

A STUDY OF CONSUMER BEHAVIOR IN A MULTICHANNEL RETAIL ENVIRONMENT IN MUMBAI

Iyer Seethalakshmi Balakrishnan

M.Com, CS, NET.

(Asst. Prof. Account's department,

VPM's K.G. Joshi College of Arts and N.G. Bedekar College, Thane.

Abstract : In this era of globalization there is a greater emergence of multi-channel retail which along with increased purchasing power has created a gradual shift towards more aggressive consumerism. This paper tries to understand how consumers move between store and non-store channels in the context of multi-channel retail environments. Customers use the channels that best satisfy their shopping motives in each situation. This study identifies three shopping motives: "recreational orientation", "convenience orientation" and "product- and payment-related risk aversion" and analyses how consumers channel selection is influenced by these motives. There has also been effort to identify different multi-channel attributes.

Key words: Consumer behavior, channel choice, multi-channel environment, Retailing, shopping motives.

INTRODUCTION

Consumer Behavior is the study of individuals, groups, or organizations and the processes they use to select, secure, use, and dispose of products, services, experiences, or ideas to satisfy needs and the impacts that these processes have on the consumer and society.

Multichannel retailing is the use of a variety of channels in a customer's shopping experience including research before a purchase. Such channels include: retail stores, online stores, mobile stores, mobile app stores, telephone sales and any other method of transacting with a customer. In the old days (about 10 years ago), multichannel selling consisted of two options — brick-and-mortar stores and catalogues. Prior to the advent of ecommerce, reaching a new customer base was incumbent on an entrepreneur franchising his retail store or getting his company's catalogue in front of a new shopper. As ecommerce blossomed, it opened a third sales channel for merchants; launch a website and you can suddenly sell to a global marketplace. As the cost to enter the ecommerce market dropped, many entrepreneurs bypassed brick-and-mortar stores and catalogues altogether, preferring to launch a virtual store online.

Channel Selection refers to the activities undertaken by consumers in their purchase process, ranging from information gathering to ultimate ordering. For instance, product selection, vendor selection, price comparisons, and the final purchase are all different phases in a consumer's decision process. It is possible for a consumer to obtain vendor information from a catalogue, from a related website, through word of mouth, or with a direct visit to the vendor's location in an outlet mall or other brick and mortar location. Similarly, once the information is obtained from a vendor, the same consumer can purchase the product from any channel, presumably the one that is most convenient. Under this scenario, the consumer's channel selections for vendor information and the final purchases are distinct phases in the decision process, and each of these decisions are driven by several considerations depending upon the type of product, vendor, and price.

Channel integration refers to the situation where consumers may select more than one channel in their efforts leading to final purchase. In situations such as the purchasing of experience goods, consumers may choose to obtain all relevant information and purchase the product within a single given channel. It is

possible that consumers may prefer to integrate some channels even as they undergo “selection”: going online for information and physically visiting a mall for the final purchase.

DIFFERENT MULTI-CHANNEL ATTRIBUTES

Drivers of Non-Store Shopping

- Time savings: Non-store services create an enormous advantage in terms of time-saving and the opportunity costs of time
- Wider choice: Non-store services enable consumers to reach out for newer, novel goods, and tap into new vendor-product e-aisles
- Tax advantages: Online sales of some products like cigarettes and liquor have substantial tax advantages based on the location of the service and the local area tax rates.
- No incidental costs: Non-store shopping reduces or eliminates incidental costs associated with store shopping, such as driving in traffic congestion or inclement weather, or waiting in queues.

Drivers of Store Shopping

- Shopping Experience: The “store shopping experience” can be a substantial driver; many consumers like to “hang out” in malls and check out games, food, excitement, entertainment, and other activities.
- Bargains and sales: For many consumers, the opportunity to directly access various bargains and sales at neighbouring stores in a mall all at once is a distinct driver of this channel.
- Quality and service certainty: Goods are directly visible and the purchase is “feel-tangible” at a physical location, and returns and exchanges are obvious and well-known features of brick and mortar stores.

Inhibitors of Non-Store Shopping

- Technology literacy: The lack of sufficient knowledge to operate and manipulate the web is still a major consideration for consumers. Many consumers can be intimidated and consequently, they shy away from non-store shopping.
- Internet access and availability: Consumers may face difficulty due to low-quality Internet access, especially in rural areas.
- Fraud: Many consumers are very wary of Internet fraud, and are not confident in the security measures available to be comfortable providing their personal information such as their names, addresses and credit card numbers.

