CONSUMERS PURCHASE BEHAVIOUR IN OUT-OF-STOCK SITUATION IN RETAIL OUTLETS WITH SPECIAL REFERENCE TO HIGH-END PRODUCTS

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ABSTRACT: The purpose of this research work is to find out the consumer's buying behavior towards organized retail stores during out-of-stock situations of high-end products in the markets of Bengaluru. The main objective of this study is to get the perception about consumer behavior, attitude and satisfaction during the outlets at the retail stores. The collected data includes personal details, consumer opinion in the retail stores, benefits provided in the retail stores during out-of-stock situations and recognition. The inclinations of the shoppers plainly demonstrate their significance of customer purchasing conduct in impacting their buying behavior. The study was restricted only to markets of Bengaluru. So the results cannot be generalized. Some of the consumers are not serious in their responses towards the experience of out-of-stock to the survey and as a result there are some difficulties in reaching to the right conclusion. The results will help retail stores to understand about the factors that influence the consumer behavior, attitude and satisfaction towards organized retail stores. The result indicate customer loyalty, changing lifestyles due the consumer perception, switching of brands of similar products and best post out-of-stock services of the retail sectors in the market.
Keywords: Consumer Behavior, Consumer Perception, Consumer Satisfaction, Consumer Service, Retail stores, high-end products.

INTRODUCTION

In the recent years trading of goods and services has been increasing at a wide scale. Retailing has created convenience to customers in both rural and urban sectors. The increase in the number of retail outlets has made the availability of goods at any point of time. The growing trend of retailing and excessive demand for goods has led to the situation of out-of-stock for many products due to Inflation, recession, deflation being the main cause for it. Out-of-stock of inferior goods can be replaced immediately due to its continuous or regular supply of goods. Comparatively the demand for high-end products is also increasing due to increase in the advancement of technology. The availability of it is limited due to the cost and the various other factors. The retailer consequently should know the availability of the product without any barriers leading the customers to lose trust on the retailer and the product. In such circumstances, each consumers purchase behavior is different and mainly influenced by the retailer's capability in handling the situation. Successful retail operations depend on their ability to meet the consumer needs at the right time without any delay. The purpose of this research is to find out the consumer purchase behavior in out-of-stock situation in relevance to high end products and how consumers react to post out-of-stock situation.

REVIEW OF LITERATURE:

Dadzie & Winston,(2006) examined the effect of online environment on consumer out-of-stock behavior. Data gathered from online transaction showed the occurrence of stock-out had a pervasive negative impact on consumers and item substitution was observed. This research focused on single out of stock event and the future scope would be to do so for multiple out of stock situation.

Fitzsimons (2000) conducted a study on consumer response to find out stock outs both in terms of consumer satisfaction with the decision process and in terms of subsequent store choice behavior are explored and the effect of stock-out on the difficulty of making a choice from the set and the degree of personal commitment to out-of-stock alternatives. It was found that consumer reacts substantially and negatively to stock-out and showed lower satisfaction to decision process and showed likelihood in switching stores.

Ehrenthal, Gruen, & Hofsetter (2014) conducted a study considering service dominant logic perspective, the results showed retail out-of-stock from service dominant logic by considering supply chain and analyzing out-of-stock in a retail of fast moving goods. Shoppers had active entity whose response to out-of-stock redistributes value in retail outlets.

Dabas, Sternquist, & Mahi (2010) conducted a study on organized retailing in India concentrated mainly on the upstream channel management of organized retailers in India. Informational transparency and long term orientation foster trust between channel partners enables multinational retail sectors enter Indian retail sectors in order to overcome the out-of-stock situation.

Breugelams, Campo, & Gijsbrechts (2006) conducted study on impact of online retailer stock-out policy on consumer category purchase and choice decision which basically studied the behavior of consumer in stock-out considering three situations that is stock-out immediately visible, stock outs visible but suggested replacement and stock outs visible after purchase attempt. It was found that stock out was a common problem in grocery store and such situation affected the retailer's profitability, consumer satisfaction, store loyalty and brand image. The consumers

expected stock out announcement by the retailers and the few would prefer to buy another item but the drawback of this paper was that it was a mimic of stock-out situation in retail outlets.

