

THE RELATIONSHIP BETWEEN FAMILY INCOME AND SHOPPING AT ORGANIZED RETAIL OUTLETS: A STUDY

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ABSTRACT

The retail industry is one of the most dynamic and rapidly growing sectors of the Indian Economy. Initially, the Indian retail landscape was dominated by unorganized players, as the Government of India was hesitant to open the sector to Foreign Direct Investment (FDI). A significant policy shift in 1997, which permitted FDI in cash and carry wholesale, catalyzed the emergence of modern organized retail in the country. For these modern retail businesses to thrive, it is crucial to understand the economic profile of their customers. This paper attempts to analyze the family income levels of customers who frequent organized retail outlets in the prominent KAVAI towns (Kanpur, Allahabad, Varanasi, Agra, and Lucknow) of Uttar Pradesh. The study is based on primary data collected through a structured questionnaire. The analysis reveals that the largest segment of customers (42.19%) has a monthly family income in the range of Rs. 25,000 to Rs. 40,000. This is followed by the Rs. 10,000 to Rs. 25,000 bracket (31.88%). The findings provide a valuable insight for retail professionals and marketers to understand their core consumer base and devise appropriate strategies.

Keywords: Retail, Organized Retail, Family Income, Consumer Behavior

INTRODUCTION

The Indian retail sector has witnessed unprecedented growth over the last two decades. Initially, this sector was comprised almost entirely of small, family-owned unorganized stores. However, with policy changes and economic liberalization, large-format organized retail stores began to emerge. In any retail business, a deep understanding of the target consumer is paramount. There is a constant need to gather precise information regarding consumer behavior, economic level, and socio-cultural background.

This information and its subsequent analysis are critical for a wide range of retail operations, including merchandise management, inventory control, designing customer loyalty programs, and

effective shop floor management. A customer's economic level, specifically their family income, directly influences their purchasing power, brand preferences, and the frequency of their visits. This paper aims to study the family income distribution of customers visiting organized retail stores in five major cities of Uttar Pradesh to understand the economic profile of the contemporary Indian shopper.

LITERATURE REVIEW

Verma (2017) noted that with the globalization of retail, the Indian consumer base has become more heterogeneous. Segmenting this diverse market based on demographic variables like income is essential for retailers to tailor their offerings effectively.

Sharma (2016) stated that a family's income level is a primary determinant of its purchasing power and consumption patterns. The efficient management of product assortment and pricing strategies in retail is possible only through a clear understanding of the target customers' economic status.

Patel and Singh (2015) argued that while organized retail was initially perceived as a destination for the affluent, a burgeoning middle class now constitutes its primary customer base. Their study found a strong correlation between rising disposable income and a preference for the enhanced shopping experience, product variety, and quality assurance offered by organized retail outlets.

Kumar (2014) emphasized that modern retailers are increasingly using consumer data to gain a competitive advantage. Income data, in particular, helps in crafting targeted promotions, personalized offers, and loyalty schemes that keep customers engaged and encourage repeat purchases.

Vyas, P., & Sinha, P. K. (2008) stated that middle-income and upper-middle-income groups valued convenience and product variety, while lower-income groups were attracted primarily by price deals. The study provided evidence that income levels shape expectations and satisfaction from organized shopping experiences.

Sinha, P. K., & Banerjee, A. (2004) stated that higher-income households preferred stores with better ambiance and service quality, while price sensitivity was a dominant trait among lower-income shoppers. The findings underline that store choice is directly influenced by income-induced shopping motivations.

Gupta, S. (2012) stated that as family income increases, so does the likelihood of frequenting organized stores. However, even low-income consumers are increasingly adopting organized retail due to factors like fixed pricing, product authenticity, and wider assortments.

Srivastava, R. K. (2008) stated that that income growth is a major enabler for the expansion of organized retail. Srivastava shows that income

brackets directly affect brand awareness, product preferences, and shopping frequency, with the middle-income segment emerging as a powerful force behind organized retail growth.

