Unplanned Buying
at
Traditional Retail in India

A Research Report

July 2009

Insight Instore™

Contents

Shopper Behaviour at Traditional Indian Retail

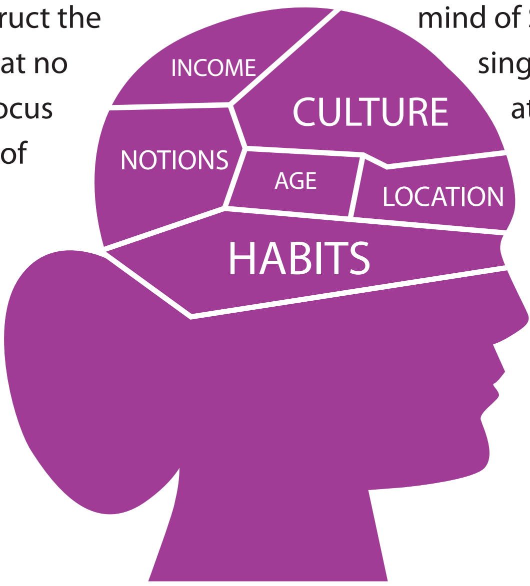
"Supermarkets are places of high impulse buying … – fully 60 to 70 % of purchases there were unplanned, grocery industry studies have shown us."
Paco Underhill
from the popular book, Why We Buy: The Science of Shopping

There is also the oft quoted POPAI study that says that '70% of purchase decisions are made at the point-of-purchase'

In India, there is a small but growing amount of research on shopper behaviour. Although miniscule in comparison to the volume of research available in developed markets, there has been a definite start made. However, most of the studies done so far in India are in the Modern Retail space. Indian retail on the other hand is dominated by the unorganized sector with over 90% share of the retail trade.

When we decided to challenge the 70% rule at Traditional Retail in India, the enormity of the task in front of us was not lost on us. However we were passionate about making a start, motivated by the belief that this was a necessary beginning for Indian retail.

The methodology of the study was drawn up in consultation with experts from our panel and in a study conducted over two months, we interviewed over 2500 shoppers across 200 traditional retail outlets in Bangalore. We also created a focus group for the entire survey period, and used a combination of qualitative and quantitative research techniques.



In this attempt to deconstruct the mind of Shopper 2009 at Traditional Retail in India, we knew that no single approach would deliver deep and true insights. So our focus at all times was on continuously feeding back the learning of each stage and aspect into the entire exercise.

As such, our insights have evolved rather than just being found, and likewise, this report is meant to mark the beginning of a learning process, rather than claim to be a definite treatise on the subject. It is meant to share key findings and insights from an area that has remained unexplored – till now. We firmly believe that the domain of shopper

Key findings

behaviour cannot have a standard formula for understanding and implementing solutions and so our main intention here is to provide the reader with relevant inputs, food for thought and a roadmap for implementing the shopper marketing strategy.

Planned, Unplanned or Impulse?

To start with, we were not sure how 'unplanned' was defined by many studies. Was planning the product, but not the brand treated as unplanned? Was it buying a different brand than the one planned? For the sake of clarity, we define planned as 'product or brand decided before coming to the store'.

We also choose to differentiate further between Impulse purchase and Unplanned purchase as we believe the two are not the same. Unplanned buying can be triggered by memory of either a need or a want. Impulse buying goes beyond unplanned buying. According to us, impulse buying is more of an urge to buy.

So seeing a box of cereal, remembering that it is out of stock and buying it would qualify as unplanned buying. Feeling a bit hungry and buying a bar of chocolate to eat immediately would be impulse purchase. All impulse purchases are therefore, unplanned, but not all unplanned purchases are not impulse.

Interestingly, our studies at traditional stores in India indicate that most shoppers believe they do not make impulse purchases.

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Only 5% of the shoppers who had made impulse purchases on that day (self-reported and validated by our observation) say that they indulged in impulse purchases in general.

Is this a fact? Or is this denial? Or is it because of a more frugal culture of consumption in India that thinks impulse is 'wrong'? We think it comes largely from the pre-planned mindset that prevails at this format.

Our Methodology

We chose typical over-the-counter kirana stores, located in both residential and commercial areas. The shops were roughly between 50 square feet and 250 sft in area.

Our study uses a combination of qualitative & quantitative research. The qualitative aspect included shopper observation, shopper interviews and 50 retailer interviews.

We approached the study with a few hypotheses about shopper behaviour at traditional retail. We carried out a total of over 2500 shopper interviews, at the rate of 12 - 13 interviews per shop. Shoppers were randomly chosen, and a questionnaire was administered to them with both open and close-ended questions. From the entire population of shoppers who were interviewed, outlying cases were filtered out.

In addition, a focus group of 50 was created for the entire duration of the study. This allowed us to understand the process of planning for the purchase, and the influencers of product predisposition. The focus group was screened to be representative of the overall market.

As the shopper interviews progressed, we were able to capture data and validate it with information coming out of the focus groups. In parallel, we had the retailer interviews, with which we derived further insight.

The quantitative module of the research is based on data from exit interviews with shoppers. These interviews also helped in validating or rejecting many of the hypotheses that we generated during the qualitative phase of the study. We built a proprietary statistical model, which analyses the data covering over 10,000 purchases across the 2500 shoppers.

All studies have inherent drawbacks and one of ours is that most of the shopper responses are self-reported. We have not been able to validate them with observational findings as much as we would have liked to, as the nature of the traditional retail environment is not very conducive to unobtrusive shopper observation. Self-reported data has the danger of being over or underestimated by shoppers. But what we have done in referencing it with focus group and retailer interviews, is to ensure logical validity and at the same time be a bit cautious in making inferences. Finally, we have focused more on explaining our interpretation of the various aspects of shopper behaviour at traditional retail and their implications.

About us

Insight Instore is a research-driven, retail shopper marketing consultancy, with a deep understanding of both traditional and modern retail. We see the shop as our laboratory. Our aim is to create instore impact through insight and innovation.

Our areas of work include shopper research and instore consulting, design consulting, trend research and forecasting.

Our solutions are driven by a combination of various skills and disciplines, coming together on a vibrant and receptive platform. Research forms the basis of our consulting work. Consulting for us does not stop at developing a strategy, but extends to helping our clients to execute and evaluate the strategy. We also use this entire experience for trend research and forecasting.

Insight Instore is headquartered in Bangalore, India.

Contact us:

Insight Instore
455, 1st Cross
9th Main, HAL 3rd Stage
Bangalore - 560 075, India

email: info@insightinstore.com
www.insightinstore.com

Tel : +91 97390 94983 / +91 97399 7406

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"A journey of a thousand miles begins with a single step" – Confucius

We believe that the understanding of Shopper Behaviour is a long journey. We at Insight Instore would like to thank all those who made it possible for us to take this important step.
First, would like to thank all the shoppers the focus group who participated in the study. We would like to thank the retailers who were kind enough to allow the study and gave us their valuable insights. Special thanks to our untiring team of surveyors who pulled off this very challenging task. We are grateful to the experts from our panel who made valuable contributions through their experiences and insights.