

# SOCIO-ECONOMIC DETERMINANTS INFLUENCING CONSUMER CHOICE ON RETAIL FORMATS

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## Abstract:

## A b s t r a c t

*This paper is an attempt to study the preliminary analyses of socio-economic determinants and identify the most influential socio-economic determinants on consumer choice for traditional stores and shopping malls. The sample of the study consists of 400 consumers from Guwahati City. The data analysis has been done using SPSS Software and findings are tested using statistical tools like descriptive analysis and multiple regression. The results of the study revealed that the impact of socioeconomic determinants is not significantly associated with an increase or decrease in the consumer's perception of choosing traditional stores. In contrast, the impact of socio-economic profile on the selection of shopping malls is significant and found to have variations in the perception of the consumer. The influence of monthly income on the consumer's perception of SM is significant ( $t = -3.225$  and  $p = .001$ ) at a 1% significance level.*

**Keywords:** *retailing, consumer perception, socio-economic factors, traditional stores and shopping malls.*

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## 1.Introduction:

The Indian retail sector has marked impressive and tremendous growth, being the second-largest consumer market and the seventh-largest retail market worldwide (Müller, 2011). The scenario of the Indian retail industry has changed immensely and is very dynamic and varied. The modern retail sector of single-brand retail and multi-brand retail has made a good situation better, which has fascinated big foreign players to promote their brand names in India (Urs, 2018).

According to the 2019 Global Retail Development Index, the two factors shaping the growth of the retail industry in consumer markets are trade policy and economic development. We can understand the status of the retail sector from the above Global Retail Development reports, as quoted: "Indian retailing has scored the second position with a population of 1.37 billion, a GDP per capita of \$7,874, and total retail sales of \$1,202 billion." The retail industry in India is likely to reach \$1.4 trillion by 2021 and flourish at 18 percent per annum in the next five years (Kearney, 2019).

The Indian retail sector has emerged as the second-largest employer, the primary being agriculture, contributing to employment and revenue generation (Saxena, 2005). The retail industry is characterized by distinctive and immense diversity, unlike other industries. Designing the functions, selling the product on seasonal demand, and satisfying the customer needs make retailing distinctive from other sectors. Retailing focuses on the immense diversity of different types of businesses, cultural environments, political environments, modes of operation, and customer bases (Savitt, 1989). It ensures product depth and width availability, a commitment to delivering the product at the right time and in the desired form, ambiance, a location advantage, and an overall comfortable shopping place for the customers (Bucklin, 1983).

## 2.Review of Literature:

The consumer perception of store selection in recent times has been very much affected by socio-economic determinants (Roy, 1999). The study of Forsythe and Bailey (1996) found that time spent shopping influences the consumer to enjoy shopping

and select retail stores as per their convenience, whereas marital status has shown no relationship with shopping enjoyment in retail stores. Another study by Tam (1998) and Jeneffa (2013) presented the importance of demographic factors in retailing. In retailing surveys, demographic factors such as age, number of household members, gender, income, and social class are extensively used for consumer perception. Demographic factors help to understand behavior, such as how consumer behaves, what products they buy, where they buy them, why they accept them, etc.

Previous research also shows the influence of socio-economic factors such as gender, age, marital status, education, family size, monthly income, number of children, number of earning members, and occupation on consumer preference for shopping malls. The Chi-square test proves the hypothesis developed in the study. The result revealed that the age, marital status, and earnings of the respondents have a significant relationship with consumer preference for mall patronage (Kuruvilla & Joshi, 2010). A study done by Gol (2011) found that female consumers perceive retail formats while male consumers believe that product is important as compared to other components of the marketing mix regarding buying decisions from retail stores.

Khare, A. (2012), mentioned that the mall development form of modern retailing is rising rapidly in India. The study focused on the influence of demographic attributes such as age, income, gender, marital status, and education on consumers' preferences for shopping malls. A five-point Likert scale was used for developing the questionnaire, marking "5 for strongly agree" to "1 for strongly disagree." The study revealed that income, age, and gender influence consumer involvement in buying goods and services from shopping malls. It has also been found by Himani (2018) that the mode of payment factor strongly influences the consumer's perception of the in-store selection decision.

