

An Empirical Study on Consumers' Preferences towards Store Brands of Food and Grocery in Organized Retail Market

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ABSTRACT

Indian retailing market has an astonishing expansion in the modern decade with the beginning of elegant and assorted formats in the retail souk. Though unorganized retailing format (local Kirana stores) is a traditional and evergreen format in attracting customers since centuries, the evolution of organized retail chains with numerous ranges in groceries and food items, it has become a hypothetical situation for the customers to choose their choice among or organized and unorganized retail stores. The present study was conducted among the customers located in the Vijayawada city, Andhra Pradesh. The major objective of the study is to know the major factors that influence the customers to purchase store brands in the retail chains with respect to their income levels located in Vijayawada City. The results of the study highlight the major factors that influence customers to prefer private labeled brands when compared to manufacturer brands.

1. Introduction

The rapid growth of the retail industry in India with its largest contribution of GDP to our country portrays its vital role in the present competitive market world. The scenario of Indian retailing market has a remarkable growth in the recent decade with the inception of classy and multifarious formats in the retail market. Though unorganized retailing format (local Kirana stores) is a traditional and evergreen format in attracting customers since centuries, the evolution of organized retail chains (like More, Heritage, Big Bazaar, Spencer's, D-Mart etc.) with numerous ranges in groceries and food items, it has become a hypothetical situation for the customers to choose their choice among or organized and unorganized retail stores. These outfit retail chains are targeting all categories of customers from low to higher levels of income. In this point of view, the retail supermarkets are especially attracting customers with their own branded ('private labeled brands-PLB's' or 'store brands') products in food and groceries in addition with the range of manufacturer brands.

1.1. Retail Sector in India:

The retail industry is certainly considered as one of the fastest growing industries in the world. India is the world's 5th largest global destination in the retail market. With the recent developments in the Indian retail industry, the retail market has occupied 10% of the country's GDP and created employment for 8% of the workforce. The market was expected to grow at a 12% CAGR to cross US\$6 billion by 2019 whereas it has been recorded as only US\$3 billion in 2013. The Indian Retail Market has been classified into two different formats namely, 'Organized Retail Format' valued at 9% value and 'Unorganized Retail Format' valued at 91% of the total retail sector. Further forecast of Indian retail sector pictures the expectation with a market raise by 60% to reach US\$ 1.1 trillion by the year 2020, on the back of factors like rising incomes and lifestyle changes by middle class and increased digital connectivity, while the overall retail market is expected to grow at 12% per annum.

Figure – 1: Classification of Retail Sector in India

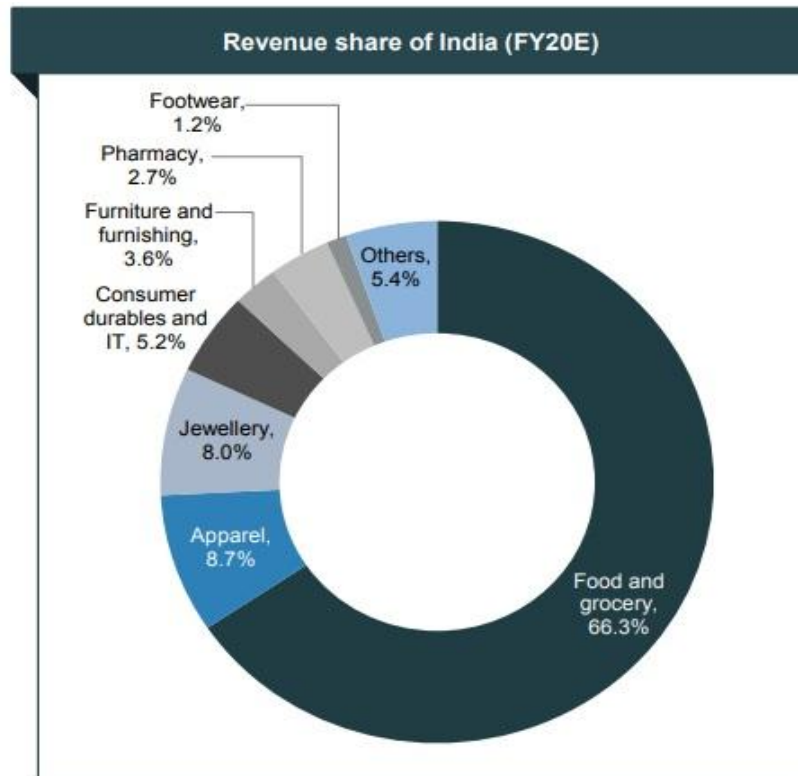


Source: The Knowledge Company, Technopak.

