Effect of Price Sensitivity on Consumer Behaviour in the Indian Retail Sector

Dr. Rohit Sinha

Associate Professor, Department of Business Administration
Faculty of Commerce, St. John's College, Agra.

Corresponding Author: dr.rohitsinha@gmail.com

ABSTRACT

The Indian retail sector has experienced significant transformations due to shifting consumer preferences, rising disposable incomes, and digital advancements. Among the key factors shaping consumer behaviour, price sensitivity remains crucial, particularly in a diverse and price-conscious market like India. Consumers exhibit varying degrees of price sensitivity influenced by income levels, geographic location, and cultural factors. The growth of e-commerce and digital platforms has further heightened price awareness, enabling consumers to compare prices and seek discounts. Retailers must adopt strategic pricing approaches to cater to price-sensitive segments while ensuring profitability. This study explores the impact of price sensitivity on consumer behaviour in the Indian retail sector, highlighting key trends, challenges, and opportunities for retailers.

Keywords: Price Sensitivity, Consumer Behaviour, Indian Retail Market.

I. Introduction

In recent years, the Indian retail sector has undergone significant transformations due to the rapidly evolving consumer landscape, increasing disposable incomes, and changing preferences. Among the key factors influencing consumer decision-making, price sensitivity has emerged as a crucial determinant of consumer behaviour. Price sensitivity refers to the degree to which the price of a product affects consumers' purchasing decisions, and it is particularly vital in a diverse and price-conscious market like India. The Indian retail market, which includes both organized and unorganized retail, has witnessed an influx of new players, creating a highly competitive environment [1-3]. In this context, understanding the effect of price sensitivity on consumer behaviour is vital for retailers aiming to establish a strong foothold in the market. Price sensitivity in India varies across different consumer segments due to factors such as income levels, geographic location, education, and cultural influences. Consumers in lower-income groups tend to be more

price-sensitive, often opting for budget-friendly alternatives or waiting for discounts and promotions, while higher-income consumers may place more importance on brand value and product quality, even if it comes at a premium price. The growth of online retail platforms, with their ability to compare prices and offer discounts, has further heightened consumers' awareness of price dynamics. Additionally, the rapid digitalization of India and the increasing penetration of smartphones have empowered consumers to make more informed purchasing decisions, often based on price comparisons and promotional offers. This has made it imperative for retailers to understand the intricacies of price sensitivity and how it shapes consumer behaviour. Retailers must also consider other psychological and emotional factors that contribute to a consumer's perception of price, such as perceived value, the experience of scarcity, and the social and cultural influences that play a role in buying decisions. By delving into the effect of price sensitivity, this study aims to provide insights into how different price-related factors influence consumer behaviour in the Indian retail sector, shedding light on the strategic approaches retailers can adopt to effectively cater to the price-sensitive segments while maintaining profitability [4-6].

II.   Reviews and Key Findings

Study (Authors, Year)	Focus/Context	Method/Approach	Key Findings/Conclusions
Ghosh et al. (2010)	Organized retail in India; Tier II/III cities' shopping behaviour in Allahabad	Factor analysis; examination of shopping orientation, store selection, and purchase patterns	Retail growth driven by income growth, lifestyle shifts, and low-cost real estate; insights for tailoring strategies in emerging cities
Khare, Parveen & Rai (2010)	Service quality in retail stores in Northern India	SERVQUAL construct; survey-based analysis	Customer satisfaction and loyalty are closely linked to effective employee–customer interactions and overall service quality
Lahiri and Samanta (2010)	Transition to modern retail in apparel	Exploratory study; literature review	India's shift to organized retail driven by rising literacy, working women, and disposable incomes; understanding consumer buying behaviour is essential
Kushwaha and Gupta (2011)	Consumer perception in organized vs. unorganized retail	Comparative analysis; survey insights	Perceptions vary with individual contexts; organized retail growth accelerated post-2002, fuelled by youth consumerism
Sonia (2011)	Ethical practices in the retail sector	Theoretical analysis; literature review	Emphasized the importance of ethical guidelines for improving salesperson performance, customer satisfaction, and overall retail success

