

Perception of Consumers towards Multi-Brand Retailing a Case of Tiruchirappalli City, Tamilnadu

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Abstract

Foreign direct investment FDI has been most discussed topics in Indian economy. India liberalized its foreign direct investment policy for Multi-brand retail to attract international retailers with intention to bring more investment in to the country and also to encourage Indian retailers to create competitive advantage by leveraging the resource and capabilities of their supply chain partners. It analyses the advantages and disadvantages of the foreign direct investment in Multi-brand retail from consumer perceptions. The impact of foreign direct investment in overall development of the nation is also studied from the consumer's perspective. Questionnaire was distributed to 200 respondents from various professions in Tiruchirappalli city, Tamilnadu. The paper concludes that the consumers have adequate awareness towards the multi brand retailing.

Key words: Multi -Brand Retailing, FDI, Consumer, Perception.

Introduction

India is acknowledged as the biggest retail industry in the world next to china. The sector is the largest source of employment after agriculture. The foreign direct investment plays an important role in the development process of a country's economy. Indian retail industry is the sunrise sector in the economy and it is identified as most attractive global destination for investments. With liberalization, India allows foreign direct investment in the retail sector. The Indian retail industry is dominated by the unorganized retailers and the global retailer giant like Wal-Mart, Carre four, Tesco.

FDI retail remained a hot topic in 2011, in November Government made a proposal to allow 51% FDI in Multi-brand retailing and raise the bar to 100% in Single Brand Retailing. But at that time, the opposition party had opposed to allow multi-brand retail in FDI. In March 2016 Budget the current government favours 100% FDI in multi-brand processed food retail. With this condition the present study focuses the perception of consumer's on FDI Multi- brand retailing industry in India.

Retailing

The word retail is derived from the French word retailer, meaning to "a piece of" or to cut up. Retailing involves selling products and services to consumers for their personal or family use. As the final link between consumers and manufacturers, retailers are a vital part of the business world. The distribution of consumer products begins with the producer and ends at the ultimate consumer. Between the producer and the consumer there is a middle man – retailer, who links the producers and the ultimate consumers.

Philip Kotler defines retailing as follows: "All the activities involved in selling goods or services directly to the final consumers for personal, non business use".

"Retailing consists of those activities involved in selling directly to ultimate consumers"– Cundiff and Still.

Consumer Perception

“The world is as you perceive it” We all would have come across this phrase. Perception is a way that one selects, organizes and interprets the stimuli in to meaningful and coherent picture of the world (SuhiffmanKanuk). It is attaining the awareness of sensory information. People act and react on basis of their perceptions, which also underlies the preferences.

A marketing concept that encompasses a customer’s impression, awareness and / or consciousness about a company or its offerings customer perception is typically affected by advertising, reviews, public relations social media, personal experiences and other channels.

Division of Retailing Industry

Indian retailing industry classified in to the following two categories.

1. Organized retailing
2. Unorganized retailing

Organized Retailing

It refers to trade activities undertaken by the licensed retailers i.e., those who are registered for sales tax, income tax etc., these include the corporate backed hypermarket, retail chains and also the privately owned large retail business.

Unorganized Retailing

On the other hand, refers to traditional format of low cost retailing, for example the grocery shops, owner manned general stores, cigarette shops, convenience stores etc., The unorganized sector is thus not a profit oriented vocation but a mere source of livelihood. Naturally the capital investment is very low and infrastructure is rudimentary. It is estimated that less than 4% of Indian retailers have shops larger than 500 square feet.

Types of Retailing Industry in India

The retail sector in India is organized in to three categories namely, ‘single brand’, ‘Multi-brand’, and ‘Cash and carry’ retail.

Single-Brand Retailing: Single brand retail comprises those retailers selling products of a ‘single brand’ only, such that products should be sold under the same brand internationally and single brand product retailing covers only products which are branded during manufacturing.

