

International Journal of Innovative Research in Science, Engineering and Technology

(A High Impact Factor, Monthly, Peer Reviewed Journal)

Visit: www.ijirset.com

Vol. 7, Issue 9, September 2018

Impact of Changing Consumer Behavior on the Growth of Supermarkets

Rashi Agarwal¹

U.G. Student, Bachelors of Business Administration Honours, Christ University, Bannerghatta, Karnataka, India¹

ABSTRACT: The Indian cities have become flexible in terms of growth and development of Supermarkets which are standing in competition with the small retail shops due to the shift in the consumers' preference. Based on the changing consumer preference, the central objective of this essay is to examine, "To what extent has the change in consumers' preference influenced the growth of supermarkets?" The required data for the research was acquired through articles, Journals and other informatory websites online. The analysis of the secondary data supported in arriving at better conclusions of the research to understand what factors effects the consumer's preferences. The supermarket's competitive advantages over small retail shops such as wide variety of good quality products at discounted offers and various other such factors that has impacted the consumer behavior, have been examined to get a better understanding of what drives demand for growth of supermarkets in spite the existence of large number of small retail shops.

KEYWORDS: Supermarket, unorganized retail, consumer preference

I. INTRODUCTION

In developing regions such as South-East Asia, China and India, there has been a swift change in the organized retail sector due to globalization, high economic growth, and changing lifestyle. India is now the seventh-largest retail market in the world with big companies like Reliance, Tata and Bharti investing huge amounts in the booming Indian retail sector. (Indian Retail Industry: challenges, oppurtunities and outlook)Consumer taste and preferences are changing that have led to a major modification in the lifestyles and spending patterns. These consecutively give rise to new business opportunities in the organized retail sector such as supermarkets that are very proactive and quick in responding to the ever-changing trends in the consumer behavior. The supermarkets¹ are identified as large general stores which sell a variety of consumer durables products from food, vegetables, dairy products, staples, kitchenware products, household cleaning products that are required on daily basis to products such as cosmetics, stationery, chocolates, etc. Supermarket is a self-service shop like Pick & Go that is very different from a small retail store, where the buyers receive the goods they want directly from the seller. The rapid spread of supermarkets in India is very significant. The supermarkets are not only growing in the suburban areas of the big cities, but also in the much smaller towns. The growth of supermarkets in a particular region despite the simultaneous existence of small retail shops, therefore reflects a sign of change in the consumers' choice. Hence, from the above issue arises my research question: "To what extent has the change in consumers' preference influenced the growth of supermarkets?"

II. RELATED WORK

(Piyush Kumar Sinha, 2007) - with the commencement of a globalized economy in India, the Indian consumers have now become well aware with the concept of what is a good quality product. Customers now favor economic shopping, where a good quality product lives up to their expectations and gives them a value for their hard-earned money. It is assumed that only branded products are of good quality leading to the popularization of branded products. Hence, there

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is a higher brand consciousness especially among the youth, who have shifted their demand to supermarkets which are a reliable store that sell branded products. This change has also come in the consumer due to factors such as increased dual household income with enhanced spending power who can afford the high prices of quality products.

(Emergence of mall culture in India) – Many large companies spend huge amounts of money on the research & development in finding what customer buy, where customer buy, how and how much they buy, why they buy, etc. This information helps them gather all those products required by consumers. In metropolitan cities, as globalization is increasing, different cultures are being accepted and followed which has led to different buying habits between customers. This development has gained importance from products of international brands of the reputed companies to the local brands. The supermarkets, thus collect all them the under the same roof. Supermarkets can also afford cold storage capacity such as huge refrigerators unlike small retails shops which further increases their product arrange. Therefore, customers have the opportunity of achievement shopping where all the products on their want list are satisfied.

(ZENITH, 2012) - Emerging technologies has helped aid supply operations and made them more efficient. They have enabled access to more markets and producers that has advanced the supply chain management leading to faster inventory turnaround and resulting in improved button lines. There is higher yield of production and so, customers do not face any problems such as lack of stock.