International Journal of
Advanced Multidisciplinary Scientific Research (IJAMSR) ISSN:2581-4281

Khare (2011)	Mall shopping behaviour in smaller cities	Survey of 276 consumers; ANOVA tests	Age and gender significantly influence mall shopping; in-store factors (decor, layout, services) play a crucial role
Gupta and Mittal (2011)	Consumer perceptions of retail formats	Survey-based evaluation of pricing, brand reputation, and outlet attributes	Highlighted differences between planned and unplanned purchase behaviours; retail outlet image and environment are key influencers
Rajput, Kesharwani & Khanna (2012)	Apparel buying behaviour in organized retail	Exploratory research	Rising incomes, easy credit, and quality offerings drive organized retail; critical for apparel segment strategies
Handa and Grover (2012)	Growth of retail in India; impact of government policies and global players	Review of growth trends and policy impacts	The expanding middle class and global market entries underscore growth potential; further reforms are needed
Neetu & Pawan (2012)	Organized vs. unorganized retail consumer behaviour and satisfaction	Qualitative analysis; primary data collection	Shift towards organized retail observed; traditional retail perceptions still influence customer satisfaction and expectations
Jha and Singh (2013)	Impact of in-store atmospheric cues (music, salesperson behaviour) on buying behaviour	Experimental study at Big Bazaar, Bangalore	Both music and friendly salesperson behaviour enhance consumer perception and trigger immediate purchase behaviour across genders
Jha (2013)	Transformation of retail in Ranchi with organized retail formats	Self-administered questionnaires; face-to-face intercepts	Convenience, higher incomes, and card payment ease drive the shift towards organized retail formats
Menaka and Chandramana (2014)	Expansion of modern retail formats and changing consumer habits	Mixed methods with primary and secondary data	Emerging consumerism trends among younger, trendier buyers force traditional formats to adapt to remain competitive
Rokade (2015)	Comparison of organized and unorganized retail; consumer behaviour trends	Literature review and exploratory research	Rapid retail growth requires strategies that address evolving consumer behaviour and bridging gaps between formats
Senthilnathan (2016)	Retail grocery consumer behaviour in Chennai	Survey of 621 respondents; application of Rough Set Theory	Highlights the need for differentiated retail formats and quality service to cater to diverse urban and rural consumer segments

Shamsher (2016)	Influence of store image on consumer purchase behaviour	Theoretical study; literature review	A strong, distinct store image positively affects purchase intentions, satisfaction, and customer loyalty
Brar et al. (2017)	Growth drivers and challenges in the Indian retail industry	Exploratory research; secondary data analysis	Organized retail is growing exponentially but faces significant challenges that must be managed strategically
Ali and Sudan (2018)	Cultural influence on impulse buying tendencies	Survey of 724 consumers; CFA and multiple regression analysis	Cultural dimensions (power distance, long-term orientation, masculinity) significantly influence both affective and cognitive impulse buying
Nair (2019)	Trends and prospects of planned organized retail in emerging cities	Market data analysis; exploratory research	Emerging cities offer substantial growth potential; global and domestic retail expansion is driven by favourable economic trends and consumer diversity
Gaur, Agarwal & Anshu (2020)	Online retail growth and consumer buying behaviour	Quantitative framework using fuzzy set theory and DEMATEL; survey data	Identified critical factors influencing e-commerce user experience, guiding online retailers to develop responsive, performance-driven websites

III.   Consumer Behaviour in the Indian Retail Sector

Consumer behaviour in the Indian retail sector is influenced by a complex interplay of cultural, social, psychological, and economic factors. The Indian retail market, one of the largest in the world, is characterized by its diversity in terms of demographic segments, consumer preferences, and purchasing habits. With a population exceeding 1.4 billion, India presents both challenges and opportunities for retailers looking to tap into this dynamic market. Consumer behaviour in this sector has been rapidly evolving due to several key drivers such as increased income levels, rising urbanization, growing digital penetration, and changing attitudes towards brands and products. Traditionally, Indian consumers were more influenced by the availability of products in local kirana stores (small, independent retail outlets), but the advent of modern retail formats like malls, supermarkets, and e-commerce platforms has revolutionized shopping habits. One of the major factors driving consumer behaviour in the Indian retail sector is the price sensitivity of consumers. Price has always played a significant role in the Indian market, especially for the middle and lower-income groups [7-9]. A significant portion of the population is price-conscious, looking for value-for-money options, discounts, and promotional offers. For many consumers, especially in rural areas or lower-income urban segments, affordability remains a key criterion when making purchasing decisions. This price sensitivity is compounded by the availability of numerous unorganized retail outlets, offering competitive pricing that further intensifies price-based decision-making. On the