Multi-Brand Retailing: FDI in multibrand retail implies that a retail store with a foreign investment can sell multiple brands under one roof.. No FDI is allowed in the multibrand retail category. This includes all firms in organized retail that seek to stock and sell multiple brands, such as large international retailers like Walmart and Carrefour.

Cash and Carry

The third segment is called ‘Cash and carry’, refers to wholesale retail. The government defines this segment as the sale of goods and merchandise to retailers, industrial, commercial, institutional or other professional business users or to other wholesalers and related subordinated service providers. “In India, FDI of 100 percent is permitted in this segment. As per the cash and carry structure commonly employed in India the wholesale and retail entities are maintained as separate entities without any cross – shareholdings. The retail entities is owned and controlled by the Indian partner while the wholesale entity can be owned by the foreign partner up to 100 percent. Walmart for example, has already established a successful presence in this category of whole sale operations by entering in to a joint venture with Bharti Enterprises Ltd., of India. The new entity, Bharti-Walmart is operation with stores opening around the country.

FDI in Multi-Brand Retail Trade (MBRT)

FDI in Multi-brand retail generally refers to selling multiple brands under one roof. In 2012 the government has allowed 51% FDI multi-brand retail in India. The global hypermarket and supermarket chain such as Walmart, Carrefour and Tesco are already operating in some form or other, now they can open stores with their own brand names.

The proposed pre conditions for allowing 51% FDI (on Dt. 24.11.2011) in multi-brand retail were stipulated as follows.

- a) Minimum investment of \$100 million.
- b) 50% of the investment is to be in backend infrastructure development.
- c) 30% of all raw materials have to be procured from India's small and medium industries.
- d) Permission to set up malls only in cities with a minimum population of 10 lakh.
- e) Government has the first right to procure material from the farmers.
- f) Products should be sold under the same brand internationally.
- g) Foreign investors should be the owner of the brand.

Source:<http://www.legallyindia.com/blogs/entry/what-does-51-fdi-in-multibrand-retail-mean>.

Advantages of FDI in Multi-Brand Retailing

With multi-brand retailers exploring opportunities in India, demand for retail space is likely to rise significantly. This will induce developers to launch new malls and, as store size requirements are significantly higher for multinational retailers, this will encourage them to build larger malls along with sufficient mall infrastructure. Quality will also receive a significant boost as the malls will be constructed to meet international standards and norms. The competitive environment is likely to enhance the productivity and efficiency of domestic retailers. With better and more transparent pricing, sales will improve significantly.

Domestic retailers will also leverage their portfolios by adopting many of the new retail strategies followed by large international retailers. FDI in Multi-brand retail invites a lot of investment in the country which will in turn provide transitional development in technology. The main points of the Government's proposal of pushing the FDI in retail are:

- **Benefits to the farmers:** The big retail giants buy the produce directly from the farmers eliminating the middle men and offering them higher prices for their products. Thus farmers are less likely to get affected by the price raise in future. Middle-man mainly involves in speculative hoarding and creates artificial shortages in perishable commodities, this leads to food inflation as demand is more and due to artificial shortage supply is less. Thus elimination of middle man will help in reducing food inflation.
- **Increase in Forex reserves:** As per Government's proposal in increasing the FDI in retail, each retail giant is supposed to invest a minimum of 100 million dollars. Each retail giant is expected to open at least 15 stores across India and to open each store it may require 10- 15 million dollars which can total in billions of dollars in Forex reserves.
- **Decrease in food wastage:** Today a major chunk of the food that is almost 30% – 40% of the produce is wasted in transportation. A lot of grains are also wasted in the government storage and go-downs. The government has made it compulsory to invest 50% of the investment in the development of infrastructure in logistics. Thus it will become critical to save a lot in storage and logistics.
- **Better consumer choice:** Since most of the retail giants work on a large scale, they have large number of product varieties which generally the kirana stores in the neighborhood are not able to store.
- **Benefits to Real-Estate sector:** Retail is closely dependent on real estate as any retailer requires substantial spaces for setting up business. Real estate in India has gone through a revamp due to the demand of high end retail malls and people's changing perception towards

an enjoyable shopping experience. Thus real estate can get a further facelift in India and receive more investment with the opening up of FDI in multi-brand retail.