(IJMMR , 2011) - The strong Capital base of Supermarkets helps them invest in a better infrastructure and a pleasing ambience such as Parking Facilities, which attracts customers. The products are assorted in separate departments- this does not only help in efficient buying, but also provides the customers with a Self-service facility. Convenient shopping, like appropriate technology for a faster and accurate billing as well as the presence of sales representative who provide detailed information about products attracts huge number of customers. There has been an excitement in the youth of Indian shoppers for this new type of shopping as these supermarkets have the ability to make shopping an enjoyable experience by even giving customers the opportunity of window shopping whereas in they get an idea of the latest trends and new products in the market.

(Patel, 2009) - Supermarkets have better marketing communications which is a key influence on the buying decisions of many consumers. They use powerful advertisements everywhere on T.V, hoardings, and print media such as newspapers. Though there is very less demand from the low-income group for supermarkets (could be because they presume that they cannot afford the higher prices charged by supermarkets), there is more demand for supermarkets over small retail shops from middle and higher income groups as they are well educated and are aware about the discounts or special schemes offered by supermarkets.

III. RESULTS AND DISCUSSION

Study of Supermarket Owners and Small Retail shop owners

Small Retail shop owners: While carrying out the primary research survey with the owners of retail shops, most of them who've been into this business for more than atleast 25-30 years, stated that customers still preferred them over supermarkets for their lower prices and personalised service. They also mentioned that customers visted them more frequently compared to supermarkets as these shops were located close to the customers. Though, they did accept that comparitively, the number of their customers had decreased by a large number recently, due to the establishment of supermarkets. The owners of small retail shops, even if they want to expand their businesses so as to increase their stock with the aim of competing with the supermarkets, cannot do so. They do not have the financial capability to afford the real estate costs. Not only this, they cannot not take any other further step in their businesses like providing higher quality products or installing updated technology, because they do not have the sufficient funds. Financial institutions for instance banks, are less likely to give loans as they fear these small retail shops will not be able to pay back the loan amount given unlike the supermarkets, who make huge profits and easily pay back the loan with interest within time.

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Supermarket Owners: The owners of supermarkets, most of them a group of members, who lately joined this business like about just 5-10 years ago, mentioned that the number of visits of each customer per month remained low because customers buy everything at once instead of making many visits. But, they answered proudly how most of the customers now preferred their supermarkets, enlarging their demand massively, for the various competitive advantages of supermarkets over retail shops.

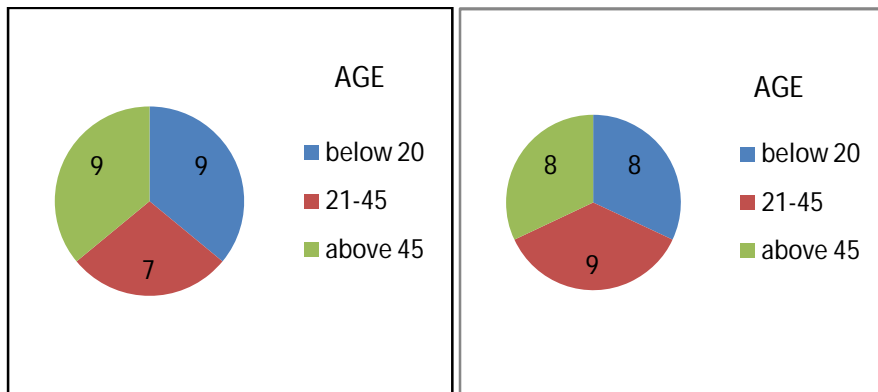
Study of the customers of Supermarkets and of small retail shops

The following information received from the Primary research (refer Appendix 4) held with 50 customers (25 of supermarkets and 25 of small retail shops) as well as the implication of data from secondary research, may help us answer the Research Question, why and how the consumers' preference changed from traditional retail shops to modern super markets.

The following pie chart represents the age distribution of customers at retail shops and supermarkets.

Small retail shops:

Supermarkets:



More young and the old aged customers prefer buying from the small retail shops. The reason might be for its convenient distance from their house which is safer for small kids or old people. There are more customers aged between 21-45 (working population), who don't mind travelling to supermarkets and buying goods from there rather than from the retail shops because, they believe in time saving which is comparatively possible at supermarkets. The supermarkets provide the customers an opportunity to just pick their selected goods and go instead of waiting for a shopkeeper to give them. Also, there is an array of variety of goods of different brands all under the same roof in supermarkets that not only saves time instead of travelling to different small shops, but also avoids transportation costs.