other hand, as incomes rise in urban areas, a growing number of consumers are willing to pay a premium for quality, convenience, and branded products, shifting the market toward a more segmented demand for products based on both price and value. Another important aspect of consumer behaviour in India is the increasing role of technology. With the rise of e-commerce, the behaviour of consumers has been reshaped by the ability to compare prices, read reviews, and make informed decisions at their convenience. Platforms like Amazon, Flipkart, and local players such as BigBasket have not only expanded access to products but also introduced consumers to new purchasing dynamics, such as flash sales, discounts, and loyalty programs. This digital shift is further accelerated by the growth of smartphone usage and internet penetration, enabling consumers, especially the youth, to engage in online shopping, which was previously less popular. This behaviour is indicative of a shift toward convenience-driven purchases, where consumers value the ease of browsing, quick delivery, and competitive prices. Moreover, the retail sector in India is also heavily influenced by cultural and social factors. Shopping is often seen as a social activity in India, with family members or friends participating in the process together, especially in physical stores. Additionally, cultural festivals like Diwali, Eid, and New Year's bring about a surge in retail sales, with consumers looking for discounts, offers, and special product launches. Marketers have learned to capitalize on these cultural aspects, offering products that cater to local traditions, festivals, and regional preferences. For example, apparel retailers launch festive collections with a focus on traditional Indian wear, while food retailers often offer festive hampers and discounts. Psychological factors also play a significant role in shaping consumer behaviour. Emotional branding, where a brand establishes a connection with the consumer on an emotional level, has gained traction in India, especially with the younger generation. Brands that succeed in tapping into consumers' aspirations, self-image, and lifestyle are more likely to win customer loyalty. This is evident in the increasing popularity of international and luxury brands among urban consumers, where brand image, status, and product quality are prioritized over price [10-15].

IV.   Indian Retail Sector

The Indian retail sector is diverse, encompassing a wide range of formats that cater to the varying needs of consumers. This sector can be broadly categorized into two major types: **organized retail** and unorganized retail. These categories are further divided based on the type of goods sold, the manner of selling, and the infrastructure used. Below are the key types of the Indian retail sector, elaborated in points:

Unorganized Retail

Unorganized retail refers to the traditional retail sector, consisting of small shops and local vendors, often without a formal structure. This segment dominates the Indian retail landscape, especially in rural and semi-urban areas. Some of its key characteristics include:

- **Kirana Stores**: These are the small, family-owned retail outlets found in almost every neighbourhood. They sell a wide variety of products ranging from groceries to toiletries, offering a more personal and familiar shopping experience.

- **Street Markets & Hawkers**: Vendors in street markets or mobile hawkers sell products ranging from fresh produce to household items. This form of retail is highly flexible and convenient, catering primarily to local customers.

- **Lack of Standardization**: Unlike organized retail, unorganized retail does not follow a formal pricing or service structure. The quality and pricing of goods can vary significantly from one vendor to another.

- **Price Sensitivity**: Consumers in unorganized retail markets are often more price-sensitive. They prioritize affordability over brand names and value local, personalized service.

- **Limited Access to Technology**: The use of technology, online payment systems, and digital promotions is minimal in this sector, making it more reliant on traditional methods of selling and purchasing.

- **Family-Centric Operations**: Most of the unorganized retail shops are run by families with minimal outside employees, which gives them flexibility but limits expansion potential [16].