Pizzi & Scarpi (2013) conducted a study on the decision satisfaction and rapatronage intentions for online purchase situation and how these responses may vary with time and justification showed that the firm related communication effectively affects the damage caused by stock outs. Retailers used real time tracking to inform the consumers regarding out-of-stock and post consumption evaluations were done to find out the satisfaction level of consumers.

Emmelhanz, Stock, & Emmelhainz (1991) conducted a study to understand the consumer responses in retail stock outs by conducting interview of consumer's shelves by researchers indicated 32% of consumers purchased different brands, 41% purchased a different size or variety of same brand, 13% of them delayed purchase and 14% of the consumers went to another store. Various factors such as perceived product risk, urgency of need, product usage, product involvement and brand loyalty were considered. Store loyalty was found by consumers.

Applebaum, W. (1951) conducted a study about the relative factors leading to out-of-stock situations such as brand, quantity and type of the product. While studying the customer behavior in retail stores the main aim was identification of customers and finding their buying behavior. Clear description regarding the consumers and the origin of composition consumers is essential to know the buying behavior of consumers. The purchase behavior and the shopping behavior has been differentiated to the extent of consumers' choice and preferences. The author suggests to make highest distribution to the stores with highest sales to avoid out-of-stock.

Chishty, M. A. K., SamiyaLoya, S., & HumzaZaidi, I. (2015) conducted a study pioneers about the makers and retailers who can encounter huge misfortunes because of out of stock circumstances. The degree of these sufferers relies upon particular consumers reactions, which have been started to differ with item, store, client, and situational factors. This paper recommends an applied structure that consolidates the leading determinants of customer reactions to out of stock circumstances. The hypothetical connections offer clarifications for conducted the perceptible varieties in stock-out outcomes saw in earlier examinations. Besides, the system can be exactly executed, enabling merchants and makers to close how much each issue adds to out of stock misfortunes.

Kramer, T., & Carroll, R. (2009) speaks about the effect of incidental out-of-stock options on preferences. The unconsidered options being out-of-stock, spreading awareness to the consumer regarding that product leading the customer not to unknowingly choose the product. The study says that the customers are more likely to switch stores when an attractive option was out-of-stock. This leads to changes in the purchase likelihood of the customers. The target options made by the customers are the ones with low risk.

Abel, A. B. (1985) studied the stock outs, inventories and production smoothening are presented and optimal behavior in the presence of stock-outs displays each type of smoothening. If there is a production lag, then taking account of stock-outs implies that optimal behavior will be characterized by production smoothening even if the cost of production is linear. If stock-outs are ignored and if the demand is additive the marginal cost is equated with expected marginal revenue.

Huang, B., & Iravani, S. M. (2008) conducted a study on equality between brands by buyers, and maybe on account of the covering lines and various augmentations, producers needed to stress whether retailers got more opportunity to pick which brands to stock. At last, it is this opportunity of decision that improves retailer control. By arranging a valid out of-stock try of the shopper's favored image, it was resolved regardless of whether purchasers were eager to "leave the store to purchase somewhere else or change to an option item".

STATEMENT OF THE PROBLEM:

Traditional research as shown that stock-out is a common problem for grocery -shoppers and has a negative impact on the customers as well as the retailer's. Recent evidence shows that out-of-stock is not only limited to online shopping but also constitutes retail outlets. Out-of-stock has been investigated systematically in online context but it might differ from the store environment. Research on stock-out has mainly focused on the consumer reactions in terms of change of choice or how the consumers change their preference in case of stock –out, less is known when it comes to emotions of the consumers or their perceptions and the future strategies that can be taken up by the retailers in order to make sure that the customers satisfaction remains the same. Stock-out is a challenge to the retailers to come up with strategies' and overcome the complexities in different ways.

RESEARCH METHODOLOGY:

The quantitative survey research design was undertaken to explore the factors affecting consumers purchase behavior in out-of-stock situation in retail sectors with special reference to high end products. The primary data was collected through questionnaire using random sampling technique. The questionnaire was designed based on the consumers purchase behavior when they come across stock-out situation. Various questions were included in the questionnaire based on the inputs received from literature review. The questionnaire consisted of two divisions: first divisions included the fundamental queries regarding the age, savings, educational qualification, gender and place with a total of nine questions. Second division included questions regarding the factors affecting out-of-stock situation in retail sectors. Responses were obtained on a five point likert scale (Neuman, 1997) varying from strongly agree to strongly disagree. The revised questionnaire was sent to the respondents through different media like email and online Google links.

