Review of Literature

Although the literature does not acknowledge any challenges in defining consumer behavior the variations in the definitions given by different authors suggest otherwise. “The field of consumer behavior is the study of individuals, groups or organizations and the processes they use to select, secure, use and dispose of products, services, experiences, or ideas to satisfy needs and the impacts these processes have on the consumer and society” (Hawkins, Best and Coney, 2004).

Cronin and Taylor (2001) argue that eliciting a greater understanding of consumers’ behavioral intentions continues to be a primary concern for marketing researchers. This is reflected in the frequency and rigor with which researchers have explored and modeled the antecedents of the behavioral intentions of consumers. Like price and service quality, perceived value equally has influence on customer behavioral intention.

Buying behavior is often more complex than it appears (Smith and Taylor, 2004). Several consumer buying behavior models drawn from various social sciences including marketing have been suggested in the literature. Consumer behaviour is a relatively new field with multi-disciplinary roots. Theoretical frameworks borrowed from psychology, sociology, social psychology, cultural anthropology and economics are now added to by both commercial and academic marketing research into consumer and industrial buyer behavior (Smith and Taylor, 2004).

Although the simplified models of consumer behaviour have three parts, Kotler (2000) did not use the terms input, processor and output which Schiffman and Kanuk (2000) used. The marketing stimuli element of the input component of Kotler’s and models comprise product, price, place and promotion—the four Ps of marketing. In addition the output or buyer’s responses dimension of Kotler’s model contains product choice, brand choice, dealer choice, purchase timing, and purchase. It is clear in Kotler’s framework the product subsumes product choice and brand choice; price encompasses purchase amount, while place covers dealer choice. Promotion can also be paired with purchase timing. Periodicity and seasonality are part of the marketing mix falling under the service mix.

Pankaj (2005) indicated that, the buying behavior is vastly influenced by awareness and attitude towards the product. Commercial advertisements over television was said to be the most
important source of information, followed by displays in retail outlets. Consumers do build opinion about a brand on the basis of which various product features play an important role in decision making process. A large number of respondents laid emphasis on quality and felt that price is an important factor while the others attached importance to image of manufacturer.

Various academic and commercial studies show that the seven Ps of marketing are critical in determining consumer choice of store for grocery shopping although consumer behaviour models do not reflect that in terms of the marketing stimuli element. According to Engel, Blackwell and Miniard (2000) there are 10 salient or determinant attributes of store choice. These are location, nature and quality of assortment, price, advertising and promotion, sales personnel, services offered, physical store attributes, nature of store clientele, store atmosphere, and post transaction service and satisfaction.

In chronological order of importance Bates and Gabor (1999) found the following to be important in influencing shoppers’ choice of store: cheap prices, fair prices, good value, convenience, nearest to home and workplace, cleanliness, good layout, good quality, variety and choice, satisfaction, dividend, principle, member, employee, and delivery service.

The bulk of studies examining the characteristics of the private label brand buyers have attempted to discover whether the propensity to buy the private label brand is associated with demographic or socio-economic characteristics of customers. Frank and Boyd (2000) examined the nature of household demand for privately branded grocery products. They conducted research on 44 grocery product categories to determine the extent to which socio-economic, consumption, and store shopping habits

Fernie et al. (2003) have identified various advantages to retailers for the development of a private label brand: (1) increased profitability through cost saving and increased margins; (2) increased store loyalty and creation of a distinct corporate identity; (3) opportunities to seize new market ventures; and (4) increased bargaining leverage with suppliers.

Consumers tend to associate the retailer with its respective private label brand. Therefore negative perceptions of the retailer may impact negatively on its fascia (that is store) brand and vice versa (Ailawadi and Keller, 2004).

Labeaga et al. (2007) contend that private labels assist building loyalty by differentiating the retailer. These brands are available at one retailer exclusively whilst manufacturer brands
are available at many competing outlets. Regular consumers of private label brands are confronted with psychological costs when switching retailers as their preferred private label choice is no longer available. As a result, consumers who change retailers undergo demanding cognitive processes by evaluating other brands, including unfamiliar store brands, in choosing a new product. Thus, research indicates that consumers who purchase private label brands regularly do not only become loyal to that particular brand but also to the retailer through which it is sold.

Jin and Yong (2005) note that the success of private label brands is dependent on factors such as the country’s retail structure, the level of retailer concentration, the advertising rate of manufacturer brands, economies of scale, management, and even imagination. Moschis (2003) echoes this sentiment, suggesting that older consumers are more brand loyal and are likely to prefer brands with which they are more familiar. Younger consumers, on the other hand, are more willing to try new or unfamiliar brands and products.

Kumar and Steenkamp (2007) note that over use of promotions by manufacturer brands may condition consumers to become price sensitive and this may, eventually, result in a “trade down” to a private label item. Therefore deal seekers become regular purchasers of private label brands over time.

Kusumkara Hebbar (1999) in his paper entitled ‘Role of Consumer Cooperatives in Public Distribution System’ emphasized that the scope should be widened to increase the range of articles to such an extent that it covers almost entire consumer basket of an average rural household. He also suggested that there should be change in the orientation and motivation of the management and staff of cooperatives.

Madhavi (1999) et.al. attempted to examine the customer satisfaction Annamalainagar Consumer Cooperative Stores and observed that in consumer cooperative stores, the high income segment are less satisfied compared to the less income group. Respondent were also not satisfied with the approach of sales personnel, system of service, time taken for service, and timely availability of brands. It was also felt that the respondents were not loyal to the cooperative movement.31 Sanjib Kumar Hota (2000) states that the ‘rural market’ is the appropriate ‘target market’ for cooperative business and its development. He is of the opinion that the weak and insufficient societies should be wound up or merged with strong or efficient societies. Otherwise the weak
societies would undermine people’s confidence in the movement and cause a setback to it from a long term point of view.

