



# **FACTORS AFFECTING PURCHASE DECISION FROM ORGANIZED RETAIL STORE OVER UNORGANIZED RETAIL STORE – A CASE STUDY IN SAUDI ARABIAN REGION**

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## **Abstract**

*The paper is based on the factors which affect buying decision from organized retail store to unorganized retail store in Saudi Arabia. The specific objectives are to examine buying behavior of consumer in organized retail store of Saudi Arabia; to critically evaluate the influencing factors for buying decision in organized retail store. There are different factors and its association been mentioned in the study and its direct implication on the buying decision of the consumers. For this a descriptive research design is adopted. Data collected using questionnaire survey is analyzed using. it can be drawn from the empirical findings that organized retail store provide a different paradigm to the consumer which has made shift from unorganized to organized retail stores.*

*Keywords: Organized Retail Store, Unorganized Retail Store, Consumer Behavior, Retailing, Buying pattern*

## **INTRODUCTION**

Saudi Arabian retail market is projected to exhibit a CAGR of around 6% during the forecast period of 2019-2024, growing from \$ 112.9 billion in 2018 to \$ 159 billion by 2024, on account of increasing personal disposable income, change in consumption pattern from staple food towards healthier food, and shifting focus from dependency on fuel to other sectors. In terms of product category, Saudi Arabian retail market has been categorized into following categories: food & beverages, apparel & footwear, appliances, jewelry, pharmacy and others. The total

concept and idea of shopping has undergone an attention drawing change in terms of format and consumer purchase behavior, ushering in a revolution in Saudi. Modern retailing has entered into the Retail market in Saudi as is observed in the form of bustling shopping centers, huge complexes, multi-storied malls and the that offer shopping space, entertainment, relaxation and food all under one roof. The present study was conducted to understand the impact of organized retailing on consumer behavior with reference to Jazan, Saudi Arabia.

## REVIEW OF LITERATURE

There are several factors that influence the consumer purchasing buying behavior. The following review will identify the different factors. Socio-economic class is a group of people who are similar in their behavior based upon their economic position (education, occupation and income) in the market place (Engel et al., 1995). Empirical evidence argues that socio-demographic factors such as gender, age, educational status and income play an important role in determining the food consumption pattern across the world (Roslow et al., 2000; Turrell et al., 2002). Several other empirical studies also show that store choice is recognized as a cognitive process which is highly influenced by consumers' socio-demographic characteristics (Waterschoot et al., 2008). Extensive research indicates that consumers across social strata tend to exhibit characteristically differentiated psychological and behavioural patterns that eventually determine the store choice behaviour (Monroe and Gultinan, 1975; Morganosky, 1995). Demographic factors such as age, gender, marital status, income, female working status, education, occupation and family size exert enormous influence on choice of store format in grocery retailing (Bellenger and Korgaonkar, 1980; Carpenter and Moore, 2006). Syed et.al (2015) argued that occupation is important while selecting type of retail store. In general, the closer the consumers are to a store, the greater their likelihood to buy from that store. In contrast, the farther away consumers are from a store, the greater the number of intervening alternatives and thus the lower their likelihood to patronize that store (Loudon and Della Bitta, 1993). The travel time to a store is assumed to measure the effort, both physical and psychological, to reach a retail outlet. However, the effect of travel time varies by product. For some products, consumers are willing to travel very far (Runyon and Stewart, 1987; Hawkins et al., 1998). Product attributes, as perceived by consumers, are critical factors in the food choice process and are considered to be a major determinant for the success of many product marketing strategies (Batra and Sinha, 2000; Kupiec and Revell, 2001). Syed.et al (2016) stated that visual merchandise has an impact on buying decision. Consumers' preferences on various food product attributes is a well-researched area and empirical analysis show that consumers use a variety of evaluation parameters while selecting the appropriate products to satisfy their

consumption needs (Ness and Gerhardy, 1994; Cardello, 1995; Chung et al., 2006). The literature on consumer behavior argues that the consumer perceives a product as a bundle of attributes like convenience, variety and choice, product price, non-seasonal availability, packaging, cleanliness and freshness. The buying decision or choices between the products largely depend on a combination of these attributes (Juric and Worsley, 1998; Silayoi and Speece, 2004). Historically, Indian consumers have preferred fresh food over processed (Pysarchik et al., 1999). The modern retailing environment, congruence between consumer perceptions on retail outlet attributes and the objectives of market positioning strategies results in customer loyalty towards an outlet (Uusitalo, 2001; Morschett et al., 2005). A consumer's choice of a retail outlet depends on a combination of functional and psychological attributes (Zhuang et al., 2006). Empirical researches on retail food market attributes in both developed and developing countries show that consumers now prefer one stop shops for all their household requirements to save their time and energy (Burt and Gabbott, 1995). Paul et al. (2009) in their paper "Organized retail sector in India- An analysis of the key factors associated with the emerging market environment" have mentioned the key factors associated with the retail market environment upon which survival, operation, processes, growth and development of organized retailing are contingent upon. Ramanathan & Hari (2011) observed from their study that due to the recent changes in the demographic system of consumers had made awareness of quality conscious consumption now consumers preferred to buy different products both from the organized and unorganized retailers. Syed (2015) in his study expressed that income is considered to be important for purchase decision. Ali, Kapoor, & Moorthy, (2010) in their study indicated that consumers shopping behavior was influenced by their educational level and income while gender and age had no significant impact on their behavior. Syed et.al (2017) mentioned that card payment add value and hence attract more customer to their stores. Gupta, (2012) in her study said that store attributes like convenient operating hours and accessibility were the factors which helps to develop customer loyalty and she added that it is not the store appearance which matters much. Again product attributes such as freshness and availability of products range helps in developing loyalty in customer. Syed (2015) mention age also played a vital role in purchase decision from organized to unorganized retail store. Syed (2014) in his study stated that consumer dissonance refrain them from online purchase. Syed et.al (2017) in their study mentioned that store Ambience, Convenience, Merchandise has a strong impact on developing the buying decision whereas Store.

