Original Research Article

COMPARISION OF CONSUMER PREFERENCES IN REGARDS TO FOOD RETAIL FORMATS IN TIRUPATI CITY

ABSTRACT

This study conducted in the year 2023 aimed to compare consumer preferences for various food retail formats in Tirupati city, focusing on organized and unorganized sectors, and to identify factors influencing their choices. A representative sample of 120 consumers was selected using simple random sampling, and primary data was collected through personal interviews. The findings revealed that 73.33 percent of the consumers inshowed a moderate perception of both organized (62.50%) and unorganized (73.33%) food retail formats. *Kirana* stores (unorganized) and supermarkets (organized) were the preferred choices for purchasing food and groceries. The reasons for preferring organized retail formats included a wide range of products and better product presentation, while unorganized retail formats were favoured for more bargaining opportunities and locally sourced products. Income levels were found to influence retail format choices, with lower-income groups more likely to shop at unorganized formats. The SWOT analysis indicated that organized stores benefit from a wide range of products but face competition from unorganized formats and online platforms, while, unorganized stores build strong customer relationships but struggle with limited product variety and changing consumer preferences.

***Keywords*:**consumer preferences, consumer perception, food retail formats, SWOT analysis, Tirupati city

INTRODUCTION

In recent years, the Indian retail sector has expanded rapidly, with the food and grocery segments playing a significant role. According to the IBEF Report (2022), the food industry, which is currently valued at 26.33 trillion USD, is expected to grow at a compound annual growth rate (CAGR) of 11.3% to reach 38.7 trillion USD by 2026.

The overall division of retailing can be categorized as organized and unorganized sectors. Unorganized/traditional retailing refers to low-cost retailing formats such as local *Kirana shops*, owner-managed general stores, pan shops, handcart and pavement vendors, *etc.*The vast majority of unorganized retail outlets in India rely on family members for employment and lack the capacity to procure or transport products in large quantities at a wholesale level.

This study conducted in the year aimed to compare consumer preferences to various food retail formats in Tirupati city (organized and unorganized) and also to determine the factors that influence consumer's choice of food retail formats and their perception about daily/weekly/monthly purchases and overall SWOT analysis of the organized and unorganized retail formats to identify both opportunities and threats for near future. This research is significant because it will contribute to the existing body of knowledge on consumer'sbehaviour and preferences with reference to the food retail formats.

MATERIALS AND METHODS

This study was conducted in 2023, this study focused on Tirupati, Andhra Pradesh, renowned for its religious significance and tourist influx. Purposeful sampling targeted semi-urban and urban areas to understand consumer perceptions and preferences in food retail formats. A representative sample of 120 consumers (60 females, 60 males) purchasing groceries was chosen using simple random sampling. Primary data was collected through personal interviews with a structured schedule. Statistical tools such as frequency analysis, Chi-square, and Garrett ranking were employed to analyze the data, scored on a scale of 1 to 3.

RESULTSANDDISCUSSION

The study, involving 120 respondents, examined consumer preferences by gathering data on preferred purchase sources, reasons for choosing organized or unorganized retail, ranking preferences among various formats, and factors influencing retail choices. Demographically, 53.30% of respondents were aged 25-35, with an even split between urban and semi-urban residences. Educationally, 88.40% held a graduate degree or higher, and 34.20% were self-employed. In terms of income, 37.50% earned between Rs.20,001 and Rs.100,000 monthly. Socio-economically, 57.50% were classified as lower middle class per the Kuppuswamy scale.The sample’s demographic breakdown reveals a diverse group, with a significant portion in the 25-35 age range, an equal urban-semi-urban split, a majority holding graduate degrees, and notable proportions being self-employed and earning between Rs.20,001 and Rs.100,000 monthly. The socio-economic status of 57.50% as lower middle class suggests a nuanced consumer base with varied preferences and purchasing behaviors.

Overall perception of the sample consumers about organized food retail formats

More than half of respondents (62.50%) have a moderate perception of organized retail formats(Table 1). These consumers seem to have a somewhat positive outlook but might still have some reservations or mixed feelings about shopping at organized food retail outlets. Only 20.83% of the respondents fell into the low category indicating that they have a relatively low perception of organized food retail formats. These consumers might not be viewing organized retail formats favorably and may have reservations or concerns about shopping at such outlets. A total of 16.67% of the sample respondents fell under high perception category, indicating a high perception of the organized food retail formats. Interestingly, the high perception might be due to the reasons thatthey offer a one-stop-shop experience to those consumers.