Organized Retail

Organized retail refers to retail outlets or stores that are professionally managed and have a formal business structure, with defined operations, systems, and processes. This segment is growing rapidly in urban areas, driven by rising disposable incomes, a younger population, and changing consumption patterns. Some of its key characteristics include:

- **Supermarkets**: Large retail outlets that offer a wide variety of food and grocery products. Examples include Big Bazaar, Reliance Fresh, and D-Mart. These stores cater to mass-market consumers and emphasize convenience and variety.

- **Hypermarkets**: These are large-format retail stores that combine elements of a supermarket and a departmental store. They offer a variety of products, including groceries, clothing, electronics, and household goods. Popular chains like Carrefour and Walmart have entered this space in India.

- **Departmental Stores**: These stores offer a wide range of products organized into different departments such as clothing, home goods, electronics, and more. Examples include Shoppers Stop and Lifestyle.

- **E-commerce Platforms**: Online retailing has grown exponentially in India, with platforms like Amazon, Flipkart, and Snapdeal leading the charge. These platforms offer a wide range of products across categories and have introduced consumers to the convenience of online shopping, home delivery, and price comparison.

- **Discount & Value Stores**: These retail outlets focus on offering products at lower prices, catering to budget-conscious consumers. Examples include Big Bazaar and V-Mart.

- **Franchise Retail**: Retail brands such as McDonald's, Starbucks, and Subway operate on a franchise model in India, where local entrepreneurs own and operate the store under the brand's name. The franchise model has become increasingly popular in India due to its proven success and scalability [17].

Online Retail (E-commerce)

The rise of e-commerce has dramatically transformed consumer shopping behaviour in India. Online retail refers to the buying and selling of products via the internet, and it is categorized as one of the fastest-growing sectors in the Indian retail market. Key characteristics include:

- **E-commerce Websites and Marketplaces**: Major players like Amazon, Flipkart, Myntra, and Snapdeal dominate this space, offering products ranging from electronics to fashion and home goods.

- **Growth of Mobile Shopping**: With the increasing penetration of smartphones and internet access, mobile shopping has become a significant driver for e-commerce in India.

- **Cash on Delivery (COD)**: A popular payment method for Indian consumers who prefer to pay for their goods at the time of delivery rather than through digital transactions.

- **Wide Product Range**: E-commerce platforms offer a much wider variety of products than traditional retail outlets, often including niche products that are hard to find in local stores.

- **Home Delivery and Convenience**: The ease of shopping from home, along with fast delivery options, makes online shopping highly attractive, especially for time-starved consumers [18].

Luxury Retail

Luxury retail refers to the segment that deals with high-end and premium brands, catering to the affluent consumer class. This type of retail is more prevalent in metropolitan cities and major urban centers. Key characteristics include:

- **Exclusive Brands**: Luxury retail outlets sell high-end brands such as Gucci, Louis Vuitton, and Rolex, catering to consumers with higher disposable income.

- **High-Quality Products**: The products sold in luxury retail stores focus on superior quality, exclusivity, and craftsmanship.

- **Personalized Shopping Experience**: Luxury retailers emphasize an enhanced shopping experience, offering personalized services, such as home delivery, bespoke tailoring, and VIP customer services [19].

Specialty Retail

Specialty retail refers to stores that focus on a particular category of products or services. These stores offer products that are niche, curated, and highly specialized. Key features include:

- **Fashion Stores**: Retailers like Zara, H&M, and Forever 21 that specialize in fashion and trendy clothing cater to a specific consumer segment.

- **Electronics Stores**: Chains like Croma, Reliance Digital, and Vijay Sales focus exclusively on electronics and gadgets.

- **Health and Wellness**: Retail outlets such as Health & Glow and The Body Shop focus on wellness, beauty, and personal care products.

- **Home Décor**: Stores like Home Centre and IKEA specialize in home furnishings and décor products, providing consumers with a curated selection of furniture and accessories [20].

V.   Conclusion

Price sensitivity plays a pivotal role in shaping consumer behaviour in the Indian retail sector, influencing purchasing decisions across different demographic segments. Lower-income consumers prioritize affordability, while higher-income groups consider brand value and quality. The expansion of e-commerce has amplified price awareness, compelling retailers to adapt their pricing strategies. Understanding consumer behaviour and integrating psychological and cultural factors into pricing strategies are essential for long-term market success. By balancing affordability with value perception, retailers can effectively cater to India's diverse and evolving consumer landscape.