### Research Objectives

1. To examine buying behavior of consumer in organized retail store of Saudi Arabia.
2. To critically evaluate the influencing factors for buying decision in organized retail store.

## RESEARCH METHODOLOGY

To fulfill the objectives of the study “Descriptive” research design was adopted. Since the retail universe is very vast, widespread and diverse, obtaining a nationally representative sample (covering urban and rural areas) would involve a very large budget and time. Moreover, organized retailing from metropolitan cities of Saudi Arabia. A ‘structured questionnaire’ was developed in accordance with the objectives of the study for collecting information from the respondents. The questionnaires included both ‘closed-ended and open-ended’ questions for taking in-depth interviews of consumers and retailers. Convenience sampling was used and 500 questionnaires were being administered out of which only 350 completely filled questionnaires were taken into account. The sources of secondary data were literatures available in the field of retailing particularly malls, national and international journals, articles, websites etc. This data was collected to classify consumers and retailers to get an insight of current retailing scenario.

In order to test the suitability of data for Principal component analysis, the correlation matrix was computed. Further ‘Kaiser-Meyer-Olkin Measure’ of Sample Adequacy (KMO) was calculated, which supports that the sample was good or bad for factor analysis. The value of **Kaiser-Meyer-Olkin (KMO)** which means that the factor analysis would yield reduced number of factors. Reliability of attitude scales constructed was measured by using Cronbach's alpha. Cronbach's alpha value at can be written as a function of the number of test items and the average intercorrelation among the items. Below, for conceptual purposes, we show the formula for the standardized Cronbach's alpha:

$$\alpha = \frac{N \cdot \bar{c}}{\bar{v} + (N - 1) \cdot \bar{c}}$$

Here N is equal to the number of items,  $\bar{c}$  is the average inter item covariance among the items and  $\bar{v}$  equals the average variance. One can see from this formula that if you increase the number of items, you increase Cronbach's alpha. Additionally, if the average inter-item correlation is low, alpha will be low. As the average inter-item correlation increases, Cronbach's alpha increases as well. These alpha values recommended acceptable inter-items reliability threshold, indicating a high or low correlation among the variables comprising the set, and accordingly, that individual items (or sets of items) should produce results consistent with the overall instrument. In the next step, internal consistency analysis was made for achieving reliability in the scale based on exploratory factor analysis. Cronbach's Alpha is a traditional technique for assessing reliabilities for each factor. Furthermore, the convergent validity calculated of the construct was proved correlation between different statements (Hair et al., 1995).

## ANALYSIS AND FINDINGS

In Saudi Arabia, the local retail sector is uniquely dominated by family-owned business groups who focus on acquiring exclusivity and franchise agreements with well-known international suppliers and brands. In addition, these private groups have well-diversified business activities and solid investments in real estate and land, and their combined business and investment activities are also contributing to the expansion of retail activities within the Kingdom. The key players in this arena are Al-Othaim, Al Hokair, Savola Group, Jarir, Majid Al Futtaim, Bin Dawood, and LuLu, which together account for roughly 60 percent of the organized retail market.

Table 1 Top Five Retailers In Saudi Arabia

Retailers	Stores	Sales area (m <sup>2</sup> )	Average Sales area (m <sup>2</sup> )	Grocery Sales (USD) in Million	Market Share in %
Panda	144	628500	4365	1742	4.2
Bin Daweed	30	205000	6833	929	2.3
Al Othaim	108	162440	1504	879	2.0
Carrefour	17	107000	6294	683	1.7
Farm	43	115850	2694	327	0.8
Total	324	1218790	4344	4560	11.9

Source: A.T Kearney 2011 GRDI

From the sources the retail industry in Saudi Arabia is currently worth of \$106 billion and is forecast to rise to \$119 billion by 2023. Store-based retailing will continue to dominate, accounting for approx. \$103 billion of the total market in Saudi Arabia, however, non-store retailing, which includes direct selling, online shopping, mobile internet, home shopping and home shopping, will grow by 93% from 2018 to 2023. “A strong contributor to the growth of the sector is proactive initiatives taken by the government in streamlining the retail infrastructure and strengthening the investments and tourism landscape of the region.”

