

# Perception of Customers Towards Multi-Brand Retail in India



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## Abstract

Retailing is one of the largest sectors in the global economy and is going through an evolutionary stage in India. Retail is currently a flourishing sector of the Indian economy. The Indian Retail industry has grown at a 19-20% CAGR during FY13-18. This growth can be directly credited to the emergent Indian economy as well as increase in Private Final Consumption Expenditure (PFCE) and bring revolution in Indian peoples' consumption pattern. This tendency is expected to continue for at least the next two-three decades, magnetizing huge attention from entrepreneurs, business heads, investors as well as real estate owners and builders segments of the economy. Despite this growth, the Indian retail industry is highly fragmented, with 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 market, but is expected to develop between 14% to 18% by 2015. During FY07-12, the organized retailing in India has grown at a CAGR of 26.4%; higher than the total growth of Indian retailing. The sector is the largest source of employment after agriculture, and has deep access into rural India generating more than 10 per cent of India's GDP.

This study aims to identify the factors influencing the perception towards multi brand retail.

The primary data was gathered by administering a prearranged questionnaire with 100 customers selected purposively from Bhubaneswar District. The data analysis of customer attitude towards multi brand retailers shows that there is a difference between the consumers' perception towards both multi brand retailers regarding their store image, range of products, brand choices, price, store atmosphere, credit availability, and shop proximity. The data has been collected with the help of structured questionnaire containing close and open ended questions. Statistical software and MS excel were extensively used for analyzing the data collected.

**Keywords:** Retail Industry, Multi Brand Retail, Perception, Bhubaneswar, Retailers.

## Introduction

Customer Perception A marketing concept that encompasses a customer's impression, awareness and/or consciousness about a company or its offerings. Customer perception is typically affected by advertising, reviews, public relations. Consumer perception applies the concept of sensory perception to marketing and advertising. Just as sensory perception relates to how humans perceive and process sensory stimuli through their five senses, consumer perception pertains to how individuals form opinions about companies and the merchandise they offer through the purchases they make. Merchants apply consumer perception theory to determine how their customers perceive them. They also use consumer perception theory to develop marketing and advertising strategies intended to retain current customers and attract new ones.

Self perception theory attempts to explain how individuals develop an understanding of the motivations behind their own behaviour. Self perception by customers relates to values and motivations that drive buying behaviour -- which is also an important aspect of consumer perception theory. For instance, a study by researchers at the University of Massachusetts at Amherst addressed how self perception shaped consumers' buying behavior. The study considered the question of whether consumers believed their buying decisions had a real effect on issues such as environmental impact. The researchers concluded that consumers' self perception was a driving factor in whether or not they placed a priority on socially conscious purchase and consumption practices. Consumers who viewed themselves as socially conscious tended to place more weight on

issues such as environmental impact when making buying decisions than consumers who did not hold similar views of themselves. Including price perception whether consumers believed they were being charged fair prices in determining whether online shoppers would make repeat purchases through the same website. The researchers concluded that price perception strongly influenced whether customers were satisfied with their purchases and whether they would make future purchases. Two factors that shaped price perception were the perceived quality of the merchandise or service in question and price comparisons with merchants offering similar merchandise or services.

Benefit Perception "It's good, and it's good for you." Many consumers are familiar with this phrase frequently associated with food advertising. Researchers from Marquette University, Louisiana State University and the University of Arkansas surveyed customers to determine how nutrition claims associated with food affected their perception of that food's nutritional value. The researchers found that consumers tend to reject general, unsupported claims of enhanced nutrition, especially concerning high nutritional value for foods that are traditionally viewed as unhealthy. The researchers also theorized that consumers would demonstrate a trend toward applying more scrutiny to nutrition claims and would demand more specific information about the foods they purchase. social media, personal experiences and other channels.

Retail industry the largest sectors in India and second largest employment provider after agriculture (Zameer, 2011); it plays a significant role in increasing the productivity across a wide range of goods and services. In India both organised and unorganised retail sector exists, majority of the share being under unorganised. Organized retailing has finally emerged from the shadows of unorganized retailing and is contributing significantly to the growth of Indian retail sector.

