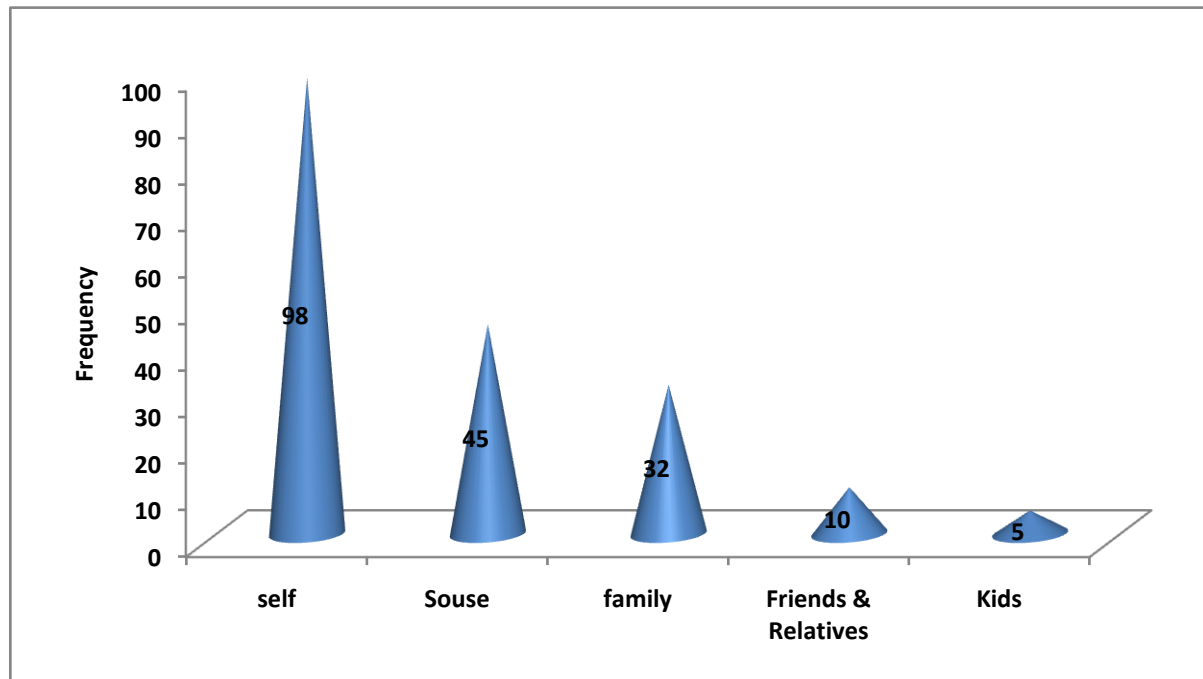
Table 2 Factors influencing shopping at Organized Retail Stores

Factors	Rank by Unorganized Customers	Rank by Organized Customers	$d_i^2$
Quality	2	1	1
Quantity	19	13	36
Price	10.5	10	0.25
Brand	5	4	1
Economics	17	17.5	0.25
One place for all goods	1	2	1
Entertainment	20	17.5	6.25
Variety	4	6	4
Products	15	14	1
Convenience	7	7	0
Reliability	10.5	9	0.25
Best bargain	6	5	1
Attractive schemes	8	8	0
Time saving	13	11	4
Status symbol	12	20	64
Advertising appeal	14	19	25
Services	3	3	0
Technology	18	15.5	6.25
Warranty & Guarantee	16	15.5	0.25
Displays	9	12	9
			$\sum d_i^2 = 160.5$

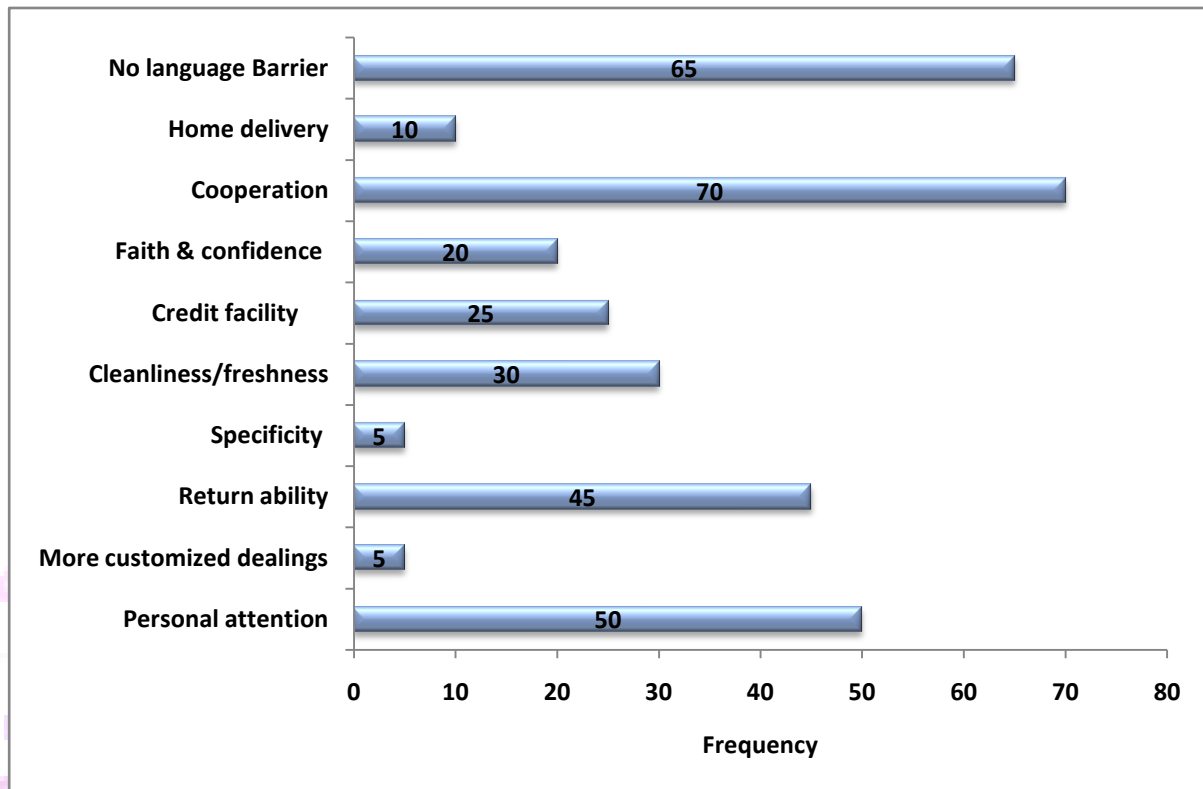
**Table 3: Liking about Organized Retail Store**

	Aspect	Feature	N	%
i.	Product related:	Quality	105	70
		Variety	117	78
		Price	25	16.67
		Availability	85	56.67
ii.	Service related:	Prompt	56	37.33
		Availability	125	83.33
		Price	13	8.67
iii.	Discounts & Offers related:	Frequently	56	37.33
		Fair charges	26	17.33
		Optional	13	8.67
iv.	Parking related;	Place	98	65.33
		Time	19	12.67
		Safety	66	44
		Fee	9	6
		Cleanliness	18	12

**Fig. 1 Type of the Retail Stores mostly visited for FMCG shopping:**

**Fig.2 Buying Decisions Influencers**



**Fig.3 Benefits enjoyed from Unorganized Food Retail Outlets**

**Fig.4 Benefits enjoyed from Organized Food Retail Outlets:**