Many of the questionnaires were filled up on personal visits (67.38%). The study population for the questionnaire include potential working class people who are earning more than one lakh per annum. The primary data is also collected through personal interviews from people in Bangalore and has been recorded. The respondent's personal identity has been kept secret in order to minimize any possible biased answer. A total of 340 questionnaires were sent out and 290 were received. After the data was collected, it was analyzed using Software Package for Social Sciences 20.0 (SPSS 20.0) by employing Exploratory Factor Analysis with the help of Principal Component Analysis and Varimax Rotatio. Factor analysis was performed to identify the factors that affect the purchase behavior of consumers. A reliability test was conducted using Cronbach's Alpha. The validity of the study is recognized through factor analysis.

SCOPE AND LIMITATIONS OF THE STUDY

a. The study is limited only to the markets of Bengaluru.

b. A larger sample size would give more accurate result.

c. The sample mostly carried out was generalized, hence a specific sample should be targeted.

OBJECTIVES

1. To examine how consumers reciprocate emotionally to out-of-stock situations of high-end products.

2. To study the consumers behavior in post out-of-stock situation.

3. To examine the strategies consumers expect retailers to implement during out-of-stock situations.

RESEARCH GAP

1. From the article we reviewed the research conducted my various researchers concentrated mainly on manufacturing products and mostly on online shopping and not on retail outlets.

ANALYSIS AND INTERPRETATION

Gender Vs emotional reaction to an out-of-stock situation of high-end products

TABLE NO. 1.1

Crosstab

Count

		How did you emotionally react to an out-of-stock situation?			Total
		Negatively	Positively	Other	
Gender	female	46	53	2	101
	Male	63	48	0	111
Total		109	101	2	212

According to table 1.1, out of the number of people who emotionally reacted negatively, the number of females were 46 while the number of males were 63. Out of the number of people who emotionally reacted positively, the number of females were 53 while the number of males were 48. While the number of respondents who neither reacted positively nor negatively were 2 females.

Age Vs brand loyalty during out-of-stock situation

TABLE NO.1.2

Crosstab

Count

		Did your brand loyalty remain the same during out-of-stock situation?		Total
		Yes	No	
Age	18-29	80	47	127
	30-49	36	29	65
	50-69	15	3	18
	69 and above	0	2	2
Total		131	81	212

According to table 1.2, the number of respondents who would still remain loyal towards the brand during out-of-stock situation were 131 out of which, 80 under the age group of 18-29 , 36 under the age group of 30-49 and 15 under the age group of 50-69. 89 of them respondents would not remain loyal towards the brand during the out-of-stock situation which included 47 under the age group of 18-29, 29 under the age group of 30-49 , 3 under the age group of 50-69 and 2 under the age group of 69 and above.

Level of education Vs emotional reaction to an out-of-stock situation

TABLE NO.1.3

Crosstab

Count

		How did you emotionally react to an out-of-stock situation?			Total
		negatively	positively	other	
level of education	high school graduation	2	2	0	4
	12th grade	11	14	0	25
	under-graduate degree	59	56	0	115
	post-graduate degree	36	28	2	66
	Other	1	1	0	2
Total		109	101	2	212

Annual Income Vs emotional reaction to an out-of-stock situation?

TABLE NO 1.4

Crosstab

Count

		How did you emotionally react to an out-of-stock situation?			Total
		negatively	positively	Other	
Annual Income	below 100000	20	25	0	45
	100000-500000	42	40	2	84
	600000-1000000	26	9	0	35
	1000000 and above	8	8	0	16
	5	13	19	0	32
Total		109	101	2	212

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CONSUMER BEHAVIOUR TOWARDS POST OUT-OF-STOCK SITUATION.

TABLE NO 1.5

Component Matrix

	Component
	1
Switching of brands	.760
Substitution of brands	.758
Switching of stores	.575
Wait for the product	-.436

The above factors are divided into two factors.

1) Switching of brands , substitution of brands (aligning with the retail trends)

2) Switching of stores

ALIGNING WITH THE RETAIL BRANDS

This factor comprises switching, substitution of brands and switching of stores with 41.838% of variance. These factors together contribute the reactions of the consumers towards out-of-stock situation. It seems that the customers will prefer switching to another brand or stores in the retail market if they come across out-of-stock situation in a particular brand. The consumers usually do not wait for the product to be stocked in the store, rather prefer switching to another brand.