A weak relationship has been found by Fox (2004) between demographic factors and store selection decisions. Factors such as education, income, family size, and store choice have no relationship with consumer perception in selecting retail stores. Every consumer reacts to the selection of retail stores

based on socio-economic factors and perceives it according to their level of understanding. However, retailers should know the perception of socio-economic factors among consumers to increase their sales and capture the maximum share of the market. After doing an extensive literature review, the study has developed a conceptual framework and aims at studying the socio-economic factors influencing consumer choice towards traditional stores and shopping malls.

Pandey, P. (2020) posits the perception of consumers towards organized stores. The purpose of this study was to know the differences in the factors between males and females as well as married and unmarried consumers. The researchers concluded that gender and marital status play a similar role in influencing the perception of the factors affecting organized retail stores.

Saeed, A. and Badar, H. (2021) studied consumer shopping choices in the two most populous and major cities in Pakistan, i.e., Lahore and Faisalabad. 250 respondents were intercepted randomly while shopping at different retail places. Results indicated age and income as the most important determinants of consumer retail format choice in Pakistan. The study recommended that traditional retailers need to grow their businesses and align them with changing consumer preferences. Modern retailers, on the other hand, may make their store layout more appealing and motivate employees to respond well, thereby increasing their customer base.

### 3.Objectives of the Study:

The researcher has formulated the following objectives of the study:

1. To study the preliminary analysis of socio-economic determinants of consumers.
2. To test the effect of socio-economic determinants on consumers' choice of Traditional Stores (TS) and Shopping malls (SM).

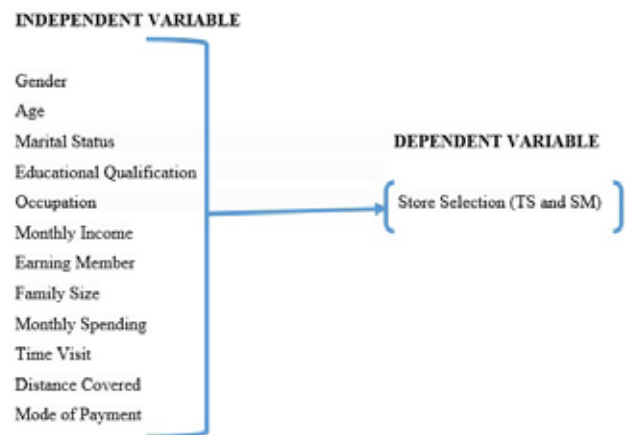
### Hypothesis for the Research:

H1: Socio-economic profiles do not affect consumer choice for TS

H2: Socio-economic profiles do not affect consumer choice for SM

A conceptual framework has been developed based on the past review.

**Figure 1: Conceptual Framework**



### 4.Research Methodology:

A multi-stage sampling technique has been adopted for the selection of wards, streets, households, and respondents during the survey. Structured questionnaires were distributed to respondents representing 450 households from 10 of Guwahati City's 31 wards. From each ward, households visiting TS and SM as well as those willing to participate in the research were considered for the collection of data on a random basis. Out of the 450 responses, only 400 were found suitable for the study. The first part of the questionnaire demonstrated respondents' demographic factors on gender, age, marital status, educational qualification, occupation, monthly income, earning member, family size, monthly spending, time spent visiting, distance covered, and mode of payment. The second part presented the influence of demographic factors on consumer selection in TS and SM. Between September 2019 and February 2020, primary data were collected. This study has used descriptive analyses and multiple regression analyses to understand the categorical division of consumers and the most influential socio-economic determinants of in-store selection.

### 5. Findings and Discussions:

The analyses will assess how the determinants of socio-economic status affect consumers' choices in in-store selection. It will help the study to know what

drives consumers to choose TS and SM. For this, a preliminary analysis has been done to study the categorical division of consumers.

