

**RETAILING BEHAVIOR OF RURAL AND URBAN  
CONSUMERS TOWARDS UNORGANIZED RETAIL  
OUTLETS - AN EMPIRICAL STUDY**

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**Abstract:**

Retailing is one of the fastest growing industries across the world. It is also one of the very important industries in terms of customer value addition and economic stability in a country. Today, retailing has gained more importance because of the new business models adopted in the sector. The development in retailing is the reflection of change in the life style of customers. Country like India, where urban and rural consumer disparities are high, retailers need to consider the varied input of consumers for designing retail mix strategies. In the present study an attempt is made to analyze the behavioral quotient of the urban and rural customers in their retailing practices. In this exploratory study an effort is made to understand the behavioral differences among different demographic variables. The outcome of the study reveals that opinion of the urban and rural customers on traditional and modern retail outlets are more or less

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similar. But, opinion of the different demographic variables on traditional and modern retail outlets is found to be different.

**Key words:** rural and urban, Unorganized, behavior, retail. Gender, demography

### **Introduction:**

Retailing involves distribution of goods and services in small portion to cater to the needs of end users. It consists of the sale of good or merchandise for personal consumption either from a fixed location or online. The retail sector is presently undergoing a transition in India. Previously, customers used to go Kirana Stores to purchase their necessities. Later, it has changed to bigger shops run by one man with a few employees and all the work done manually. Gradually, more sophistication has seeped in to this sector. Presently, Indian retailing is one of the fastest growing sectors.

In the mid- 1990's, there was an explosion of shopping malls and plazas where customers interacted with professionals, customer's requirements are catered by trained staff. Today urban retail consumers have become experienced shoppers characterized by comfort, style and speed. Transformation is one word which can best describe the state of the retail industry at a global and Indian level. The past decade has been one of turmoil and transition in the world of retail. Today many international retailers are now looking at India with a keen interest towards tapping the market. Retailing is a sun raise sector as it is growing much faster than any other industry. In India it has occupied a significant position among rural and urban customers.

### **Concept of retailing:**

The term retailing comes from the old French word tailor, which means "to cut off, clip, pare, divide" in terms of tailoring. It was first recorded as a noun with the meaning of a "sale in small quantities. There are varieties of definitions to give the meaning of the term retailing; few of them are given below;

**According to Philip Kotler:** “Retailing includes all the activities involved in selling goods or services to the final consumers for personal use. A retailing or retail store is any business enterprise whose sales volume comes primarily from retailing.”

**The North American industry classification system** “specifies that retail trade sector comprises establishments primarily engaged in retailing merchandise generally without transformation and rendering services incidental to sale of merchandise.”

### **Classification of Retailers:**

**Organized retail:** organized retail centers run by professional management. It is offer a huge variety of products in terms of quantity and quality value for many under makes shopping a memorable experience. Examples: Malls, multi-stored malls, supermarkets, huge complexes’ etc.

B)**Unorganized retail:** includes whose activities is not regulated by any legal provision or those which do not maintain regular accounts. And also no rental costs, with cheap workers and overheads. Examples: counter stores, street markets, kirana shops, etc

### **Review of Literature:**

**Krishan Kumar,(2010)** “Study of rural consumer behavior towards rural retail stores” has pointed in his study the importance of the Indian rural market ,to analyze the features of rural retail stores and perception of the rural people and difference in the retail among rural and urban retailing. A careful analysis of the town strata-wise population, population growth, migration trends and consumer spend analysis reveals a very different picture for India. Marketers are trying to grab this untapped market but still the reach of those players is mere they should more focused and rural oriented.

**Manoj Kumar Pochat. (2009)** “Why Companies See Bright Prospects in Rural India” In his study entitles to understand the rural consumer. When rural consumers buy any new category of product, their decision is strongly influenced by opinion leaders, who are seen as credible people

in an entire region. Well educated users of new products act as opinion leaders. Rural consumers are also brand-loyal. When rural consumers purchase a product or service they perceive the functional, physical and financial risk in it.

**Nancy J. Miller , Rita C. Kean**(2010). “Factors contributing to in-shopping behavior in rural trade areas: implications for local retailers” In their study analyzed the competition with giant discount and chain stores represents a key challenge facing independent retailers anywhere. In smaller communities, the competitive nature of the rural market has dramatically altered in recent years. Better traveling conditions along with attractive regional shopping centers entice consumers to travel beyond their local market and spend their dollars outside their community. This phenomenon, called out shopping, results in lost sales for the local small-sized retailer and lost sales tax to the government .