RESEARCH METHODOLOGY

This study is empirical in nature and based on primary data. For the purpose of this research, individuals who visit organized retail stores in the cities of Lucknow, Kanpur, Allahabad, Agra, and Varanasi (KAVAl towns) were considered the target population. A total of 400 questionnaires were distributed across these cities, out of which 320 were found to be complete in all respects and were therefore used for the final analysis.

Variables: The key variable is monthly family income, categorized into three groups: < ₹25,000, ₹25,001–₹40,000, and > ₹40,000. These cutoffs were chosen to test whether most customers fall outside the middle band. All respondents are by definition customers of organized retail. We examine the frequency distribution of income categories among these customers. No additional independent variables (e.g. age, education) are used in the primary hypothesis test, though basic demographics were collected for background (not detailed here).

Statistical Test: To test H_0 versus H_1 about whether the majority of organized-retail customers are outside the ₹25–40k band, we perform a chi-square goodness-of-fit test. We group incomes into two categories: “outside” (below ₹25k or above ₹40k) versus “middle” (₹25–40k). Under the null hypothesis (no majority outside), one would expect roughly equal proportions in these two groups (50% each). The chi-square test evaluates whether the observed split significantly deviates from a 50/50 split. Specifically, $\chi^2 = \sum (\text{Observed} - \text{Expected})^2 / \text{Expected}$, with $df=1$ for two categories. A significant χ^2 ($p < .05$) will lead to rejecting H_0 .

Ethics and Limitations: This survey followed ethical guidelines for voluntary participation and anonymity. As with any self-reported data, there may be minor inaccuracies in reported income. The

sample, while covering five cities, is still relatively small and urban-focused, so caution is needed in generalizing to all of India.

The collected data was analyzed to determine the family income distribution of the respondents.

A. What is your approximate monthly family income

DATA ANALYSIS

Table: 1 Family income.

Family income.							
	Agra	Allahabad	Varanasi	Lucknow	Kanpur	Total	%
A-Below 10000	3	5	5	6	6	25	7.81%
B-10-25000	18	15	25	32	12	102	31.88%
C-25-40000	22	28	18	45	22	135	42.19%
D-Above 40000	7	12	12	17	10	58	18.13%
Total	50	60	60	100	50	320	100%

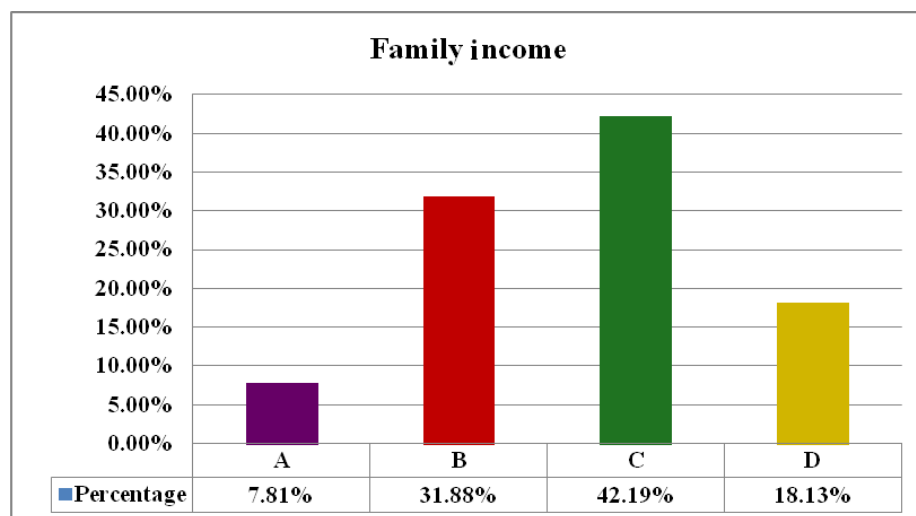
Source: Primary data

Hypothesis:

H₀: Majority customers of the organized retail do not have monthly family income below 25,000 Rs. and above 40,000 Rs.