**Table No 1: Socio-Economic Determinants of Consumers**

Socio-economic factors		Frequency	Percent
Gender	Male	185	46.2
	Female	215	53.8
Age (in years)	Below 25	64	16.0
	25-35	109	27.2
	35-45	89	22.2
	45-55	67	16.8
	55 and above	71	17.8
Marital status	Married	339	84.8
	Unmarried	61	15.2
Educational qualifications	Upto Standard-X	21	5.2
	Standard-XII	70	17.5
	Undergraduate	173	43.2
	Post-Graduate	66	16.5
	Professional course	70	17.5
Occupation	Salaried	216	54.0
	Business	108	27.0
	Professional	41	10.2
	Housewife	18	4.5
	Pensioner	17	4.2
Monthly income (in Rs.)	<25000	47	11.8
	25000 to 50000	154	38.5
	50000 – 75000	92	23.0
	75000 – 100000	72	18.0
	100000 and above	35	8.8
Earning member	1	77	19.2
	2	99	24.8
	3	119	29.8
	4	67	16.8
	5	14	3.5
	Above 5	24	6.0
Family sizes	Less than 3	60	15.0
	3 – 5	205	51.2
	Above 5	82	20.5
	Joint Family	53	13.2
Monthly spending (Rs.)	Upto 2500	105	26.25
	2500-5000	96	24
	5000-7500	99	24.75
	7500 and above	100	25

Time Visit	Every weekend	79.5	19.875
	Fortnightly	49.5	12.375
	Beginning of month	128	32
	As and when required	143	35.75
Distance covered (Km.)	0-1.5	114.5	28.625
	1.5-3	103	25.75
	3-4.5	91.5	22.875
	4.5 and above	91	22.75
Mode of payment	Cash	160.5	40.125
	Credit/Debit card	118	29.5
	Mobile wallets	44.5	11.125
	All of the above	77	19.25

**Source:** Self-compilation from field survey

### Preliminary Analysis of the socio-economic determinants of consumers:

A preliminary analysis has been made on the parameters of the socio-economic factors of the respondents. The parameters for preliminary analysis, such as gender, age, marital status, educational qualifications, occupation, monthly income, earning members, family sizes, monthly spending, time spent visiting, distance traveled, and mode of payment, have been identified through an extensive literature review. A descriptive analysis was conducted to measure the effect of socioeconomic factors.

**Table 2: Influence of Socio-Economic Determinants on Consumers Choosing TS**

Independent variables	Standard coefficient (Beta)	t-value	P value
Monthly Income	-0.097	-1.840	0.067
Monthly spending habit	-0.080	-1.566	0.118
Time difference	0.046	0.888	0.375
Distance covered	-0.083	-1.625	0.105
Mode of payment	0.019	0.369	0.712
R	0.171		
F statistic	2.360		
Significant value	0.040		

**Source:** Self-Compiled from field survey

#### 5.1.1 Gender:

Male and female consumers have been divided according to who is available in households. This study concluded responses from 46.20 percent

of male consumers and 53.80 percent of female consumers.

### 5.1.2 Age:

There is a wide variation in terms of the age group of the respondents. The division of age groups presents the respondents available at the household. This variation is not preconceived or calculated. It only depends on the person's availability and willingness to give their opinion. 16 percent of consumers belong to the age group of below 25 years, 27.20 percent belong to 25–35 years, 22.20 percent belong to 35–45 years, 16.80 percent belong to 45–55 years, and 16.80 percent belong to the age group of 55 and above years.

### 5.1. 3 Marital Status:

The classification of a married or unmarried respondent depends on the person's availability. The researcher met the consumers in the household mainly in the evening, when most of the household members were found at home. According to the socio-economic profile of the consumers, the decision-making part of buying goods and services is taken mainly by the married consumers running a family, i.e., 84.80 percent. Unmarried consumers, i.e., 15.20 percent, also play a significant role in the buying decision-making process, but their number is proportionately lesser due to the nature of households inhabited by a family.