**Zameer, Asif, Mukherjee, Deepankar** (1999) ” In their study entitles “ Food and Grocery Retail: Patronage Behavior of Indian Urban Consumers” In a KSA Technopak, study presented by Business Today (1999), the reasons why housewives prefer to purchase grocery from the neighborhood supermarket (modern retail store) are listed as location convenience (easily approachable on foot) , stock of everything from scrubs and mops to fresh fruits (product variety and assortment), enough parking facility (in case the customer drives down to the store) and convenient operating hours. Other variables which affect the retail outlet choice are value –for money, quality of products, polite and courteous salespeople, exchange/returns policy, non-interfering salespeople, product choice, product width, and product information.

**Sanal Kumar Velayudhan & Guda Sridhar M.S. Ramanujam** (2010 ),In their study entitles “Marketing to Rural Consumers: Understanding and Tapping the Rural Market Potential” To analyzed the retailing patterns in urban areas with reference to customer orientation strategies, product search behavior, and enhancing value for customers. Interrelationship among urban retailing, marketplace ambiance, conventional shopping wisdom of customers, long-term customer services, and technology-led selling processes. Broadly, this study makes contributions to the existing research in urban retailing about shopping attractions.

### **Objectives:**

The study is conducted with the following objectives

1. To assess the opinion of retail customers on unorganized retail outlet.
2. To analyze the behavioral differences among urban and rural retail customers.
3. To determine the factors influence on customers satisfaction among rural and urban customers.
4. To understand the buying preference across different demographic variables.

### **Hypotheses:**

1. There is no significant difference between rural and urban customers buying preference towards unorganized retail outlets.

### **Materials and methods:**

Urban and rural disparities are continued to remain among retail customers in India. The present study attempts to throw a light on the behavioural aspects of customers located in urban and rural areas. The study is exploratory in nature intended to uncover the behavioral intention of the rural and urban customers in retailing. Important variables considered for analysis include gender, marital status geographical location, income, education, frequency of purchase, mode of payment etc. The study is based on both primary and secondary data.

### **Primary data:**

Primary data is collected from the retail consumers in both rural and urban areas. The data was collected with the aid of designed questionnaire and interview schedules. The primary

data is also collected from the managers, employees and other experts of the selected retail outlets.

**Secondary Data:**

Secondary data is collected from different sources like books, journals, websites, news papers and published *and* unpublished data of retail firms.

**Data of analysis:**

Collected data is processed and analyzed with SPSS 19.0. Descriptive analysis like percentage analyses, average and statistical technique like t-test are used to for data processing and analysis. Descriptive statistics are used to calculate the spread of the data. The hypotheses are tested with appropriate test statistics.

**Analysis and Interpretation:**

The data collected are edited, coded and transferred to the computer for further analysis. Tables and graphs are used wherever needed. The below given is the classification and interpretation of the data.

**Table -1 Age of urban and rural respondents prefer to buy in organized and unorganized retail outlets .**

Age groups	Respondents		
	Urban	rural	Total
Less than 20 years	4 (7.1)	5(8.9 )	9 (16.0)
21-30 yeas	6 (10.7)	7(12.5)	13 (23.3)
31-40 years	7(12.5)	7 (12.5)	14 (25)
41-50 years	6(10.7)	7(12.5)	11(19.7)

Above 50 years	4( 7.3)	5(8.9)	9 (16.0)
Total	26(46.5)	30( 53.5)	56( 100)

Source: field survey (Figures in parenthesis indicates percentage to row/column)

Above table shows the age of rural and urban respondents, opinions, preference to buy various products in organized and unorganized retail outlets etc. 12.5 percent of customers are in the age group between 21-30 years. they are living in urban area. The same percentage of respondents in the age group between 21-30 years is living in rural areas.

Table: 3 Income status of urban and rural respondents

Income status	Respondents		
	Urban	Rural	Total
Less than 10,000	4( 7.3 )	4(7.1)	8(14.2)
10,000-15,000	6( 10.7 )	5(8.9)	11(19.7)
15000 -20,000	6( 10.7 )	6(10.7)	12(21.4)
25,000-30,000	6( 10.7 )	6(10.7)	12(21.4)
Above30,000	7(12.5 )	6(10.7)	13(23.2)
Total	29( 51.8 )	27(48.2)	56(100)

Source: field survey (Figures in parenthesis indicates percentage to row/column)

The above table reveals that 12.5 percent urban and 10.7 percent rural respondents monthly income is above Rs. 30,000 and 10.7 percent respondent's monthly income ranging from Rs. 25,000 to 30,000 in both urban and rural areas. Around 12 percent respondents monthly income ranging from Rs. 10,000 to Rs 20,000. Since, Income is one of the determinants of the consumer preference it is from the analysis inferred that respondents with higher income in urban and rural areas prefer to buy from organised retail outlets.

