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Constructing a conceptual model of purchase behaviour of village shopkeepers – a study of small rural retailers in Eastern India



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ABSTRACT

Small rural retailers play a pivotal role in the success of marketing efforts of FMCG companies in developing markets. This is owing to the influence of small retailers, alternatively termed as unorganized retailers, on rural consumers. The present study attempts to develop an inventory of items that may predict purchase behaviour. Owing to the unavailability of a suitable instrument in extant literature, a survey of rural marketing practitioners has been conducted to develop relevant statements for questionnaire. The unobservable constructs and the relationships between the constructs are brought out through a study in the eastern region of India. The following constructs have been found to impact the purchase preferences of rural unorganized retailers: quality of supply and delivery, margins and profit, product demand, credit, brand reputation, social and personal recognition, sales force behaviour, seasonality and festivity, and company reputation. A marketer should understand the factors influencing purchase behaviour while targeting rural retailers in developing markets.

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1. Introduction

Wet-market traders, pushcarts and ‘mom-and-pop’ stores which make up the traditional informal market are often termed as ‘unorganized retail’ in Indian context (Minten et al., 2010). In a sense, all those retail stores or outlets that are not organized chain stores may be termed as unorganized retail shops and the owners being unorganized retailers (Sengupta, 2008). A couple of research works (D’Andrea et al., 2006; Siddique and Siddique, 2012) also refer to the unorganized segment of retailers as ‘small retailers’ based on parameters such as magnitude of their revenues, their geographical spread and the size of the premises. Small/unorganized retailers may generally be delimited using four characteristics: one person performs most of the retail functions, one-store operations, under-capitalized, and basic business objectives are based on survival (Davis et al., 1985). Such small retailers (also termed as subsistence-merchants by Viswanathan et al. (2010)) have been found to be an important final link in the supply chain of consumer goods in India (Viswanathan et al., 2010).

Unorganized retailers represent an important thread in the rural socio-economic fabric of India, contributing to ten per cent of

India’s GDP (Competition Commission of India, 2014, p. 12) and providing employment to 11.5 million people across the country (The Economic Census, 2010, p. 16). The suggestions from existing literature on rural sociology (e.g., Tolbert et al., 1998) and rural economy (e.g., Rao, 1973) highlight the significance of rural unorganized retailers in the socio-economic life of rural inhabitants. A report by Food and Agricultural Organization of the United Nations (FAO, 1995) had emphasized upon the need to survey, map and understand rural retailers and rural marketplaces for food security in the developing world.

Borden (1964) defined Fast Moving Consumer Goods (FMCG) as products that are sold quickly and at relatively low cost. In the Indian context, NCAER (2014) defines FMCG to include food and beverage products and goods meant for household care and personal care. Influence of unorganized retailers on the success of Fast Moving Consumer Goods (FMCG) companies in rural India has been highlighted in multiple studies (Aneja, 1993; Balakrishnan, 1978; Bhandari, 2014; Kesari and Srivastava, 2012; Siddique and Siddique, 2012). Recommendations made by rural retailers in India have a bearing on the final choices made by rural consumers (Dey et al., 2012; Sulekha and Mor, 2013). Rural retailers assume multiple roles of advisors, family friends and also sort of micro creditors for rural consumers (Preeti, 2011). A rural retailer’s relationship with consumers is based on an understanding of their needs, buying habits and seasonal income patterns, and is cemented by the retailer’s extension of credit (John and Mishra,

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2012). Owing to rural retailers' close proximity in the local community, consumers and rural retail shop owners often form intimate relationships, further strengthening the power of the retailer in product usage recommendation (Neuwirth, 2012). Indian rural retailers have been found to influence around thirty five percent of purchase occasions by consumers (Kesari and Srivastava, 2012; Khaled, 2010). This is important as the number of items stocked by rural retail store in India is much lower than the urban retail store: on the average, the number of product categories stocked by a rural store is nineteen while in an urban store is twenty seven (Das Munshi, 2005). Rural consumers possibly follow a philosophy of bounded economic rationale in choosing from the available assortment (Simon, 1947; Simon, 1955; Simon, 1956). Rural consumers also find it difficult to choose their preferred brands since the layout of the shops do not allow browsing (Dawar and Chattopadhyay, 2002). Owing to the importance of rural retailers, Pradhan (2010) suggested the postulation of a buying behaviour model for rural unorganized retailers. Developing a purchase behaviour model would help to analyze available evidence about the market, to recognise the requirement for supplementary information, to enable target-setting for marketing effort, to identify the types of information required by various purchasing decision makers, and also to identify the principles that they will use to make these decisions (Webster and Wind, 1972).