1.2. The role of Food and Grocery in Indian Retail Sector:

In India, many retail formats exist among the classification of organized and unorganized formats. The unorganized formats include local 'Kirana stores', which are available for the customers to purchase at doorsteps of their neighbourly environment. These unorganized markets are the most traditional retail outlets before the evolution of many retail chain supermarkets which offers a wide range of products from various brands ranging from international and national level to local made. After the evolution of 'organized retail outlets' (like More, Spencer's, big bazaar etc.), the customers of different income levels from moderate to higher economic level are attracting towards these organized retail markets with the influence of several factors like price, product, quality, display etc. Coming to this organized retail sector the retail supermarkets are offering their own manufactured products normally called as 'private labeled brands' along with branded products to the customers who are visiting their stores. In this scenario, the food and grocery section in the retail industry is occupying major revenues in the Indian retail industry. By 2020, the food and grocery segment is expected to account for 66% of the retail sector's total revenue which is followed by the clothing segment. The estimated revenue share of food and grocery in the Indian retail sector has to take 66.3% by the financial year 2020.

Figure – 2: Revenue Share of India by Retail Industry



Source: Technopak, Indian Retail Market January 2013, Deloitte. A report on 'changing trends: gems and jewellery industry' by Onicra.

1.3. Store Brands of Food and Grocery in Indian Retail Stores:

The products that are produced by the retailers and selling to the customers by making them available only in their retail outlets exclusively are termed as 'store brands' of that particular retailer. For example, the retail chain supermarket 'Heritage Fresh' will sell their own store brands with the brand name 'Golden Harvest' along with the manufacturer brands of a varied range of product types. Here, these store brands are promoted with multiple factors like low price, a wide range in quantities of different products etc to attract customers from moderate to high level of customers with respect to their economic status.

The structure of remodelling the retail grocery items in addition to changing behaviours' of customers has become the major motivating factor for the rapid growth of retail food and grocery stores. To get a grip on this growing market, giant Indian organizations are stepping into this retail industry to grab the opportunity to expand their business empire even in retail industry just like Aditya Birla Group who entered the retail

market with its chain 'More – Supermarkets' with a number of stores all over the India by making huge investments. This giant retail corporate is not only selling manufacturer brands but also in addition to them they are introducing their own retail store brands with a lesser price and high-quality features when compared to branded products in order to improve their market share.

The major purpose of the present study is aimed to know the consumer preferences on the store of food and grocery items from the selected retail stores in Vijayawada City. Apart from the traditional and well established unorganized retail formats like 'Kirana stores' the wide-ranging products of food and grocery items are also being sold in many retail formats like supermarkets, hypermarkets, convenience stores, discount stores, cash and carry stores etc.

2. Review of Literature

Rajesh K. Yadav and Manoj Verma (2015) aimed to know whether the Indian consumers are interested to change their

interests on the purchase of food and grocery from neighbouring Kirana stores to organized retail stores offering food and grocery products at discounted rates. For this, the multivariate statistical techniques were applied to analyze the opinions (primary data) collected from the consumers towards their preferences towards retail grocery stores. The results of the study revealed that the consumers in young age and with high salaries are progressively showing interest to purchase their food and grocery items from retail stores and reducing their purchases in local Kirana stores. The major reason pointed out in this change of purchase location is due to the wide range of products in user-friendly quantities, attracting price tags with reasonable discount rates on each product.

Manu Sehgal and Dr. Priyanka Khanna (2017) designed research to identify the factors affecting consumer behavior and preference towards their purchasing in organized retail formats. For this study, five major retail stores were selected to analyze the consumers' purchasing preferences on specific elements of products at those five retail stores in Ludhiana. Out the various statements which are used to know the consumer preferences, the factors like store ambience, sales assistance, store attractiveness, pricing policies, store convenience and promotion strategies were identified as the major factors that are affecting the consumer purchase decisions at selected retail stores like Big Bazaar, Lifestyle, Westside, Vishal Mega Mart, and Globus.

Dr. Cherukuri Jayasankaraprasad and Mr. Venkatesh Sakshi (2017) conducted a study to identify the factors affecting consumer buying behavior towards store brand products of food and grocery in the Indian retail market. In addition to this, the study has also targeted to know the consumers' attitudes and purchase intentions of consumers in purchasing store brand products. The exploratory method and non-experimental survey have been conducted to test the factors that are affecting the buying behavior of consumers and their attitudes towards food and grocery items in retail supermarkets. The findings of the study exemplify that the store attributes like price, quality, and packaging, best value for money, price promotions, perceived risk, store image are found to be the major factors that are affecting the buying behaviors of consumers towards food and grocery retailing in India.