### 5.1. 4 Educational Qualification:

5.20 percent of consumers have educational qualifications up to standard X; 17.50 percent have standard XII qualifications; 43.20 percent are undergraduates; 16.50 percent are post-graduates, and 17.50 percent have professional degrees.

### 5.1. 5 Occupation:

Occupation-wise, out of the total 100 percent of respondents selected for the survey in Guwahati City, it has been found from the field survey that 54 percent are salaried, 27 percent are business persons, 10.20 percent are professionals, 4.50 percent are housewives, and 4.20 percent are pensioners.

### 5.1. 6 Monthly Income (in Rs.):

50.30 percent of the respondents belong to the lower-income group; 23 percent belong to the

middle-income group, and 26.80 percent belong to the high-income group.

### 5.1. 7 Earning Member:

The researcher also tried to corroborate the number of earning members in the consumer's household. Out of 100 percent of respondents, there are at least three earning members in 119 consumer households, registering at 29.80 percent. In 99 consumer households, there are two earning members, and 77 consumer households have one earning member, registering at 24.80 percent and 19.20 percent, respectively.

### 5.1. 8 Family Size:

It has been found during the field survey that 51.20 percent of the consumers' family sizes include 3-5 members, 20.50 percent have above 5 members, 13.20 percent have joint families, and 15 percent have less than 3 members. This result is commensurate with the previous study (Lowalekar, 2015).

### 5.1. 9 Monthly Spending (in Rs.)

Out of 100 percent of consumers, 26.25 percent of respondents are spending Rs. 5,000, 24 percent are spending Rs. 5,000–7,500, 24.75 percent are spending Rs. 7,500–10,000, and 25 percent are spending Rs. 10,000 or more of their monthly income on goods and services.

### 5.1. 10 Preference of Time Visit in Retail Stores:

Time difference-wise, it is clear that 35.75 percent of consumers prefer to visit a retail store as and when required for buying goods and services. Also, 32 percent of consumers, due to the busy schedule of their work, prefer to visit retail stores mainly at the beginning of the month to shop for every need and demand-driven goods and services. Whereas 19.875 percent of consumers go to retail stores every weekend and 12.375 percent visit fortnightly to buy goods and services depending on their monthly income level and the durability of the products.

### 5.1. 11 Distance Covered (in Km.):

Consumers tend to save time and avoid traffic in the busy city by visiting nearby retail stores covering a small distance of 0–1.5 km, registering at 28.625

percent. Also, 25.75 percent of the consumers cover a distance of 1-5.3 km, 22.88 percent cover 3-4.5 km, and 22.74 percent cover a distance of 4-5 km and above. Consumers are interested in seeing the shortest distance, up to 3 km, maybe because they can attain economies of scale with the aggregate discount received on their purchase invoice.

### 5.1. 12 Mode of payment:

It was found during the field survey that 40.13 percent of consumers prefer to make payment in cash when buying goods and services. Consumers may prefer a cash payment system as sharing any personal information regarding cards, email addresses, or phone numbers with retailers is not mandatory.

On the other hand, consumers have also found using a credit or debit card mode of payment, which constitutes 29.50 percent, useful. It may be because of the convenience of money transactions, as they don't have to wait outside the ATM in a queue to withdraw cash. They may have an additional attraction to using the debit or credit card mode of payment to buy goods and services because of the economies of scale they achieve through various cash-back schemes and reward points at some retail stores. 11.13 percent of consumers use mobile wallet payment modes. Thereby, another fact indicating consumers' preference towards using a mobile wallet is proportionately lower as they may use simple cell phones that do not support the modern payment method through mobile wallets. Other reasons may be a lack of security and awareness, for which consumers do not prefer to use mobile wallets. And, 19.25 percent of consumers prefer the combination of all the modes of payment.