Table 2: Reliability Test

	Eigen Value	% of Variance	Cumulative % age	Alpha
Complete Range of Products	4.139	8.288	8.288	0.641
Better Product Quality	2.229	7.905	16.194	0.659
Variety of Products	1.796	7.264	23.458	0.555

Discounts/less prices and Promotional Schemes	1.573	6.74	30.198	0.61
Better Ambience	1.513	6.534	36.731	0.538
Services (home delivery, credit delivery facility etc.)	1.468	6.345	43.076	0.508
Easy Approachability	1.34	5.976	49.052	0.543
Behavior of the Staff	1.179	5.953	55.005	0.45
Easy Payment Process	1.059	5.356	60.361	0.477

Table 2...

### **Factor Analysis - Extraction Method: Principle Component Analysis Naming of Factors**

A factor loading represents the correlation between an original variable and its factor. The signs are interpreted just like any other correlation coefficients. On each factor, 'like signs' of factor loadings mean that the variables are positively related and 'opposite signs' mean that the variables are negatively related.

#### **Factor 1: Complete Range of Products**

Complete range of products has emerged as significant accounting for 8.29 per cent of the total variance. Five out of twenty seven statements are loaded on this factor of which four are highly correlated. The high positive loading on the first factor of the variables, namely, complete range of products showing that the wider range of products are available under organized retail format. Consumers attracted towards choice of products.

#### **Factor 2: Better Product Quality**

Better product quality has emerged as the second factor with percentage of variance equal to 7.91 per cent. The analysis reveals that the respondents were agree with the statement that the organized retail format provide them better quality of product.

Consumers get degree of excellence.

#### **Factor 3: Variety of Products**

Four statements have been loaded on this factor with percentage of variance equal to 7.26 percent. The respondents were agreeing with the statements that in organized retail format variety of products are available. It means that organized retailers provide variety of products and choice of product selection to the consumers.

#### **Factor 4: Discounts/less Prices and Promotional Schemes**

Two statements have been loaded on this factor with percentage of variance equal to 6.74 per cent. The consumers were agreeing on the statements that the organized retail formats provide the product on low price or discount.

#### **Factor 5: Better Ambience (Air-conditioned outlets)**

Four statements have been loaded on this factor which explains 6.53 per cent of variance. These statements show the positive loading of the variables. Consumers found that in

organized retail formats better ambience. Store ambience includes issues such as lighting, cleanliness, store layout and space for movement. Modern stores can offer a far better ambience as compared to traditional stores.

***Factor 6: Services (Home Delivery, Credit, Facility etc.)***

Three statements have been loaded on this factor which explains 6.35 per cent of variance. These statements are significantly correlated with this factor. A great majority of respondents were agreeing that organized retailers provide better services as compared to unorganized retailers like customer service, assistance before, during and after purchase. Trained staff, who would open the door for customers, greets them on arrival and even offer help by picking up small children and carrying customers' purchases to the car are some of the gestures shown by organized retail outlets.

***Factor 7: Easy Approachability***

This is the seventh important factor with percentage of variance equal to 5.98 per cent. Two statements have been loaded on this factor. These statements are positively correlated with the factor. This factor highlights that that easy approachability means closer to the consumer house of organized retail formats attract the consumers. Consumers save their time and effort. Modernization will have to address convenience issues while presenting strong alternatives to the weaknesses of traditional formats in selection of merchandise available for sale.

***Factor 8: Behavior of the Staff***

Two statements have been loaded on this factor with percentage of variance equal to 5.95 per cent. Both the statements are positive. The study found that the behavior of the staff attract the consumers towards organized retail formats. Apart from advising on the right kind of product these employees at times also advice the customers as to why a certain product is not right for them, thus building trustworthiness and rapport with them.

***Factor 9: Easy Payment Process***

Two statements have been loaded on this factor which explains 5.36 per cent of variance. Both the statements are positive. The study found that in organized retail formats there is variety of modes of payment.

## **CONCLUSION**

Wide range of product has significant impact on the buying behavior of consumer. It is most important factor been considered for the choice of retail store. Since in organized retail store provide a wide range of product hence the consumer preference tends more towards organized retail store. Organized retail store are observed to have standardized products to meet the requirement of the government norms hence this provide another preferring factor for the choice



of retail store. It has been also been noted that organized retail store have upper hand in terms of offering discounts and freebees as the organized retail get better margin due to bulk purchase. The organized retail store provide significant better ambiance and free space for consumer to shop which is highly been preferred by the consumers to shop. Organized retail have standardized mechanism of recruitment process hence employees are well skilled in terms of customer relationship which attract consumer to shop. Organized retail store also offers easy payment system which includes credit and debit card payment system. Convenience in payment system also attract consumer in the organized retail store.

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