RETAILERS STRATEGY IN OUT-OF-STOCK SITUATION

Statistics

As a consumer what strategy would you expect the retailers to implement in out-of-stock situation?

TABLE NO 1.6

N	Valid	212
	Missing	0
Mean		3.10
Std. Deviation		1.028

TABLE SHOWING THE MEAN AND STANDARD DEVIATION

According to table 1.6, the mean is 3.10 which means that as a customer the strategy that the retailers would be expected to implement in out-of-stock situation would be door delivery. The standard deviation of 1.028 depicts that an increase or decrease of 1.028 can take place from the mean. This would mean that the strategies of easier replacement with other product or communication regarding the arrival of the product could be implemented.

The factors included in the study constitute 41.838% of the total variance.

TABLE NO 1.7

As a consumer what strategy would you expect the retailers to implement in out-of-stock situation?

TABLE N0.1.8

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	stock out announcement	20	9.4	9.4	9.4
	easier replacement with other product	40	18.9	18.9	28.3
	door delivery	53	25.0	25.0	53.3
	communication regarding the arrival of the product	97	45.8	45.8	99.1
	Other	2	.9	.9	100.0
	Total	212	100.0	100.0	

TABLE SHOWING THE FREQUENCY AND CUMULATIVE PERCENT

According to table 1.7most respondents believe that communication regarding the arrival of the product would be the strategy that they would expect the retailers to implement in out-of-stock situations. This is followed by other strategies such as door delivery, easier replacement with other product, stock out announcements and others.

RELIABILITY TEST:

CRONBACH ALPHA:

TABLE NO. 1.8

Reliability Statistics

Cronbach's Alpha	N of Items
.780	21

TABLE NO. 1.8

Reliability Statistics

Cronbach's Alpha	N of Items
.743	17

Reliability analysis was performed using Cronbach Alpha to test if the research performed at a similar setting and environment can generate the same result. The Cronbach Alpha value varies from 0 to 1, but a value greater than 0.6 would be acceptable. (Kline, 1993)The value for our study stands at 0.743, which implies that the internal consistency among the items is high. The Cronbach Alpha value computed including the demographic variables is 0.780.

KMO TEST:

TABLE NO. 1.9

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.629
Bartlett's Test of Sphericity	Approx. Chi-Square	62.230
	Df	6
	Sig.	.000

Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was conducted to make comparison of observed coefficients (Field, 2000). The KMO value is 0.629, proving that the factor analysis provides better results, proving a proper measure of sample adequacy.

TABLE NO. 1.10

Total Variance Explained

Component	Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %
1	1.674	41.838	41.838

Extraction Method: Principal Component Analysis.

FINDINGS

The above research focused on how consumers react to out-of-stock situation in retail outlets on three main objectives. The first objective being how consumers emotionally react or respond to out-of stock situation of high end products and the result was that there were a lot of people who reacted negatively to such situation and the highest being the male who were 63 when compared to the female. And we also found out that the number of respondents who would still remain loyal towards the brand during out-of-stock situation were 131. The second objective of this study that is to study the consumers behavior in post out-of-stock situation there were four factors that were studied that is switching of brands, substitution of brands, switching of stores and wait for the product factor analysis was done . The consumer prefers switching to another brand or stores in the retail market if they come across out-of-stock situation in a particular brand. The consumers usually do not wait for the product to be stocked in the store, rather prefer switching to another brand. The third objective of this research is to examine the strategies consumers expect retailers to implement during out-of-stock situations. The study proved that most respondents believe that communication regarding the arrival of the product would be the best strategy that they expect the retailers to implement in out-of-stock situations.

CONCLUSION

Consumers find stock-outs annoying, just like everybody else. But even the retailors live with gaps in their inventory because they figure the fix is more expensive than the problem. After all, they tell themselves, when customers can't find the products they're after, they'll usually substitute similar items for the missing ones. Maybe some profit will be lost in the swap, but that's a marginal cost of doing business. The best way to handle such a situation would be by informing the consumers about the arrival of the product or handle such situation with due diligence. This would avoid the negative reaction of the consumers to a certain extent. Consumers behave differently in out-of-stock situations, mostly negatively but to ensure better relationship, the retailor has to handle the situation by informing the consumers in advance and through proper strategies they can increase the satisfaction level of the consumers as well as increase their profits.

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