### 5.2. Influence of Socio-Economic Determinants on Consumers' Choice for TS and SM:

**Table 3: Influence of Socio-Economic Determinants on Consumers Choosing SM**

Independent variables	Standard coefficient (Beta)	t-value	P value
Monthly income	-.161	-3.225	.001
Monthly spending habit	-.024	-.488	.626
Time difference	.039	.772	.441
Distance covered	-.085	-1.703	.089

Mode of payment	.035	.704	.482
R	.192		
F statistic	3.021		
Significant value	.011		

**Source: Self-Compiled from field survey**

Multiple regression analysis is the tool used in this research to test the effect of the socio-economic determinants on consumers' choices for TS and SM. For multiple regression analysis, the study has applied an F-test of overall significance to check whether the regression model fits the data better or not.

### 5.2. 1 Socio-economic profile do not affect consumer choice for TS (H1):

Multiple regressions were conducted on the mean scores of consumer perception. The perception towards TS was taken as a dependent variable and socioeconomic factors as an independent variable.

Table 2 depicts the result of multiple regression analysis between socio-economic factors and consumer choice for TS. It shows that the p-value for the F-test is significant at a 5% level, which means that the regression model fits the data (Frost, 2019). The R-value of 0.171 implies that the relationship between the socio-economic factors of consumers has been selected for TS at 17.1%. Thus, the independent factors of socio-economic profiles do not affect consumer perception in the selection of TS. In other words, the p values of the socio-economic factors are statistically insignificant. However, it has been revealed that the impact of the socio-economic profile on the selection of TS is not significantly associated with increasing or decreasing the perception of the consumers as the t values are lower than 1.96.

### 5.2. 2 Socio-economic profiles do not affect consumer choice for SM (H2):

#### Socio-economic profiles do not affect consumer choice for SM (H2):

Table 3 presents the result of multiple regression analyses of the independent variables with the selection of SM. The R-value of 0.192 implies that the relationship between the socio-economic profiles of consumers and the SM is 19.2%. It shows that only the p-value of monthly income among the socio-

economic profiles affects consumer perception in the selection of SM. The result is consistent with Khare (2012). In other words, it indicates that this factor is statistically significant at a 1% significance level.

The value of  $F = 3.021$  and  $p = 0.011$  indicates that the difference between the socio-economic profile and the SM is significant at a 5% significance level, as shown in Table 22. However, it has been revealed that the impact of the socio-economic profile on the selection of SM is significant and found to be having variations in the consumer's perception of the consumer. The influence of monthly income on the consumer's perception of SM is significant ( $t = -3.225$  and  $p = .001$ ) at a 1% significant level. The other factors of the socio-economic profile have not been significantly associated.

## Conclusion:

The study was conducted to find the socioeconomic factors influencing consumer choice for TS and SM. The findings of the study revealed that the monthly income of consumers influences their choice of SMS. This indicates that as monthly income increases, consumers want a wider variety of products for usage and choose SM because of the availability of options regarding goods and services. The outcomes of this analysis are consistent with previous studies by Sanyal (Sanyal, 2018) that established similar findings about consumer choice in shopping malls.

Whereas, the impact of the socio-economic profile on the selection of TS is not significantly associated with increasing or decreasing consumer perception as the  $t$  values are lower than 1.96. These factors of socioeconomic profiles do not affect consumer perception for the selection of TS. Today's consumer is entirely different from their peers from the old days, and they have changed with their unique needs in reaction to the abundance of alternative options. The result of this study supports the previous literature (Lobaugh K., 2019).

## Limitations and Direction for Future Research:

This study has concentrated on presenting the influence of socioeconomic determinants on consumer perceptions of store selection. The study is limited to Guwahati City and the results of the analysis

may not be generalized. The descriptive analysis of socio-economic determinants may have a different perception of living in other geographical locations. A future researcher may study the influence of socio-economic determinants on consumers' selection of organized stores and online stores, keeping in mind the rising generation of modern youths. Future researchers can concentrate on finding out why only monthly income and socio-economic factors have a stronger influence on consumer choice for SM as compared to other factors.

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