Other benefits include:

- Huge Investments in the retail sector will provide gainful employment opportunities for the people especially in agro processing , sorting, marketing, logistics and front-end retail
- Increased competition in retail chain at domestic level will bring in more customization and standardization of existing brands and products.
- The customers will also get assortment of products at squat prices as compared to the market prices. They have more options to get international brands at one place. This ultimately improves the standard of living of the customers.
- Contributes to large scale investments in the real estate sector with major and global player
- Finally, the effective banking services (efficient and customized), is a result of effective competition which increases only after the foreign players were welcomed in arena.

Disadvantages of FDI in Multi-Brand Retail

Though many advantages are associated with FDI, there are many arguments against government's announcement in introducing FDI in Multi-brand retail.

- FDI will invite trouble by unemployment of small retailers who may fail to compete with the big retail giants like Wal-Mart & Tesco (The Economic Times).
- Increase in FDI in retail will also create a monopoly of foreign brands in the food sector in India.
- The big retail giants are investment intensive and create very few job opportunities.
- Increasing FDI will not only impact just the retailers or the small time retail stores but will eventually impact all of the businesses that rely on it like the distributors, the small time salesman, rickshaw pullers who carry the goods to the shops, helpers at the distributor's office and retail shops, small time
- Logistics owners and many small scale industries who cannot afford to purchase shelf space at big stores and retail chains. .
- The big retail giants having greater resources and capital is less expected to follow ethical practices which eventually threaten increase in inflation in future.
- More over none of the FDI supporters can guarantee what the end consumer will be able to save while purchasing from these retail giants due to this FDI in retail influx.

Opportunities of the FDI in Multi-Brand Retailing

While it is important not to lose sight of the local "Mom and Pop" shops, there is a distinct opportunity for FDI in Multi Brand retail. At the present moment, Indian companies are exporting different types of products to numerous retailers across the globe. There is a large segment of the population which feels that there is a difference in the quality of the products sold to foreign retailers and the same products sold in the Indian market.

In view of the availability of higher disposable incomes for Indians, there is an increasing tendency to pay for quality and ease and access to a "one stop shop" which will have a wide range of different products. The introduction of FDI act as great opportunity to many of the big business houses in India. They support FDI because in reality, most Indian biggies who are in retail are running at losses. Except for Big Bazaar, most others like Reliance Fresh or others have been running at losses to different degrees. They have really not been able to compete with Indian retailers and traders who are mostly unorganized, and so want money and investment. Since they are not ready to invest their own money, 51% FDI in multi-brand retail helps as big companies like Wal-Mart will form collaborations with them and in turn, turn these losses into profits. The same companies would have cried if government had allowed 100% FDI, since then Wal-Mart can enter India on its own and have Walmart (India) which would have competed with these big businesses, further endangering

positions of Reliance Fresh, Big Bazaar and Spencers. Hence, they are fine with 51% and not 100% FDI.

According to RBI Deputy Governor SubirGokarn Government's decision to allow FDI in multi-brand retail will help increase productivity and ensure an efficient food grain distribution network to tackle high food prices. Rajan Mittal, managing director of Bharti Enterprises, says that farmers will gain in the form of better returns for their products with the introduction of FDI In multi-brand retailing as it develop direct procurement linkages with the farmers.

Review of Literature

Numerous studies have been carried out to analyze the impact and benefits of FDI in Multibrand retailing.

Prof. SudhansuSekhar& Dr. Sarat Kumar Sahoo (2009) in the study “organized retailing in India issues & challenges” identifies mainly the challenging factors like technology, supply chain, human resources, stores positioning.

Bisaria G., (2012) examined the responses of consumer on the government policy on multi-brand retailing and found majority of people supporting the policy.