Osman et al. (2015) attempted to find out the customers' acceptance levels and factors influencing the customers' satisfaction towards the retailer's brand products. Based on the reviews of previous research studies, the researchers have given a research model comprising of customer satisfaction, price, quality, promotion and risk of perceived products on the name of retail brands. The survey was conducted among the 206 sample respondents who are the customers of selected malls for the primary analysis of the study. The research results reveal that there are significant relations among the customers' satisfaction and the above four factors influencing them towards the purchase of store brands. It means that the factors identified in the previous research studies were significantly influencing the customers' satisfaction levels with the retailers' store brands.

Castro et al. (2018) opined that purchasing and consumption behaviours of food have insinuations for nutrition and obesity. The researchers reviewed past experimental studies in the literature of marketing paradigm to examine the factors that influence customer purchase intentions and choice for food products in retail stores. The literature review was conducted based on the collection of previous research related papers published between the time period 2000 to 2015 in the various national and international journals of marketing. In this extensive review study, a count of 41 research articles was examined using narrative synthesis methods to summarize the findings of those research papers. The findings of the review identified three different categories like shelf display and product factors, price and promotion factors, and in-store and customer decision making factors are identified in common which influence the purchase intentions and choice of customers' in retail stores towards the purchase of retail brands.

Four factors namely **perceived product and quality, perceived price, perceived packaging, perceived and product display/store image** of retail stores with respect to food and grocery items were identified as the major factors that are influencing consumers' purchase preferences towards food and grocery items were identified by reviewing the existing literature.

2.1. Objectives of the Study:

The major objectives of the study are:

- To study the relationship between the consumers' preferences based on their income levels.
- To identify the relationship between consumers' purchase preferences and factors influencing them to purchase store brands with respect to consumers' income levels.

2.2. Research Hypotheses:

H₀₁: There is no significant relationship between the consumers' income based purchase preferences with 'product & quality' of the store brands in selected retail stores.

H₀₂: There is no significant relationship between the income-based purchase preferences with 'price' of the store brands in selected retail stores.

H₀₃: There is no significant relationship between the consumers' income based purchase preferences with 'packaging' of the store brands in selected retail stores.

H₀₄: There is no significant relationship between the consumers' income based purchase preferences with 'product display & store image' of the store brands in selected retail stores.

2.3. Nature and Significance of the Study:

The present research inputs will give helpful insights for future researchers or even the food and grocery retailers to identify the factors that influence the purchase preferences of consumers towards store brands in selected retail stores located in Vijayawada City, Andhra Pradesh depending on their income levels. Four factors *viz. Product and Quality, Price, Packaging, and store image* were identified as the major factors influencing consumers' preferences towards store brands with respect to their income levels. The present study

will give a scope to retailers to identify the factors influencing their retail business in attracting customers and also alert them to adopt necessary actions to avoid negative results and improve the customers floating into their stores.

3. Research Methodology

3.1. Research Design: Descriptive research design has been selected for the present study to identify the major factors that influence consumers' preferences in purchasing store brands of food and grocery at retail stores. To measure the factors that influence consumers' purchase decision towards store brands of food and grocery retail formats, the 'quantitative' research has been selected. For this, the quantitative data using a structured questionnaire has been collected.

3.2. Data Collection: The present research study is a joint reflection of exploratory and descriptive research depending on both primary and secondary data. A well-structured questionnaire has been framed to collect the actual opinions from consumers towards their purchase preferences of food and grocery items in organized retail stores. The respondents selected were completely local residents of Vijayawada city in

Andhra Pradesh state. The respondents were interviewed personally by the researcher to collect the primary data through survey method. A total of 250 customers were approached for the primary data, whereas, only 201 respondents turned in positively to share their perceptions on various factors that influence them to purchase store brands from the selected retail chains like Big Bazaar, More, Spencer's.

3.3. Statistical Tools: The present research is to know the impact of factors influencing the consumer preferences towards store brands in selected retail stores like Spencer's, Big Bazaar and More located in Vijayawada city. **Multiple regression analysis** was selected to identify the impact of various factors influencing consumer preferences in purchasing store brands. SPSS version 16.0 has been used to apply various statistical techniques like reliability test, regression analysis to test the hypotheses.