References

1. Ali, S. W., & Sudan, S. (2018). Influence of cultural factors on impulse buying tendency: A study of Indian consumers. Vision, 22(1), 68-77.
2. Brar, V., Kumar, A., Patil, N. A., & Gade, S. (2017). An analysis of key growth drivers and challenges in organised sector of Indian retail industry. *Siddhant Management Review*, *2*(1), 29-40.
3. Ghosh, P., Tripathi, V., Saini, S., & Agrawal, S. (2010). Shopping orientation and behavioural patterns of Indian consumers: study of a tier II city. *International Journal of Services, Economics and Management*, *2*(2), 121-136.
4. Khare, A., Parveen, C., & Rai, R. (2010). Retailer behaviour as determinant of service quality in Indian retailing. *Journal of Retail & Leisure Property*, *9*, 303-317.
5. Lahiri, I., & Samanta, P. K. (2010). Factors Influencing Purchase of Apparels from Organized Retail Outlets. *IUP Journal of Marketing Management*, *9*.
6. Kushwaha, S., & Gupta, M. K. (2011). Customer perception in Indian retail industry: A comparative study of organized and unorganized retail industry. *Research Journal of Economics and Business Studies*, *1*(1), 61-73.
7. Sonia, M. (2011). Changing face of Indian retail sector: Ethics, challenges and opportunities. *Journal of Economic and Sustainable Development*, *2*(3), 55-59.
8. Khare, A. (2011). Mall shopping behaviour of Indian small town consumers. *Journal of retailing and consumer services*, *18*(1), 110-118.

9. Gupta, M., & Mittal, D. A. (2011). Consumer perceptions towards different retail formats in India. *Available at SSRN 1948865*.

10. Rajput, N., Kesharwani, S., & Khanna, A. (2012). Understanding consumer behaviour in an organized retail sector: Indian apparel industry. *Innov Mark*, *8*(2), 17-24.

11. Handa, V., & Grover, N. (2012). Retail sector in India: Issues & challenges. *International Journal of Multidisciplinary Research*, *2*(5), 244-264.

12. Neetu, G. H. D., & Pawan, P. (2012). Effect of Orgenised retail on Unorgenised retail in Indian retail marketǁ. *Research Journal of Management Science*, *1*, 7-13.

13. Jha, S., & Singh, B. (2013). Impact of ambient music and affability of salespersons on consumer behaviour in a real retail setting with emphasis on gender difference. *Indian Journal of Marketing*, *43*(4), 5-11.

14. Jha, M. (2013). A Study of Consumer Shopping Behaviour in Organized Retail at Ranchi. *Indian Journal of Applied Research*, *3*(11), 271-272.

15. Menaka, R., & Chandramana, S. B. (2014). A Study on Consumers' Buying Behaviour in Retail Outlet. *Shanlax International Journal of Management*, *1*(3), 32-40.

16. Rokade33, A. R. D. V. (2015). STRATEGIC DETERMINANTS BETWEEN CONSUMER BEHAVIOUR AND RETAIL SECTOR: A REVIEW.

17. Senthilnathan, C. R. (2016). Understanding Retail Consumer Shopping Behaviour Using Rough Set Approach. *International Journal of Rough Sets and Data Analysis (IJRSDA)*, *3*(3), 38-50.

18. Shamsher, R. (2016). Store image and its impact on consumer behaviour. *Elk Asia Pacific Journal of Marketing and Retail Management*, *7*(2), 1-27.

19. Nair, K. S. (2019). Paradigm shifts in Indian retail-trends and prospects. *International Journal of Indian Culture and Business Management*, *18*(4), 518-529.

20. Gaur, L., Agarwal, V., & Anshu, K. (2020). Fuzzy DEMATEL approach to identify the factors influencing efficiency of indian retail websites. *Strategic System Assurance and Business Analytics*, 69-84.