Baskaran kamala devi (2012) in her study “FDI in India's Multibrand retail- boon or bane” explores the myths and realities of the global giants entry to India studies the status of organized retailing in India with SWOT analysis and highlights on farmer's issues towards FDI in Multibrand retailing

Dr. VanithaTirupathi& Mr. VaremBhandari and Ms.Ratika Seth (2013) in the study “FDI in Multibrand retailing – A survey of indian consumers, perception towards FDI in Multibrand Retailing.

Prof. Dr. G.Y. Shitole& Dr. GomathyThyarajan (2014) in the study Consumers' perception on FDI in Multibrand retailing in India – identified the perceptions of consumers in the wake of allowing FDI in to Multibrand retailing while may lead to an influx of several big organized retailers.

Objectives of the Study

1. To examine the socio economic profile of the consumers of Tiruchirappalli city, Tamil Nadu
2. To study the awareness of the consumers towards the multi brand FDI
3. To analyse perception of the consumers towards the multi brand FDI

Hypotheses of the Study

Following are the hypotheses of the study:

1. There is significant relationship between the gender of the consumers and the source of awareness towards the multi brand retailing.
2. There is significant relationship between the educational status of the consumers and the extent of awareness towards multi brand retailing

Research Methodology

The survey was carried on a limited scale and the geographical area of the study is Tiruchirappalli city, Tamil Nadu. Before undertaking the survey wholly, a pilot study was undertaken among 20 consumers to know the scope and possibilities or the survey. On the basis of experiences gained from such pilot study, the objectives were framed.

Both primary and secondary data were used for this study. Primary data was collected through questionnaires and secondary data were collected through journals, reports, articles and websites.

Sampling Design

Convenient sampling method was adopted for administering the questionnaire to measure the perceptions of 200 consumers in various age groups was collected from Tiruchirappalli city.

Analysis of Data

A questionnaire was used for collecting the data from 200 sample consumers and the data so collected were analyzed. Apart from the percentage, chi-square test has been applied to test the hypotheses of the study. For, this SPSS-16 software was utilized.

Analysis and Interpretation

The detailed analysis of the data collected is as follows:

Table No: 1

Gender of the Consumers

Gender of the Consumers	No of Respondents	Percentage
Male	116	65
Female	84	35
Total	200	100

Source: Primary data

From the above table it was inferred that majority of the respondents (65%) are males and they are followed by 35 % female respondents.

Table No: 2

Age Group of the Respondents

Age Group	No of Respondents	Percentage
18 to 25	44	22
25 to 35	66	33
35 to 45	52	26
Above 45	38	19
Total	200	100

Source: Primary Data

From the above table it was inferred that 33%of the respondents belong to the age group of 25 -35, followed by 26% are under the age group of 35-45, followed by 22% are under the age group of 18-25and 19% are under the age group of above 45.

Table No: 3

Educational Qualification

Education	No of Respondents	Percentage
HSC	26	13
Graduate	86	43
Post Graduate	68	34
Professional	20	10
Total	200	100

Source: Primary Data

The above table shows that the majority of the respondents (43 %) are graduates. They are followed by post graduates (34%), HSC (13 %) and professionals (10%).

Table No: 4

Occupation of the Respondents

Occupation	No of Respondents	Percentage
Students	40	20
Professional	40	20
Government Employee	40	20
Private Employee	40	20
Home maker	40	20
Total	200	100

Source: Primary Data

The above table shows that the percentages of respondents are taken equally 20% each from home maker, private employee, Government employee, professional and students.

Table No: 5

Source of Awareness

Source	No of Respondents	Percentage
Through advertisements	114	57
Through my friends/relatives	26	13
Through news from media	60	30
Total	200	100

Source: Primary Data

From the above table, it is clear that the majority of the respondents (57%) have awareness towards the multi brand FDI through the advertisements. The advertisements have made a strong influence on them. 30% respondents got such awareness through the news from the media. 13% got such awareness through their friends / relatives.