4. Data Analysis & Interpretation

The descriptive statistics of demographic variables of selected consumers' preferring to purchase grocery items in organized retail stores has been elucidated below:

Table – 1: Descriptive Statistics of Demographic Variables

S. No.	Demographic Variables	N	%	
1	Age	16-25	36	18%
		26-35	90	45%
		36-45	38	19%
		46 and Above	36	18%
		Total	200	100%
2	Gender	Male	110	55%
		Female	90	45%
		Total	200	100%
3	Marital Status	Married	114	57%
		Unmarried	86	43%
		Total	200	100%
4	Occupation	Student	18	9%
		Job	128	64%
		Business	38	19%
		Retired	4	2%
		Unemployed	12	6%
		Total	200	100%
5	Income	Less than Rs. 10000	10	5%
		Rs. 10001 to Rs. 20000	19	10%
		Rs. 20001 to Rs. 30000	65	33%
		Rs. 30001 to Rs. 40000	47	24%
		Rs. 40001 to Rs. 50000	43	22%
		Above Rs. 50000	22	11%
		Total	200	100%

Though many demographic variables are described with the statistical values, the current study is an exclusive research based on the independent variable 'consumers' income levels'. And it was observed that majority (33%) of the consumers' belongs to the income level Rs.20000 to Rs. 30000, followed by the income level Rs. 30000 to Rs. 40000 with 24%, Rs. 40000 to Rs.50000 with 22% of consumers preferring to purchase store branded grocery from selected retail stores.

The consumers under the income level Rs. 10000 are only 5% from the total sample respondents.

4.1. Reliability Test: The reliability of the statements mentioned in the questionnaire can be verified with the help of a measure of reliability i.e. Cronbach's Alpha Test. All the statements can be measured on a 5 point Likert scale starting from strongly agree (1) to strongly disagree (5). The statements can be considered as reliable if the Cronbach's alpha value is greater than 0.50 and below 1.0.

Table-2: Statistics of Reliability Test for consumer variables

S. No.	Construct	No: of Statements	Reliability (Cronbach's Alpha)
1	Perceived Product and Quality	6	0.681
2	Perceived Price	4	0.667
3	Perceived Packaging	4	0.620
4	Perceived Product Display & Store Image	7	0.684

Thus from the table-2, it is clear that the Cronbach's alpha is greater than 0.50 and hence we can say that the internal

consistency of the primary data collected through questionnaire was good and accepted.

Table-3: Descriptive Statistics of factors influencing Consumers' preferences

	N	Mean	Std. Deviation	Variance
Consumers' Income (C.I.)	201	2.80	1.17	1.380
PQRF1	201	1.87	0.70	0.487
PQRF2	201	1.86	0.79	0.630
PQRF3	201	1.78	0.79	0.625
PQRF4	201	1.94	0.90	0.812
PQRF5	201	1.82	0.92	0.848
PQRF6	201	1.88	0.98	0.962
PriceRF1	201	2.02	0.78	0.614
PriceRF2	201	2.25	0.92	0.848
PriceRF3	201	2.43	1.10	1.217
PriceRF4	201	3.15	1.50	2.268
PackRF1	201	2.29	0.94	0.878
PackRF2	201	2.49	1.04	1.081
PackRF3	201	2.20	0.93	0.860
PackRF4	201	2.29	1.16	1.35
PDSIRF1	201	1.80	0.59	0.353
PDSIRF2	201	2.10	0.91	0.830
PDSIRF3	201	1.92	0.85	0.724
PDSIRF4	201	1.90	0.94	0.886
PDSIRF5	201	1.90	0.89	0.796
PDSIRF6	201	1.96	0.91	0.833
PDSIRF7	201	1.77	1.00	1.000

4.2. Linear Regression Analysis:

The researcher wants to know the consumers' perceptions of the relationship among their income levels and the factors influencing their preferences towards store brands in the selected retail stores. For this, Linear Regression Analysis was

performed where Consumers' Income Level has been considered as the 'dependent variable' and the consumers' preference related factors 'product & quality (PQRF)', 'Price (price)', 'Packaging (PackRF)', and 'Product and Store Image (PDSIRF)' is taken as 'independent variables'.