### Retailing in India – Present

The metros and the tier I cities continue to sustain retail growth, there is a shift from the great cities to lesser known ones, the spending power is no longer limited to metros, every Tier II cities in the country has good market for almost every product and service due to this tier II cities like Chandigarh, Coimbatore, Pune, Kolkata, Ahmadabad, Baroda, Hyderabad, Cochin, Nagpur, Indore, Odisha etc. provide a good platform for a brand to enter Indian market.

### Multi-Brand Strategy

Marketing of two or more similar and competing products by the same firm under different and unrelated brands. While these brands eat into each others' sales (see cannibalism), multi-brand strategy does have some advantages as a means of

- (1) obtaining greater shelf space and leaving little for competitors' products,
- (2) saturating a market by filling all price and quality gaps,
- (3) catering to brand-switchers users who like to experiment with different brands, and
- (4) keeping the firm's managers on their toes by generating internal competition.

### India Retail Reforms

Until 2011, Indian central government denied foreign direct investment (FDI) in multi-brand Indian retail, forbidding foreign groups from any ownership in supermarkets, convenience stores or any retail outlets, to sell multiple products from different brands directly to Indian consumers. The government of Manmohan Singh, prime minister, announced on 24 November 2011 the following

India will allow foreign groups to own up to 51 per cent in "multi-brand retailers", as supermarkets are known in India, in the most radical pro-liberalisation reform passed by an Indian cabinet in years; single brand retailers, such as Apple and Ikea, can own 100 percent of their Indian stores, up from the previous cap of 51 percent; both multi-brand and single brand stores in India will have to source nearly a third of their goods from small and medium-sized Indian suppliers; all multi-brand and single brand stores in India must confine their operations to 53-odd cities with a population over one million, out of some 7935 towns and cities in India. It is expected that these stores will now have full access to over 200 million urban consumers in India; Multi-Brand retailers must have a minimum investment of US\$100 million with at least half of the amount invested in back end infrastructure, including cold chains, refrigeration, transportation, packing, sorting and processing to considerably reduce the post harvest losses and bring remunerative prices to farmers;

The opening of retail competition will be within India's federal structure of government. In other words, the policy is an enabling legal framework for India. The states of India have the prerogative to accept it and implement it, or they can decide to not implement it if they so choose. Actual implementation of policy will be within the parameters of state laws and regulations.

The opening of retail industry to global competition is expected to spur a retail rush to India. It has the potential to transform not only the retailing landscape but also the nation's ailing infrastructure.

A Wall Street Journal article claims that fresh investments in Indian organized retail will generate 10 million new jobs between 2012–2014, and about five to six million of them in logistics alone; even though the retail market is being opened to just 53 cities out of about 8000 towns and cities in India.

### Indian Retail Reforms on Hold

According to Bloomberg, on 3 December 2011, the Chief Minister of the Indian state of West Bengal, Mamata Banerjee, who is against the policy and whose Trinamool Congress brings 19 votes to the ruling Congress party-led coalition, claimed that India's government may put the FDI retail reforms on hold until it reaches consensus within the ruling coalition. Reuters reports that this risked a possible dilution of the policy rather than a change of heart.

Several newspapers claimed on 6 December 2011 that India parliament is expected to shelve retail reforms while the ruling Congress party seeks consensus from the opposition and the Congress party's own coalition partners. Suspension of retail reforms on 7 December 2011 would be, the reports claimed, an embarrassing defeat for the Indian

government, suggesting it is weak and ineffective in implementing its ideas.

Anand Sharma, India's Commerce and Industry Minister, after a meeting of all political parties on 7 December 2011 said, "The decision to allow foreign direct investment in retail is suspended till consensus is reached with all stakeholders."