Overall perception of the sample consumers about unorganized food retail formats

The Table 2 highlights that 73.33% of surveyed consumers hold a moderate perception of unorganized retail formats, indicating a balanced stance. Conversely, 12.50% express low perception, suggesting negative opinions or experiences. On the positive side, 14.17% exhibit a high perception, showcasing a smaller but noteworthy segment with favorable views. The mean perception score is 44.29, with a standard deviation of 6.8, indicating variability in consumer opinions. The data underscores both a substantial moderate perception majority (73.33%) and diverse opinions within the sample, influenced by individual preferences, exposure levels, regional differences, and cultural variations.

Preferred retail formats to purchase food and groceries by the sample consumers

The information regarding the preference of retail formats by the sample consumers was collected under five categories *viz.*,*kirana* stores, super markets, cart wheel vendors, online apps/websites and wholesale markets (Table 3).Thus, it was observed that most of the consumers preferred to buy food and groceries from *kirana* stores which is an unorganized retail format followed by supermarkets (organized retail format) of the Tirupati city. The reasons for *kirana*stores as "top choice" might be due to the fact that close proximity to people's home, credit services, flexibility and adaptability, community connection and support, convenience and accessibility.

Perception of consumers shopping at organized retail formats

The study aimed to understand consumer preferences for food and grocery shopping at organized retail formats. Eighteen statements were used to gauge these preferences, employing a three-point rating scale, 3 for Agree, 2 for Can't Say, 1 for Disagree. Mean scores were calculated, and statements were weighted accordingly (Table 4).Thus it indicates that the top three reasons for favoring organized retail formats are: 'Wide range/variety of products' (mean: 2.68, weightage: 322), 'Better product presentation and display' (mean: 2.60, weightage: 312), and 'Quality of the products' (mean: 2.58, weightage: 309). These factors contribute to an enhanced overall shopping experience. Consumers appreciate the convenience of finding diverse products in one place, along with the appealing presentation and high quality of the items.

Perception of consumers who were shopping at unorganized retail formats

The data on preferences for unorganized retail formats were gathered through 18 statements, utilizing a three-point rating scale. Mean scores and weightages (see Table 5) highlighted the top three reasons for favoring unorganized retail: 1) 'More bargaining opportunities' (mean: 2.43, weightage: 291), 2) 'Wider range of locally sourced products' (mean: 2.36, weightage: 283), and 3) 'Affordability of products' (mean: 2.29, weightage: 275). These factors emphasize the economic advantages of unorganized retail, with bargaining saving consumers money, a diverse local product range, and affordable pricing. In essence, the study revealed that consumers are drawn to unorganized retail for economic benefits. The ability to bargain, access a variety of locally sourced products, and the affordability factor emerged as key motivators. These elements contribute to a perception that unorganized retail offers economic advantages, allowing consumers to save money, access local products, and afford their desired items at lower prices or through credit services.

Relationship between different income groups and their retail format choice

The research explored retail format choices across five income groups, and the chi-square test (Table 6) revealed a significant association between income levels and retail format preferences ($\chi2$= 19.42) at a 5 percent significance level. Table 7 further illustrated that respondent with incomes below Rs. 10,000 (12.50%) and Rs. 10,001 to Rs. 20,000 (13.30%) were more inclined to prefer unorganized formats. In contrast, those with incomes ranging from Rs. 20,001 to Rs. 1,00,000 (28.30%) and above Rs. 1,00,000 (12.50%) were more likely to opt for organized formats. This indicates a clear hierarchy in retail format preferences, with unorganized formats favored by lower-income groups and organized formats preferred by higher-income individuals.

SWOT analysis of the organized retail formats

In the SWOT analysis of organized retail formats (Table 8), the key factors identified as strengths include the wide product range meeting diverse customer needs, emphasizing consumer preference for convenience and variety. Conversely, the primary weakness is the limited presence in rural areas, indicating potential inconvenience for rural consumers who must travel farther to access organized retail. An opportunity highlighted is the expansion of organized stores to tier-2 and tier-3 cities, signaling significant growth potential in these areas. The main threat identified is intense competition from unorganized retail formats and online grocery platforms, with concerns about pricing competitiveness from unorganized retailers and the convenience and product variety offered by online platforms.

SWOT analysis of unorganized retail formats

In the SWOT analysis of unorganized retail formats (Table 9), the primary strength is their ability to build strong customer relationships due to their proximity and personalized service. However, a notable weakness is their limited product variety compared to organized formats, stemming from smaller spaces and potential difficulty for customers in finding desired products. An opportunity highlighted is the collaboration with local producers and farmers, allowing unorganized stores to offer fresh, local producea competitive advantage over organized formats. The main threat identified is the challenge of adapting to changing consumer preferences and dietary trends, which can be a struggle for unorganized retail formats that may be slower to change, risking customer loss to organized retail alternatives.