Table – 4: Coefficients of Hypothesis related to consumer preferences on store brands in retail stores

Coefficients						
Model	B	Unstandardized Coefficients	Std. Error	Standardized Coefficients	t	Sig.
				Beta		
1	(Constant)	2.964	0.314		9.533	0.623
	PQRF	-0.013	0.118	-0.006	-0.089	0.000
	PriceRF	-0.023	0.093	0.347	-0.526	0.000
	PackRF	0.001	0.096	0.327	-0.097	0.000
	PDSIRF	-0.011	0.114	0.411	-0.044	0.000
a. Independent Variable: Consumers' Income Level						
Dependent Variables: PQRF, PriceRF, PackRF, PDSIRF						

Source: SPSS 16.0 output file

Regression Equation:

$$\text{Consumers' Income} = \text{Constant} + \text{PQRF} + \text{PriceRF} + \text{PackRF} + \text{PDSIRF}$$

The table-4 shows that only one variable i.e. PQRF (-0.006) yielded negative and insignificant beta coefficient with the dependent variable 'consumers income level', whereas, the other factors PriceRF (0.347), PackRF (0.327), and PDSIRF (0.411) yielded positive and significant beta coefficients with the dependent variable 'consumers' income level'. This explains that all the above independent variables are the significant predictors of the employee income levels except the variable 'Product Quality Related Factor (PQRF)'. Being clear, the table-3 suggests that the variable Product Display and Store Image Related Factor (PDSIRF) has the highest beta coefficient ($b=0.411$, $p<0.000$) of Consumers' Income Level influence on their purchase preferences towards store brands in retail stores. That means, if the variable product display and store image have been increased by one unit, 0.411 units of consumers' income level will be significantly increased.

The interpretations of null hypotheses:

H₀₁: There is no significant relationship between consumers' income based purchase preferences with the product and quality of store brands in selected retail stores.

H₀₂: There is a significant relationship between consumers' income based purchase preferences with the price of store brands in selected retail stores.

H₀₃: There is a significant relationship between consumers' income based purchase preferences with the packaging styles of store brands in selected retail stores.

H₀₄: There is a significant relationship between consumers' income based purchase preferences with the product display and store image of store brands in selected retail stores.

5. Findings of the Study

The retail stores are trying to sell the top branded products of all categories, but in parallel, they are also trying to trade their own branded products in their retail stores. This has become a challenge for the retailers on how to reach the customers' with the same feeling of satisfaction which is getting by branded products in the food and grocery segment. The retail chains like More, Spencer's and Big Bazaar are trading their own branded or private labeled or normally calling it as 'store brands' of various product categories in food and grocery

segment. From the results obtained from primary and secondary data analysis, the below findings are identified accordingly. Consumers' are in a conviction that the food and grocery products in the retail stores are at lower prices in comparison with local unorganized retail formats due to various discounts and offers in the stores.

1. There are discrepancies among the consumers' perceptions of the product categories and their quality in the selected retail stores. The major reason behind this inconsistency in the responses was identified and that is the varied ranges in the income levels of consumers'. The consumers' of low-level income who prefer to purchase in the retail stores will always look after the price tags, required quantities, and discounts on the store brands. Whereas, the consumers' of high-level income range are looking for the products of top brand and high quality. Thus this variation differs from the significant perceptions of consumers from varied income levels towards their preferences to purchase store brands.
2. The price levels depending on the quantities of the products are available in wide categories of products which make the consumers prefer such store brands of food and grocery to purchase.
3. The packaging styles in different quantities also satisfy the customers' expectations and motivate them to purchase store brands.
4. It was found that the mode of displaying the store-branded products and the store image is also one of the influencing factors among the consumers' of all income levels.

6. Conclusion

The research findings of the study reveal that the consumers with low level to high-level income are rapidly shifting their purchase preferences on food and grocery items from their local unorganized retail formats like Kirana stores, departmental stores to organized retail formats of food and grocery segment like Big Bazaar, Spencer's, More supermarkets. The major reasons behind their purchase preferences in organized retail stores are product & quality, price, packaging styles, product display, and store image. It was found that the product and quality of the store brands in selected retail stores vary in the preferences among the consumers' depending upon their income levels. On the other hand, the price, packaging styles, product display/store image

are the factors that influence consumers' purchase preferences of store brands in food and grocery segment in the selected retail stores. The consumers believe that purchasing of food and grocery items in retail hyper/supermarkets really believe that they get value for their money because they can purchase the products at lowest prices with heavy discounts and offers, a wide range of varieties in national level brands along with store brands at organized retail stores. These days, the thoughts and interests of the consumers' are also changing rapidly because of retail market expansion. Nowadays, the retail stores are also

establishing in the largest malls where a consumer can have entertainment in those malls, various retail outlets of different segments like food & grocery, clothing, fancy etc. A single visit to a place can fulfil all the requirements of the customer by fulfilling their expectations and purchase preferences. Finally, the changing expectations of consumers' are the major motivating equipment to retailers to attract them to improve their business and be responsible towards their consumers by providing flexible offers, discounts and low prices on the product range.

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