Table No: 6

Extent of Awareness

Level of awareness	No of Respondents	Percentage
Full Extent	74	37
Moderate Extent	68	34
Little Extent	58	29
Total	200	100

Source: Primary data

From the above table majority of the respondents (37%) have full extent of awareness regarding FDI. 34% of the respondents have moderate level of awareness and the rest of the respondents (29%) possess little extent of awareness.

Testing the Hypotheses – Chi square Test

Null Hypothesis 1:

There is no significant relationship between the gender of the consumers and the source of awareness towards the multi brand retailing.

Table No: 7

Gender of the consumers and Source of Awareness: Cross Table

Gender	Source of Awareness			Total
	Advertisement	Friends	Media	
Male	80	16	20	116
Female	34	10	40	84
Total	114	26	60	200

Table No: 8

Chi Square Test Result

Table Value at 2 d.f at 5% Significant level	Calculated Value	Result
5.991	26.7126	Calculate value of χ^2 is greater than the table value So, the null hypothesis is rejected

Null Hypothesis 2:

There is no significant relationship between the educational status of the consumers and the extent of awareness towards multi brand retailing.

Table No: 9

Educational Status and Extent of Awareness towards the Multi brand Retailing

Gender	Extent of Awareness			Total
	Full Extent	Moderate Extent	Little Extent	
HSC	10	05	11	26
Graduate	26	32	28	86
Post Graduate	28	23	17	68
Professional	10	08	2	20
Total	74	68	58	200

Table No: 10

Chi Square Test Result

Table Value at 6 d.f at 5% Significant level	Calculated Value	Result
10.6	12.4228	Calculate value of χ^2 is greater than the table value So, the null hypothesis is reject

Findings of the Study

1. The majority respondents (65%) are males and they are followed by 35 % female respondents.
2. 33%of the respondents belong to the age group of 25 -35, followed by 26% are under the age group of 35-45, followed by 22% are under the age group of 18-25and 19% are under the age group of above 45.
3. Majority of the respondents (43 %) are graduates. They are followed by post graduates (34%), HSC (13 %) and professionals (10%).
4. The percentages of respondents are equal in number 20% each group viz., from home maker, private employee, Government employee, professional and students).
5. The majority respondents (57%) have awareness towards the multi brand FDI through the advertisements. The advertisements have made a strong influence on them. 30% respondents got such awareness through the news from the media. 13% got such awareness through their friends / relatives.
6. Majority respondents (37%) have full extent of awareness regarding FDI. 34% of the respondents have moderate level of awareness and the rest of the respondents (29%) possess little extent of awareness.
7. There is significant relationship between the gender of the consumers and the source of awareness towards multi brand retailing
8. There is significant relationship between the educational status of the consumers and the extent of awareness towards multi brand retailing

Recommendations

Multibrand retail should adopt sustainable development practices to protect the resources of the nation. Steps could be taken to improve the accessibility to these multi-brand retail stores. In order to increase the credit facilities to Indian farmers, monetary transaction should be done through Indian banks only. First priority should be given to the Indian goods

and products produced by Indians incorporate for consumption purpose. Better policies should be adopted by multi-brands for protection of employee rights and Government should ensure it.

Multi- brand retail outlets should try to include local brands of good quality also in their merchandise. Thus it can be seen that FDI in Multibrand retailing can play a significant role for economic growth and development through its strengthening of domestic capital, productivity and employment creation by integrating its economy with that of the global economy.

Conclusion

The paper aims at identifying the advantages and disadvantages of FDI in multi-brand retail in consumer's perspective. It also identifies the overall development of the nation in consumer's perspective. It is concluded that the consumers have adequate awareness towards the multi brand retailing. They support it. The main advantage identified from the study due to FDI in Multi-brand retail sector is 'High quality of products' available to consumers. The main disadvantage is lack of accessibility and personal attention to the consumers. Majority of the respondents were of the opinion that FDI in Multi-Brand contributes to the overall development in the nation. Majority have chosen all the stated options. The respondents who were against the opinion that FDI in multi-brand contributes to the overall development in the nation have mostly chosen the factor, foreign control on Government policies.

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