Inhibitors of a Store Shopping

- Distance: Inaccessibility to physical locations is a primary inhibitor for older and rural consumers.
- Traffic: Many consumers are dissuaded by massive crowds, traffic jams and delays, especially during holidays and other busy periods.
- Limited information on rebates and sales (prior to travel): Consumers may be unaware of specific “sale” or rebates available at retailers in the mall. During their visit to the mall, they may find that the specific sales they were looking for is over. This may cause many consumers to leave with a bad shopping experience overall.

OBJECTIVES OF STUDY

1. To understand the concept of Multi-channel retailing.
2. To identify different multi-channel attributes.
3. To analyze how consumer’s channel selection is influenced by different shopping motives

SCOPE OF THE STUDY

The study is specific only to the customers in Mumbai. The study revolves around influence of different shopping motives on customer Channel selection. The three shopping motives are:

- a) Recreational motive refers to those aspects of shopping that go beyond the mere acquisition of goods and that lead to enjoyment and pleasure.
- b) Convenience motive characterizes customers, who regard shopping is important to acquire the sought-after product with a minimum investment of time, physical effort, and mental effort.
- c) Risk aversion motive refers to perceived risk, i.e. customer uncertainty as to the negative consequences of a purchase and the significance of these consequences.

REVIEW OF LITERATURE

According to the Wall Street Journal, customers who use three different channels spend four times as much as customers using only one of the three channels (Shankar and Winer, 2005). The Aberdeen Group found that 44.7% of retailers surveyed use three channels, while 50.5% of retailers use at least two channels in their multi-channel strategies (Aberdeen group, 2004). A separate study conducted by J.C. Penney (<http://www.jcwg.com/downloads/ACCM-Session1.pdf> accessed August 25, 2007) finds that customers who use all three channels (store, catalog, and website) spend an average of \$887 per year, significantly higher than spent by customers who use only websites (\$157), physical stores (\$195) or catalogues (\$201). Further, this study also reports that sales from J.C. Penney customers who used all three channels grew by 30% annually, and sales from those using at least two of those channels grew by 46% annually. In addition, over 60% of retailers claim that their transactions with multi-channel customers are more profitable than those with customers who use only one channel. Finally, a study by McKinsey Consulting reports that retail customers using multiple channels spent two to four times as much as customers using a single channel. In other words, multi-channel shopping is now associated with significant growth and higher sales.

HYPOTHESIS

“In multi-channel retail environment consumers use the channels that best satisfy their shopping motives in each situation.”

NULL HYPOTHESES:

- 1.HO - There is no association between gender and choice of channel for shopping.
- 2.HO - There is no association between education and choice of channel for shopping.
- 3.HO - There is no association between income and choice of channel for shopping.

RESEARCH METHODOLOGY

The research is both exploratory and descriptive in nature and relies on both primary and secondary data. Secondary data was collected from the available sources like journals, articles and website. A convenience sample of 250 customers residing in Mumbai, were selected for the present study. A close-ended structured questionnaire was prepared and administered to ascertain their preferences. For measuring various phenomena and analyzing the collected data efficiently, statistical techniques were used like cross tabulation and Chi-square test.

SURVEY RESULTS AND INTERPRETATION

Table 1 Chi-square test

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	35.312 ^a	2	.000
Likelihood Ratio	34.637	2	.000
N of Valid Cases	250		

HO - There is no association between gender and choice of channel for shopping.
 The Chi-square test result rejects the null hypothesis that there is no association between the two variables. Hence it is proved that there is an association between gender and choice of channel for shopping.

Table 2 Chi-square test

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.621 ^a	2	.013
Likelihood Ratio	8.132	2	.017
N of Valid Cases	250		

HO - There is no association between education and choice of channel for shopping.
 The Chi-square test result rejects the null hypothesis that there is no association between the two variables.
 Hence it is proved that there is an association between education and choice of channel for shopping.

Table 3 Chi-square test

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.802 ^a	2	.001
Likelihood Ratio	14.460	2	.001
N of Valid Cases	250		

HO - There is no association between income and choice of channel for shopping.