CONCLUSIONS

The 120 respondents in Tirupati city exhibited a moderate perception of both organized and unorganized retail formats. Notably, individuals with higher incomes tended to prefer organized formats, possibly due to the comprehensive one-stop shopping experience they offer. Key factors influencing retail choices included a variety of products, better presentation, and product quality for organized formats, while more bargaining opportunities, locally sourced products, and affordability were crucial for unorganized formats.Organized retail formats were observed to have strengths like a broad product range and expansion opportunities to tier-2 and tier-3 cities. However, they faced weaknesses such as limited rural presence and competition from unorganized retail and online platforms. Unorganized formats boasted strengths like strong customer relationships and collaborations with local producers but grappled with limitations in product variety and the challenge of adapting to changing consumer preferences.

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Table 1. Overall perception of the sample consumers about organized food retail formats **(n=120)**

S.No.	Parameter	Frequency	Percentage
1	Low (< 37.48)	25	20.83
2	Moderate (37.48 to 51.10)	75	62.50
3	High (> 51.10)	20	16.67
	Total	**120**	**100**
Mean= 44.29; Standard Deviation = 6.81			

Table 2. Overall perception of the sample consumers about unorganized food retail formats

(n=120)

S.No.	Parameter	Frequency	Percentage
1	Low (< 30.18)	15	12.50
2	Moderate (30.18 to 46.42)	88	73.33
3	High (> 46.42)	17	14.17
	Total	**120**	**100**
Mean = 38.30;Standard Deviation = 8.12			

Table 3. Preferred retail formats to purchase food and groceries by the sample consumers (n=120)

S.No.	Order of Preference	Garret Mean Score	Rank
1	Kirana stores	60.63	I
2	Supermarkets	54.95	II
3	Cart-wheel vendors	49.70	III
4	Online apps/website	41.84	IV
5	Wholesale markets	40.87	V

Table 4. Perception of consumers who were shopping at organized retail formats

(n = 120)

S.No.	Perception statement	Agree (3)		Can't say (2)		Disagree (1)		Total weightage	Mean	Rank
		n	S	n	S	n	S			
1	Wide range / variety of products	93	279	16	32	11	11	322	2.68	I
2	Better product presentation and display	81	243	30	60	9	9	312	2.60	II
3	Quality of the products	81	243	27	54	12	12	309	2.58	III
4	Hygienic ambience	82	246	23	46	15	15	307	2.56	IV
5	Freshness of the products	73	219	39	78	8	8	305	2.54	V
6	Good personalized shoppingexperience	75	225	33	66	12	12	303	2.53	VI
7	Flexibility of store timings	73	219	36	72	11	11	302	2.52	VII
8	Better product labeling and information	77	231	28	56	15	15	302	2.52	VIII
9	Affordability of products	70	210	41	82	9	9	301	2.51	IX
10	One-stop-shop experience	72	216	37	74	11	11	301	2.51	X
11	Discounts at the time of festivals	74	222	32	64	14	14	300	2.50	XI
12	Discount on MRP	78	234	23	46	19	19	299	2.49	XII
13	More convenient payment options	76	228	26	52	18	18	298	2.48	XIII
14	Better inventory management	67	201	34	68	19	19	288	2.40	XIV
15	Personalized service	64	192	36	72	20	20	284	2.37	XV
16	Wider range of locally sourced products	66	198	32	64	22	22	284	2.37	XVI
17	Cheaper price	48	144	41	82	31	31	257	2.14	XVII
18	More bargaining opportunities	46	138	29	58	45	45	241	2.01	XVIII

n-Number of respondents, S-Score

Table 5. Perception of consumers shopping at unorganized retail formats

(n=120)

S.No.	Perception statements	Agree (3)		Can't say (2)		Disagree (1)		Total Weightage	Mean	Rank
		n	S	n	S	n	S			
1	More bargaining opportunities	67	201	37	74	16	16	291	2.43	I
2	Wider range of locally sourced products	61	183	41	82	18	18	283	2.36	II
3	Affordability of products	53	159	49	98	18	18	275	2.29	III
4	Freshness of the products	50	150	54	108	16	16	274	2.28	IV
5	Cheaper price	59	177	36	72	25	25	274	2.28	V
6	Wide range / variety of products	55	165	35	70	30	30	265	2.21	VI
7	Flexibility of store timings	49	147	43	86	28	28	261	2.18	VII
8	Better product labeling and information	44	132	46	92	30	30	254	2.12	VIII
9	More convenient payment options	43	129	47	94	30	30	253	2.11	IX
10	Better inventory management	45	135	40	80	35	35	250	2.08	X
11	Discounts at the time of festivals	45	135	38	76	37	37	248	2.07	XI
12	Quality of the products	37	111	52	104	31	31	246	2.05	XII
13	Discount on MRP	42	126	41	82	37	37	245	2.04	XIII
14	Better product presentation and display	34	102	54	108	32	32	242	2.02	XIV
15	Personalized service	37	111	47	94	36	36	241	2.01	XV
16	One-stop-shop experience	35	105	45	90	40	40	235	1.96	XVI
17	Hygienic ambience	33	99	44	88	43	43	230	1.92	XVII
18	Good personalized shopping experience	33	99	43	86	44	44	229	1.91	XVIII

n-Number of respondents, S-Score

Table 6.Relationship between different income groups and their retail format choice using Chi-Square test