In February 2014, Vasundhara Raje led newly elected Rajasthan Government reversed the earlier Government's decision of allowing FDI in retail in the state. It reasoned that the sources of domestic retail are primarily local whereas international retail affects domestic manufacturing activity and hence reduces employment opportunities.

Single-brand retail reforms approved On 11 January 2012, India approved increased competition and innovation in single-brand retail.

The reform seeks to attract investments in operations and marketing, improve the availability of goods for the consumer, encourage increased sourcing of goods from India, and enhance competitiveness of Indian enterprises through access to global designs, technologies and management practices. In this announcement, India requires single-brand retailer, with greater than 51% foreign ownership, to source at least 30% of the value of products from Indian small industries, village and cottage industries, artisans and craftsmen.

Mikael Ohlsson, chief executive of IKEA, announced IKEA is postponing its plan to open stores in India. He claimed that IKEA's decision reflects India's requirements that single-brand retailers such as IKEA source 30 percent of their goods from local small and medium-sized companies. This was an obstacle to IKEA's investment in India, and that it will take IKEA some time to source goods and develop reliable supply chains inside India. Ikea announced that it plans to double what it sources from India already for its global product range, to over \$1 billion a year, within three years. IKEA in the near term, plans to focus expansion instead in China and Russia, where such restrictions do not exist.

#### **Retailers Association of India (RAI)**

The state having one of the best infrastructure in terms of road rail connectivity, water, skilled Labour pool and telecommunication network, many big retail brands have established their presence here, besides, the initiatives taken by the state government to recognize the retail sector as an important thrust area and its pragmatic approach to support the industry too helped the growth.

#### **Review of Literature**

An embattled United Progressive Alliance (UPA) Indian government has hung the 'Open' sign for foreign retailers. The cabinet said OK for 51% FDI in multi-brand retail sector & 100% FDI in single brand. On one hand farmers will benefit from it but on the other hand small traders feel they will not be able to withstand the competition. Will India in general benefit from this step? (The Economic Times, 2013) is a question which will be known in the future.

Dr.M.N.Malliswari (2007) in her study "Emerging trends & strategies in Indian retailing", She found that the customers are influenced by the west due to their exposure to media. The social networking

sites and internet as a whole has changed the shopping pattern and behaviour of the customers.

Prof Sudhansu sekhar & Dr.sarat kumar sahu (2009) in the study" Organized retailing in India: issues & challenges"

Identified mainly the challenging factors like technology, supply chain, human resources, store positioning.

Leen and Ramayah (2011) in their study on 'Validation of the RSQS in Apparel Specialty Stores' Found that all the five dimensions: physical aspects, reliability, personal interaction, problem solving, and policy, are highly suited for measuring retail service quality in clothing stores. Retail service quality is furthermore associated with future consumption behaviour in terms of the customers' intention to visit, purchase and recommend the stores to others.

Patil (2012) examines the prospects of FDI in multi-brand retail in India. He concludes that direct investment in multi-brand retail will start a better integration of Indian economy into the global markets and, as such, it is important for the Govt. of India to develop retail sector for the total economic development of country and welfare of society in the country.

Chandu. K. L (2012) attempts at outlining the government's policy on FDI in retailing and tries to examine it pros and cons while examining the perceptions of small retailers on the government's decision. He concludes that though the small retailers are not so apprehensive about the big stores, they oppose allowing FDI in retailing in India. This may be because they are not well informed about the pros and cons of the proposed policy change. Thus, a countrywide discussion through the mass-media is highly pertinent regarding this issue.

Baskaran (2012) speaks about the global giants' entry to India and their myths and realities and shows the status of organized food retailing in India with SWOT Analysis and highlights on farmer's issues towards FDI in multi brand retailing. He also overviews the two faces of retail sector – Challenges and key success factors and reviews the impact of Organized Retailing on the Unorganized Sector. Lastly, reveals the recommendations before allowing FDI in Multibrand Retailing.