Ram Iqbal Singh (2000) in his article ‘Development of Consumer Cooperative Movement – Its future needs in the light of global changes in the economy has explained the organizational setup of the consumer cooperatives in India and the reasons for set back to the consumer cooperatives in 1990s. he suggests that the consumer cooperatives have to stand on their own without looking forward to financial aid and assistance from the government by changing their structure, system of purchases, sales, inventory/assortments and building of regular clientele.

Madhu Pahuja (2000) brings out the critical issues for the survival and growth of cooperatives as up gradation of managerial and operational system: building up strong member loyalty by efficiently servicing their requirements, sustained efforts to build up own resources and greater inter and intra-sectoral cohesion to make cooperatives a system rather than merely a collection of institutions each working for its own. A strong and dedicated membership base could prove to be valuable asset in a competitive market, which is presently lacking in most cooperative institutions.

Adhikari (2000) attempted to present the recent profile of consumer cooperative movement in India. The consumer cooperative achieved a sales turnover of Rs. 95 billion during the year 1999-2000, which is around 2.5 percent of the total retail sales of the consumer goods in the country. Although the sales coverage is not very significant, the very presence of the consumer cooperatives create an impact in the market to stabilize the prices and availability of consumer goods.

Thomas and Mani (2000) state that in the liberalized economic regime panchayathi raj institutions have the primary responsibility to protect the interests of consumers. They suggest that panchayath raj institutions should impart legal literacy to consumers through the neighborhood groups, undertake effective supervision of fair price shops and grant financial assistance to consumers’ cooperative stores etc.

Himachalam (2001) observed that many consumer cooperatives have failed to cope with the changed environment as revealed by the empirical study of consumer cooperatives and their performance in Adhra Pradesh. In order to compete they have to improve their size of operation, structure, composition of products, marketing strategy and efficiency of workforce, in addition to improving their essential capital base with the government support.
Anita Manchanda (2001) is of the opinion that in the cooperative sector, women need to be empowered through increased membership and employment because women are the prime consumers and the prime producers of cooperative services. To involve women in the changing process, cooperative have to create an inspiring environment in which they can develop their creativity and actively support the organizational change process.

Parnell (2001) expresses characteristics of the cooperative that attract people to participate its objectives. He argues that modern cooperatives were invented to enable people to adjust their way of living and working requirements of the market economy, in order to survive as small actors in a world dominated by capital, markets and competition. He refers to the endogenous factors behind the values of cooperation, which push people to work together. Self-help, equality, equity, democracy, social responsibility and caring for the others are the main influential among these factors.

Thomas and Mani (2001) state that whenever people are directly involved in the affairs of consumer cooperative societies at the grass root level, these institutions will become viable and vibrant organizations to act as an effective channel of public distribution system.

The 14th Indian Cooperative Congress (2001) noted with great concern that the effect of liberalization has been strongly felt in the cooperative consumers sector in which many institutions are facing the threat of liquidation. The congress also felt that the consumer cooperatives have been utilized by the government machinery for implementing various welfare measures like distribution of essential commodities. The Congress recommended that the consumer cooperatives may be compensated adequately for undertaking such uneconomic activities.

Develtere (2003) discusses the attitudes of some governments in the developing countries towards cooperatives, as these governments consider cooperation a central vertical of the development. Therefore, these governments tend to promote, directing and controlling the cooperative sector which becomes an integral part of the government’s mission in these countries and unlike cooperation in the western countries. In the developing countries the cooperative sector has been associated with a planned intervention of the state in organizing and structuring of the socio economic life.

Show (2006), contends that during the last two decades it was thought that the global size of the cooperative sector has been declined. But recently some policy makers thought that cooperatives
globally are entering a period of renewal and growth. In contrary to the small scale nature of the cooperatives, she refers to the emergence of the larger cooperatives in European Union. These cooperatives started to move towards capitalists practices either through creating commercial corporations or by merging with companies outside the social economy. She argues that the emergence of such a type of cooperatives reflects the needs of one or more group of the stakeholders. The writer concludes that cooperatives vary in their size from small one into huge organizations that may achieve new governance practices, as members can become disempowered in cooperatives which lead to the absence of democratic controls.

Wanyama (2009) discusses experience of Kenya under liberalization policy. He explains that cooperatives were overwhelmed into the state politics to the extent that the failure of the state policies was expressed into the failure of cooperative movement. This result led to calls for the liberalization to the cooperative movement with the argument that the state control was harming the role of the cooperatives in the development, which can be realized through market principles and competition.

In the above pages, researcher has tried to critically evaluate the available literature on consumer cooperatives. However, detailed and microscopic examinations of the literature for consumer cooperative revealed that majority of the materials are merely in the form of popular articles, lack of rigour, and not based on any scientific and systematic methodology. A few serious works available were not related to the Maharashtra State or to be more precise in Mumbai region. Hence, research gap is identified in the working of consumer cooperatives in Mumbai and this study is undertaken with the following research problem.
Research Problem

A fairly judgment on the performance of consumer cooperatives based on available literature and data suggest that the consumer cooperative societies in Mumbai are suffering various problems like low membership base, declining unit sales turnover, declining profitability and declining customer satisfaction. Hence, the present study is proposed with the following objectives.