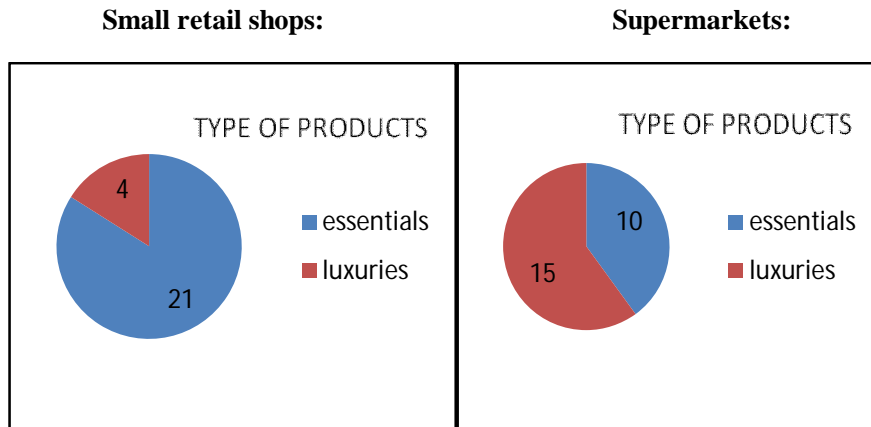
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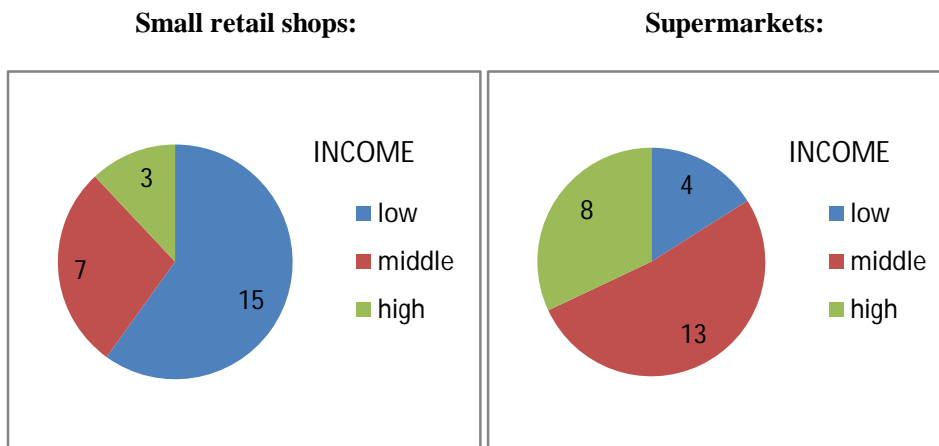
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The following pie chart represents the type of products bought by customers at retail shops and supermarkets.



The other reason for the shift in demand towards supermarkets could be due to the limited choice to consumers in the retail shops to just essentials. Meanwhile, in supermarkets, the consumers have access to luxuries along with essentials that provide a wider variety of goods in larger quantities.

The following pie chart represents the income distribution of customers of small retail shops and supermarkets.



In terms of income groups, the consumer preference has changed immensely. We can deduce from the above pie chart that though there is very less demand from the low income group for supermarkets (could be because they presume that they cannot afford the higher prices charged by supermarkets), there is more demand for supermarkets over small retail shops from middle and high income groups as they are well educated and are aware about the discounts or special schemes offered by supermarkets.

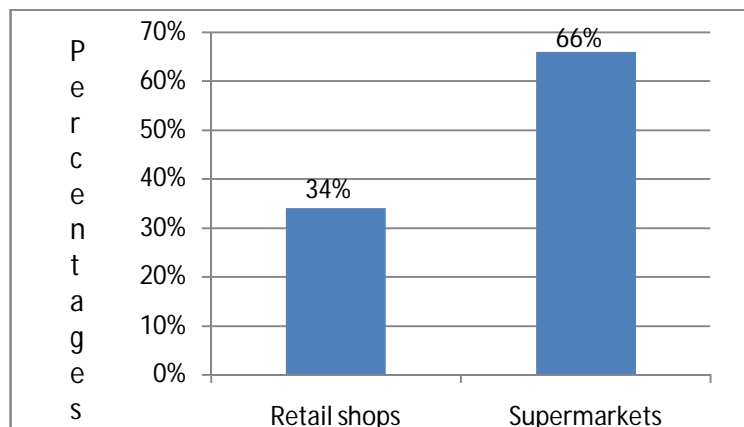
The following diagram represents the percentage distribution of 50 customers who chose supermarkets or small retail shops.