Table4:Opinion of respondent towards factor consider:

Factors	Frequency	Percent
Variety products	15	26.8
Quality	22	39.3
Retail price	9	16.1
Service	1	1.8
Vehicle parking	2	3.6
Exchange	1	1.8
Nearness	3	5.4

Location	3	5.4
total	56	100.0

Source: field survey (Figures in parenthesis indicates percentage to row/column)

Above the table shows the factors consider for purchasing by rural and urban consumer at traditional retail store. As indicated 39.3 percent of respondents consider quality of the product. 26.8 percent of respondents prefer variety of products. 16.1 percent of respondents consider retail price. 5.4 percent of respondents prefer while purchasing nearness to the their residencies. 5.4 percent of respondents consider location which is near and easy to get any product and easy to carry. 3.6 percent of respondents consider vehicle parking while purchasing of products . 1.8 percent of respondents prefer service of the traditional retailers. 1.8 percent of respondents consider exchange of product at traditional retail outlet.

It can be inferred from the above table that majority of the rural and urban respondents opined that the factors considered for purchasing are quality and verity of products. The least considered factor by the rural and urban customers are exchange of product and vehicle parking

**Table 5: Opinions of respondents towards frequency of purchase**

	Frequency	Percent
Daily	5	8.9
Once in a weak	26	46.4
Twice in weak	3	5.4
Once in a Fortnight	10	17.9
Once in Month	12	21.4
Total	56	100.0

Source: field survey (Figures in parenthesis indicates percentage to row/column)



Above table shows opinion of respondents towards frequency of purchase. 46.4 percent of respondents prefer to purchase once in a week. 21.4 percent of customers purchase once in month. 17.9 percent of respondents purchase once in a fortnight. 8.9 percent of respondents prefer to purchase daily. 5.4 percent of respondents purchase twice in a week.

It can be inferred from the above table that majority of the rural and urban customers prefer to purchase once in a week. Due to Sunday being a Holiday. The least of the frequency of purchase considered by the rural and urban customers is twice a week.

**Table: 6 Opinions of respondents towards mode of payment.**

Mode of payment	Frequency	Percent
cash	49	87.5
credit	3	5.4
pay trough cards	4	7.1
Total	56	100.0

**Source: field survey (Figures in parenthesis indicates percentage to row/column)**

Table 3 reveals the mode of payment used by rural and urban customer. As indicated 87.5 percent of respondents pay through cash. 5.4 percent of respondents pay by credit and 7.1 percent of respondents pay through debit cards.

It can be inferred that majority of rural and urban customers prefer to purchase by cash and the least preferred mode of payment is by credit.

**Table:10 Buying preference of rural and urban customer towards unorganized retailing:**

Geographic	N	Mean	Std. Deviation	t
Rural	28	57.0357	9.20741	2.197
Urban	28	51.6071	9.27897	

**Table:10 Buying preference of rural and urban customer towards unorganized retailing:**

Geographic	N	Mean	Std. Deviation	t
Rural	28	57.0357	9.20741	2.197

Source: field survey (Figures in parenthesis indicates percentage to row/column)

According to the above table the obtained t value is 2.197 for geographic variable between urban and rural respondents which is more than table value 1.96 at 0.05 level of significance. Hence, reject the null hypothesis at 0.05 level significance and accept the alternative hypothesis. It is concluded that there is difference between retailing behavior of rural and urban and customers towards traditional retail outlet.

**Summary of findings:** There is a difference between rural and urban retailing behavior towards traditional outlet. Buying variations between male and female customers. and also different among married and unmarried customers.. 5. 39.3 and 26.8 percent of rural and urban customer preferred quality and varieties of products respectively. most rural responders purchase their necessities at once in a month. most of the urban responders purchase once in a week. most of the urban responders use debit cards for purchasing. But most of the rural pay cash for purchase. Hence rural responders preference towards unorganized retail outlets and urban responders preference towards organized retail outlets. Recently small changes in rural responders preference towards organized retail outlets. Due to impact of organized retail outlets.

### **Conclusions:**

Retailing is a booming sector in India and it is one of the fast growing sectors in the world. Indian retailing is a most favorable place for all investors and retailers as the Indian market has some unique advantages. Today, customer's preference is different along with quality as well as variety of products available in the market, but they always expect new thing to full fill their satisfaction. Customers are well informed product seekers and they have unmet needs. These needs are to be full filled by the retail industry by bridging service gap. However, Indian

retail industry offers varieties of products and service, majority of customers living in rural semi-urban areas are not catered with suitable retail mix strategies, they prefer traditional outlet because of nearness, which is more comfortable and convenient to both rural and urban customers. Traditional retail outlets should provide better product and service by innovative ways to serve them.

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