2. Purpose of study

The present study would extend available knowledge on retailers' buying behaviour to a rural context for a developing country (i.e., India). Although some studies have attempted to theorize the behavioural aspects of rural unorganized retailers, they are constrained in terms of their focus (e.g., Jasim and Murali, 2013, focused on only Britannia products) or limited in geographical coverage (e.g., Kar and Das, 2008, studied Nuagaon block in Sundargarh district of Orissa, India; Kilaru, 1994, as cited in Velayudhan, 2007, p. 178, studied Deoria district of Uttar Pradesh, India) or constrained in sample size (e.g., Bhattacharjee, 2014, surveyed sixty retailers; Kar and Das, 2008, surveys thirty retailers). All these studies have tested some basic hypotheses, but have not put any effort to develop or formulate any comprehensive framework to explicitly explain buying behaviour of rural unorganized retailers. An attempt is made in the present study to identify the manifested determinants of purchase behaviour through a study of rural unorganized retailers in Eastern India.

A major challenge faced in the present study is the non-availability of an accepted inventory of behavioural statements relevant to rural unorganized retailers. Therefore, the determinants of purchase behaviour of rural unorganized retailers in India have been collected from practitioners of rural marketing in FMCG companies to reflect the viewpoint (collectively termed as "executive perception") of marketing professionals working in rural markets. "Specialists and decision makers" are often consulted while constructing an instrument for behavioural surveys (Oliveira and Alves, 2013) and such a lens has been used before in studies related to rural markets (Sridhar, 2010). The researcher with Mishra (Sridhar and Mishra, 2011) also presented a study on executives' social representation of rural markets and product adaptation by rural consumers. Rural marketing practitioners may intentionally or otherwise express what they experienced in executing marketing strategy and these could become the starting point for studies on marketing (Sridhar, 2010). The inventory of behavioural items (Appendix A), collected through the aforesaid survey of rural marketing practitioners, and tested empirically for validity, forms an important contribution of the present research. The list of statements may be used for further studies on

unorganized retailers in rural or urban markets in various parts of the world to compare and contrast with findings in the present study.

A model with the most significant determinants (in terms of their ability to explain the model variance) of purchase behaviour is also constructed to provide a visual depiction of the relationships between the various elements. The model would help researchers as well as managers understand the relationships between the identified determinants of rural retailers' purchase behaviour. The strengths and directions of relationships between the determinants are also estimated through the modelling process.

3. Review of literature

Marketing to rural consumers has emerged as an important area of study in developing country like India owing to the recent 'boom in consumption' in rural markets (Kashyap, 2012a, 2012b). In subsistence markets, like rural India, unorganized retailing serves as the last-mile link to rural consumers (Viswanathan et al., 2010) as well as an important means of income and survival (Hammond et al., 2007; Reardon et al., 1998). The study of small retailers' buying behaviour has generally been neglected in the larger context (Runyan and Droge, 2008). FMCG companies, in India, must also take cognizance to the buying behaviour of rural unorganized retailers since they serve as channels for accessing rural consumer markets (Aithal, 2012; Balakrishnan, 1978).

The "motivation and attitude" of retailers determine the success of rural marketing efforts (Agadi and Paramashivaiah, 1995). Hence, there is a need for understanding the buying behaviour of rural unorganized retailers' purchase decisions (Alur and Schoormans, 2013; Balakrishnan, 1978). Alur and Schoormans (2013) suggested that considering endogenous and exogenous factors which influenced retailers' purchase decisions would make product introduction decisions successful.

Existing studies on rural unorganized retailers have substantiated some basic hypotheses, but have not conceptualized their findings in the form of any framework that may result in the construction of a model. It seems natural that researchers (Jasim and Murali, 2013; Kar and Das, 2008) have recommended a larger field-study for building a purchase behaviour model for rural unorganized retailers in India. Conducting a field study would require a validated instrument that may be used to predict behaviour (Chronbach and Meehl, 1955).

The pertinent research questions which arise from the preceding discussion are as follows: what are the determinants of purchase behaviour of rural unorganized retailers?; what are the possible items which could make up a survey instrument?; what are the "constructs" which may explain buying behaviour?; what are the interrelations between the determinants/constructs?

4. Objective of the study

The present study comprises two inter-related sets of research objectives: the first objective relates to the identification of items to form an instrument to predict purchase behaviour of rural unorganized retailers; and the second relates to the conceptualization of a framework to explain the relationships between the determinants of purchase behaviour of rural retailers. The domain of study is rural area, as defined by Census of India (2011). Census of India (2011) defines rural areas as all areas which are not categorized as urban area, wherein urban areas are defined as all places with a municipality, corporation, cantonment board or notified town area committee, etc., and all other places which satisfy the following criteria: a minimum population of 5000; at

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