The Chi-square test result rejects the null hypothesis that there is no association between the two variables. Hence it is proved that there is an association between income and choice of channel for shopping.

FINDINGS

Quantitative

- Total 72% female and 40% male prefer store shopping channel for satisfaction of their recreational motive. Total 65% male and 43% female prefer non-store shopping channel for satisfaction of their Convenience motive. Total 70% male and 89% female prefer store shopping channel for satisfaction of their risk avoidance motive.
- Total 75% graduates, 59% post graduates and 31% professionals prefer store shopping channel for satisfaction of their recreational motive. Total 40% graduates, 60% post graduates and 90% professionals prefer non-store shopping channel for satisfaction of their Convenience motive. Total 85% graduates, 40% post graduates and 28% professionals prefer store shopping channel for satisfaction of their risk avoidance motive.
- Total 80% less than 2 lakh earners, 72% 2 to 5 lakh earners and 48% more than 5 lakh earners prefer store shopping channel for satisfaction of their recreational motive. Total 36% less than 2 lakh earners, 52% 2 to 5 lakh earners and 84% more than 5 lakh earners prefer non-store shopping channel for satisfaction of their Convenience motive. Total 79% less than 2 lakh earners, 47% 2 to 5 lakh earners and 32% more than 5 lakh earners prefer store shopping channel for satisfaction of their risk avoidance motive.

Qualitative

- Single-channel users of non-store channels look for convenience and strive for independence. Single-channel store users primarily look to satisfy emotional and social needs. Multi-channel users, who obtain their information from the online-shop and then make their purchase in the chain store, are combining the independence of online-shop information with the reduction of risks associated with buying products in the chain store.
- Against this backdrop, most consumers are influenced that by the possibility for social interaction offered by store channels which improves their ability to satisfy the recreational orientation motive than the non-store channels.
- When customers place convenience motive in the foreground, the non-store channels (mail-order catalog, online-shop) might be superior to the store channels. The fact that they are easier to access means that they provide an opportunity to save time and energy. In addition, it is easier to obtain information on other products and suppliers. It is also observed that as today people don't have much time to visit a store they find it convenient to access the non-store channels to fulfill their needs rather than visiting a store.
- In non-store retailing, perceived risk is felt to be one of the most important barriers to shopping. Product-related risks stem from the fact that the customer is not able to physically examine the goods and must instead rely on the illustration and the information provided by the seller. Delivery-related risks stem from the fact that the customer has no influence on the delivery process, e.g. on the delivery time, and on the correctness, completeness and quality of the delivery. As far as payment-related risks are concerned, the literature places a particular emphasis on the dangers of credit card misuse. Due to the fear of hacking, online data theft, online frauds customers are expressing their lack of trust with the non-store payment

procedure.

CONCLUSION

Non-store shopping channel is a recent phenomenon in the field of E-Business and is definitely going to be the future of shopping in the world. Though non-store shopping is very common outside India, its growth in Indian Market, which is a large and strategic customer market, is still not in line with the global market. In-fact these are acting as stepping-stones to concept of global village.

REFERENCES

- [1] Goldsmith, R. E. (2000) E-Tailing vs. Retailing. Using Attitudes to predict Online Buying Behavior, Quarterly Journal of Electronic Commerce, 1, 245-253.
- [2] Gupta, A., Su, B.-c. and Walter, Z. (2003) Risk profile and consumer shopping behavior in electronic and traditional channels, Decision Support Systems, 38, 347-367.
- [3] Keaveney, S. M. (1995) Customer switching in service industries: an exploratory study, Journal of Marketing, 59, 71-82.
- [4] Zhang, Xubing (2004), "A Model of Multichannel Retailing," presented at the Marketing Science Conference, Rotterdam, the Netherlands, June 2004.
- [5] Oliver Richard L. (1981), "Measurement and Evaluation of Satisfaction Process in Retail Setting", Journal of Retailing, Vol. 57, Fall, pp. 25-48.
- [6] Oliver Richard L (1997), Satisfaction: A Behavioral Perspective on the Customer, Irwin/McGraw-Hill, New York.
- [8] Multichannel Retailing And Its Implications On Consumer Shopping Behavior Shailendra Gajanan and Suman Basuroy, Journal of Shopping Center Research, Volume 14, Number 2, 2007