#### **Research Methodology**

##### **Objectives of the Study**

1. To understand the factors influencing the shoppers buying at the multi-brand retailers.
2. To study the customer perceptions on multi-brand retailers.
3. To study the promotional activities taken by the multi-brand retailers.
4. To provide suggestions to improve the services provided by the multi-brand retailers.

##### **Scope of the Study**

1. The study provides suggestions to the multi-brand retailers about their service quality.
2. The study helps the researcher to know how the customer perception works on multi-brand retailers.
3. This study provides suggestions on improving the standard and the quality of the multi-brand retailers.

## Sampling Method

Sampling units will be the respondent those who has purchased any product or service of agro products, who has not purchased any product but searched for product/service. . All these units will be selected by both Simple Random Sampling and judgement sampling. Data or information is collected from the rural farmers, marketing executives, etc through sample method. The sample size will be 100 with a margin error of 5%..

A **simple random sample** is a subset of individuals (a sample) chosen from a larger set (a population). Each individual is chosen randomly and entirely by chance, such that each individual has the same probability of being chosen at any stage during the sampling process, and each subset of k individuals has the same probability of being chosen for the sample as any other subset of k individuals. This process and technique is known as simple random sampling, it take the persons such as farmers, buyers, sellers, consumers etc.

Judgment sample is a type of non random sample that is selected based on the opinion of an expert. Results obtained from a judgment sample are subject to some degree of bias, due to the frame and population not being identical. The frame is a list of all the units, items, people, etc., that define the population to be studied.

## Data Collection

Data is collected through structured hard copy of questionnaire. Data collection will be done by Depth interview and face –face interview etc. Data collection is done from two fields such as

### Primery Data

Primary research consists of a collection of original primary data collected by the researcher. It is often undertaken after the researcher has gained some insight into the issue by reviewing secondary research or by analyzing previously collected primary data. It can be accomplished through various methods, including questionnaires and telephone interviews in market research, or experiments and direct observations. It collects from farmers, consumers, executives etc.

### Secondary Data

It is data collected by someone other than the user. Common sources of secondary data for social science include censuses, organisational records and data collected through qualitative methodologies. the sources like magazine, newspaper, official records and relevant document from different enterprise.

## Processing and Analysing the Findings

The collected data will be analyzed with the help of some latest statistical tool and technique. For descriptive statistics Mean and Standard deviation will be used. For content analysis expert's help will be taken. For statistics technique, line factors analysis, Chi-square statistics, research analysis

## Tools

Latest version of Spread sheet (MS Excel) and SPSS will be used for analysis.

## Findings of the Study

From the above study it was found that convenience and competitive price are the two factors

which attract customers towards multi-brand retail outlets.

From the chi square analysis of the different variables of the various perception of multi-brand Retail it was found that:

1. There is significant relationship between Modern looking equipments and fixtures and Visually Appealing variables of Physical aspect dimension.
2. There is significant relationship between easy accessibility and easy internal mobility variables of Physical aspect dimension.
3. There is no significant relationship between Error free billing and Reliability in using credit card variables of Reliability aspect dimension.
4. There is significant relationship between Employee Knowledge and Employee Behaviour variables of Personal aspect dimension.
5. There is significant relationship between Returns and exchanges and Sincerity in problem solving variables of Problem solving aspect dimension.
6. There is significant relationship between convenient store hours and convenient parking facility variables of Physical aspect dimension

The retailers can improve their Retail multi-brand facility by improving the variable that has significant impact on other service quality aspects.

Future researchers may address on the perception of multi-brand factors for Indian retail industry. A study can be undertaken to find how the customer's evaluation of multi-brand factors differ within the different regions of the country, influenced by the cultural factors.

## Conclusion

The customer perception of multi-brand retail is an important segment to the emerging and the existing retailers in the market. As the study reveals that perception of multi-brand is influenced by the various natures among various customers, even some of the general factors like Personal interaction, physical aspects are the dimensions on which customer perception remains constant and common to the entire customer on a majority basis. So the retail outlets have to frame their own strategies in order to attract the customers on a longer basis.

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