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The reasons why few customers (approximately 34%) still prefer the small retail shops is because they are located near their house which saves their time for making their day to day purchases instead of travelling relatively larger distances to supermarkets. Also, these shops have no fixed timings unlike supermarkets which allows the customers to buy the products whenever they have free time. In addition, the shopkeepers try to persuade customers by carefully showing their personal concern for the customer's choice and attempting to provide those products which are demanded by them. This helps the shopkeepers develop a good bond with the customers and accordingly convert those customers into their loyal customers. Some shopkeepers have even adopted the strategy of extending more credit to customers with the purpose of retaining them and improving their customer base. But, the majority (more than 50%) of customers has lately started to prefer supermarkets for the reasons such as high quality, wide variety of products, large quantities, satisfied service, availability of discounted prices and offers.

IV. CONCLUSION

The steady growth in supermarkets influenced by the changing consumer preference has increased the market prices for several goods inspite of coexistence of small retail shops for the same goods. The supermarkets are able to make shopping an enjoyable experience unlike the small retail stores available. The benefits realized by the customers could be, increased consumer surplus and increased satisfaction due to...

- Variety of better quality goods of different brands at one place which proves to be time saving
- A fairly reasonable price because of the special schemes and discounts offered
- Good ambience, customer service and well packed goods

Thus, the analysis of the research reveals that, soon, the increased demand and changing consumers' preference might welcome new supermarkets to enter the market for consumer good at competitive prices.

The possible limitations to the research is that, the entire demand for the goods supplied by the supermarkets as well as small retail shops could not be assessed, due to the volume of data that would need to be collected and analyzed is quite large. Another limitation is that, during the period of research, the market information cannot allow to draw conclusions as it differs from ordinary days and festival days, with varying number of customers. Even the secondary information online that would need to be collected and analyzed is quite large. Another limitation is that, the documents could lack authenticity. Also, the consumers' preference and demand for the goods supplied by supermarket may not remain static as it is subject to the taste and disposable income of the people, which vary from time to time. (VIJ, 2013)(Kursunluoglu)(MIB, 2014)

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Appendix 1

Questionnaire for owners of small retail shops

1. Name of the business:

2. Status: sole-trader partner group

3. How many years in this business?

Below 5 years 5-10 years above 10 years

4. How often does each customer visit in a month?

Once twice more

5. Even after the establishment of supermarkets with their competitive advantages, how do you manage to attract customers to your traditional shops?

6. Did the number of your customers decrease after the establishment of supermarkets?

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Appendix 2

Questionnaire for owners of supermarkets

1. **Name of the supermarket:**

2. **Status:** sole-trader partner group

3. **How many years in this business?**

Below 5 years 5-10 years above 10 years

4. **How often does each customer visit in a month?**

Once twice more

5. **Despite the existence of the small traditional shops, why the supermarkets are growing in number? What might be the reasons for customers to prefer your market?**

6. **Do you have any other branches of your supermarket in the city of Hyderabad?**

Appendix 3

Questionnaire for customers of small retail stores & supermarkets

1. **Name:**

2. **Age:** 20 or below 21-45 45 above

3. **Which product do you buy the most?**

Essentials (fruits & vegetables, beverages, dairy, personal care, cleaning products, etc.)

Luxuries (cosmetics, perfumes, chocolates, etc.)

4. **Which category do you place yourself in?**

Low-income Middle-income High-income

5. **“The supermarkets are better than retail general stores.” Do you agree?**

If yes, give two aspects of the Supermarkets that benefit you rather than the traditional local shops:

- >
- >

If no, give two advantages for the customers to prefer retail general stores rather than the supermarkets:

- >
- >