(n=120)

S.No.	Income group(Rs.)	Retail format choice			
		Organized formats		Unorganized formats	
		Observed values	Expected values	Observed values	Expected values
1	Less than 10,000	1	4.13	15	11.87
2	10,001 to 20,000	1	4.39	16	12.61
3	20,001 to 1,00,000	11	11.63	34	33.38
4	1 lakh to 2 lakh	6	5.43	15	15.58
5	More than 2 lakhs	12	5.43	9	15.58
Grand Total		**31**	**31**	**89**	**89.00**

*("p" value < 0.05 – Significant); (χ2) = 19.42

Table 7. Relationship between different income groups and their retail format choice using frequencies and percentages

(n=120)

S.No.	Income groups (Rs.)	Retail format choice					
		Organized formats	Percentage (%)	Unorganized formats	Percentage (%)	Grand Total	Percentage (%)
1	Less than 10,000	1	0.80	15	12.50	16	13.30
2	10,000 to 20,000	1	0.80	16	13.30	17	14.20
3	20,000 to 1,00,000	11	9.20	34	28.30	45	37.50
4	1 lakh to 2 lakh	6	5.00	15	12.50	21	17.50
5	More than 2 lakhs	12	10.00	9	7.50	21	17.50
	Grand Total	**31**	**25.80**	**89**	**74.20**	**120**	**100.0**

Table 8.SWOT analysis of organised retail formats

(n=120)

S.No.	Statement	Agree (3)		Can't say (2)		Disagree (1)		Total Weightage	Mean	Rank
		n	S	n	S	n	S			
1	Organized stores have wide range of product assortment catering to diverse customer needs	97	291	16	32	7	7	330	2.75	I
2	Organized stores have intense competition from unorganized retail formats and online grocery platforms	84	252	30	60	6	6	318	2.65	II
3	Organized stores are expanding to tier-2 and tier-3 cities	82	246	31	62	7	7	315	2.63	III
4	Limited presence in rural areas	82	246	27	54	11	11	311	2.59	IV
5	Organized stores have strong supply chain and efficient logistics	75	225	38	76	7	7	308	2.57	V
6	Organized stores invest in innovative technologies such as automated checkout systems	74	222	37	74	9	9	305	2.54	VI
7	Organized stores have strategic partnerships with local farmers/ producers for direct sourcing of fresh produce	69	207	41	82	10	10	299	2.49	VII
8	Organized stores can have potential disruptions in the supply chain due to unforeseen events or natural disasters	70	210	39	78	11	11	299	2.49	VIII
9	Organized stores introduce company's own products to enhance profitability	69	207	34	68	17	17	292	2.43	IX
10	Organized stores sell fresh and high-quality food products	65	195	39	78	16	16	289	2.41	X
11	Organized stores can have out-of-stock situations	68	204	33	66	19	19	289	2.41	XI
12	Organized stores have higher pricing compared to unorganized retail formats	60	180	45	90	15	15	285	2.38	XII

n-Number of respondents, S-Score

Table 9.SWOT analysis of unorganised retail formats

(n=120)

S.No.	Factor	Agree		Can't say		Disagree		Total Weightage	Mean	Rank
		n	S	n	S	n	S			
1	Unorganized retail stores build strong customer relationships	76	228	26	52	18	18	298	2.48	I
2	Unorganized retail stores have limited product variety when compared to organized formats	70	210	38	76	12	12	298	2.48	II
3	Unorganized retail stores suffer from changing consumer preferences and evolving dietary trends	66	198	42	84	12	12	294	2.45	III
4	Unorganized retail stores have increasing competition from organized retail chains and e-commerce platforms	70	210	32	64	18	18	292	2.43	IV
5	Unorganized retail stores suffer from potential impact of government regulations	65	195	40	80	15	15	290	2.42	V
6	Unorganized retail stores have limited adoption of technology	69	207	31	62	20	20	289	2.41	VI
7	Unorganized retail stores have deep understanding of the local market	59	177	47	94	14	14	285	2.38	VII
8	Unorganized retail stores have collaboration with local producers and farmers	61	183	43	86	16	16	285	2.38	VIII
9	Unorganized retail stores have difficulty in adoption of technology	58	174	45	90	17	17	281	2.34	IX
10	Unorganized retail stores have higher profits due to lower operational cost	60	180	37	74	23	23	277	2.31	X
11	Unorganized retail stores have integration of technology for online ordering	48	144	42	84	30	30	258	2.15	XI

n-Number of respondents, S-Score