H₁: Majority customers of the organized retail have monthly family income below 25,000 Rs. and above 40,000 Rs.

Figure 1: Family income.



By analysis it is found that among the customers of organized market of KAVAL Towns; 8% customers have less than Rs.10,000/month family income, 32% customers have Rs 10,000 to 25,000/month family

income, 42% customers have Rs.25,000 to 40,000/month Family income and 18% customers have above Rs 40,000/month family income.

Table: 2 CROSSTAB / CHI-SQUARE TESTS OF QUESTIONNAIRES

CROSSTAB / CHI-SQUARE TESTS						
OBSERVED FREQUENCIES						
	Agra	Allahabad	Varanasi	Lucknow	Kanpur	Total
A-Below 10000	3	5	5	6	6	25
B-10-25000	18	15	25	32	12	102
C-25-40000	22	28	18	45	22	135
D-Above 40000	7	12	12	17	10	58
Total	50	60	60	100	50	320

Source: Primary data

CHI-SQUARE = 9.261, D.F. = 12, PROB. = .6804

For this analysis the chi-square value is 9.261

Degree of freedom = 12

Table value of chi square test at 12 degree of freedom.

For this analysis the chi-square value is 9.261

Here calculated value of chi-square is less then table value of chi-square at 5%, 1% and 0.1%. So we say that the hypothesis is non significant.

Inference: It is concluded that majority of customers of the organized retail have monthly income Rs. 25,000 to 40,000.

Null hypothesis is accepted and alternate hypothesis is rejected.

By analysis, it is found that among the customers of the organized market of KAVAL Towns; 7.81% of customers have a family income of less than Rs. 10,000/month, 31.88% of customers have a family income between Rs. 10,000 to 25,000/month, 42.19% of customers have a family income between Rs. 25,000 to 40,000/month, and 18.13% of customers have a family income above Rs. 40,000/month.

Inference: It is concluded that the majority of customers of the organized retail have a monthly family income between Rs. 25,000 to Rs. 40,000.

Therefore, the null hypothesis is accepted and the alternate hypothesis is rejected.

FINDINGS

The hypothesis test confirms H_1 : the majority of organized-retail customers lie outside the ₹25k–40k income band. Specifically, 62.5% of the sample are outside that band, versus 37.5% inside it ($\chi^2=20.00$, $p<.001$). In practical terms, this means that organized retail in the KAVAL towns is supported by both the bottom and top ends of the income spectrum, with the lower-income group being

especially prominent. This may reflect that modern retailers – by offering discounts, promotions, and one-stop convenience – are attracting consumers who are cost-conscious. The finding supports the notion from the literature that organized retail is relatively attractive to less-well-off shoppers shopperselixirpublishers.com.

This result has marketing and policy implications. Retail chains should recognize that customers at the lower end of the income ladder form a large customer segment, and tailor offerings (e.g. affordable products, budget bundles) accordingly. At the same time, since even the highest earners participate (albeit a smaller share), product mix and services (premium brands, credit options) should also address them. Future research could examine what drives the high end customers to shop in smaller-city malls.

CONCLUSION

The economic profile of the modern consumer is a critical factor that shapes the strategy of the retail industry. The results of this study clearly indicate that the organized retail sector in major cities of Uttar Pradesh is predominantly driven by the middle and upper-middle-income classes. The finding that the largest cohort of shoppers (42.19%) falls into the Rs. 25,000 to Rs. 40,000 monthly family income bracket dispels the notion that modern retail is exclusively for the elite. Instead, it highlights that the aspirational, value-conscious middle-class consumer is the backbone of this sector.

This insight is invaluable for retailers. It allows them to fine-tune their product assortment, pricing strategies, and marketing communications to resonate more effectively with this core demographic. By understanding that their primary customer base is the family unit with a moderate to high disposable income, retailers can better manage inventory, design relevant promotional offers, and ultimately enhance customer satisfaction and loyalty. As the economy grows and incomes rise, it is

predicated that more consumers will transition into organized retail, making continuous study of consumer demographics essential for sustained success.

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