

# **IMPULSE PURCHASING BEHAVIOR: A STUDY OF ORGANIZED RETAIL OUTLETS OF LUDHIANA**

## **Research Project Report**

**Submitted to the Punjab Agricultural University  
in partial fulfillment of the requirements  
for the degree of**

**MASTER OF BUSINESS ADMINISTRATION  
in  
MARKETING MARKETING)  
(Minor Subject: Economics)**

**By**

**Gunsagar Singh  
(L-2012-BS-12-MBA)**

**School of Business Studies  
College of Basic Sciences and Humanities  
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## **CERTIFICATE – I**

This is to certify that the research project entitled, “**Impulse Purchasing Behavior: A Study of Organized Retail Outlets of Ludhiana** ” submitted for the degree of **Master of Business Administration** , in the subject of **Marketing Management** (Minor subject: Economics) of the Punjab Agricultural University, Ludhiana, is a bonafide research work carried out by **Gunsagar Singh** (L-2012-BS-12-MBA ) under my supervision and that no part of this research project has been submitted for any other degree.

The assistance and help received during the course of investigation have been fully acknowledged.

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**Major Advisor**

**Dr. Pratibha Goyal**

Professor,

School of Business Studies

College of Basic Sciences and Humanities,

Punjab Agricultural University,

Ludhiana – 141004.

## **CERTIFICATE – II**

This is to certify that the research project entitled, **“Impulse Purchasing Behavior: A Study of Organized Retail Outlets of Ludhiana”** submitted by **Gunsagar Singh** (L-2012-BS-12-MBA) to the Punjab Agricultural University, Ludhiana, in partial fulfillment of the requirements for the degree of **Master of Business Administration** in the subject of **Marketing Management** (Minor subject: Economics) has been approved by the External examiner along with Internal examiner after an oral examination of the same.

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Internal Examiner

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External Examiner

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(Dr. Sandeep Kapoor)

**Head of the Department**

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### ABSTRACT

Today, retailers are increasingly making use of various in-store influencers for converting browsers to spenders. However, success depends on how the customers perceive these influencers. The phenomenon of impulse purchasing has been studied in consumer research as well as for example in psychology and economics since the 1950s. In brick-and-mortar retailing, impulse purchases have been an important source of revenue for retailers. This study attempted to investigate the relationship of various factors, with impulse buying tendency of consumers in the Organized Retail Sector of Ludhiana region. This article empirically evaluates the perception of the customers towards various in-store stimuli that is Merchandise, promotion, displays and ambience, across stores located in Ludhiana.

**Key words:** Impulse Purchasing, Organized Retail

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Signature of Major Advisor

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Signature of the student

## CONTENTS

Chapter	Topic	Page
I	INTRODUCTION	1-7
II	REVIEW OF LITERATURE	8-12
III	RESEARCH METHODOLOGY	13-16
IV	RESULTS AND DISCUSSION	17-26
V	SUMMARY	27-28
VI	REFERENCES	29-32
	ANNEXURE-I	
	ANNEXURE-II	
	VITA	

## **CHAPTER - I**

### **INTRODUCTION**

The increasing amount of spending in today's society has created a new life style that been integrated and accepted among consumers. Owning items has become an expression of self-identity for a number of consumers which has helped to increase shopping as a lifestyle (Dittamar et al. 1996). A change in society is also shown in the decreasing amount of free time outside of work. Consumers spend less time planning before shopping but with the attitude of a life-style shopper and an increased income by which consumers are encouraged to buy more, impulse buying is a fact (Williams and Dardis, 1972) . An impulse purchase or impulse buying is an unplanned decision to buy a product or service, made just before a purchase. One who tends to make such purchases is referred to as an impulse purchaser or impulse buyer. Research findings suggest that emotions and feelings play a decisive role in purchasing, triggered by seeing the product or upon exposure to a well crafted promotional message. Impulse buying may be influenced by internal states or traits experienced by consumers, or by environmental factors. Researchers have attempted to determine if people who frequently engage in this behavior have some common personality traits. Other researchers have suggested that internal states and environmental cues can serve to trigger the impulse to purchase.

Impulsive purchasing is, generally defined as, a consumer's unplanned purchase which is an important part of buyer behavior. An impulse purchase or impulse buy is an unplanned decision to buy a product or service, made just before a purchase. Following are marketing communication mix which affects Consumer's Impulse Buying Behavior in market: Advertising, sales promotion, personal selling, and public relations. The importance of impulse buying behavior is recognized by marketers and researchers all around the world and phenomenon has been extensively studied by researchers during the last 60 years. The earliest studies on impulse buying include the DuPont Consumer Habits Studies in 1940s to 60s and studies such as by Patterson in 1960s which were sponsored by the Point-of-Purchase Advertising Institute. These studies on impulse buying have been carried out in different countries but the focus has been mainly on consumers in United States and it has been found that consumers in U.S. are more impulsive than other countries. About 80% of purchases in certain product categories in U.S. are made impulsively. Similarly, in another study in U.S. it has been reported that about 90% of the consumers make occasional purchases on impulse. A study found that only in the categories like Candy and Magazines, an amount of \$4.2 billion was estimated to have been generated as an annual store volume through impulse buying. Many authors suggest that the consumers" purchasing on impulse have the potential to grow

further with the new technologies like internet and television shopping channel; and marketing innovations such as 24-hour convenience stores as they provide both the convenience to make impulse purchases as well as the accessibility to products and services. Impulse buying is simply defined as the sudden and immediate purchase decision inside a store with no prior intention to buy the specific product or product

Hypermarkets, Multiplex malls, Mega marts are the new faces of modern retailing environment in major cities of India. The retail industry in India has emerged as one of the most dynamic and rapidly growing industries with several domestic and foreign players entering into the market. India is rated fifth among the developing countries based upon global retail development index of thirty developing countries drawn up by AT Kearney 2012 reports.

The organized retailing in India is expected to grow multifold in the next five years, which is mainly driven by changing lifestyles, increasing disposable income and favorable demographic segmentation. Indian consumers have diametrically changed in terms of their shopping behavior and impulse buying is emerging as a highly noticeable behavior. In this context, the role of impulse buying plays a significant role for modern retailers and hence for researchers. In this paper, we have reviewed the literature on the impulse buying behavior and proposed a comprehensive outline of impulse buying behavior to be explored and empirically tested in future research endeavors. At the end of this paper, we have outlined a set of suggestions related to the impulse buying behavior of consumers to be investigated in the subsequent research works

## **INDIAN RETAIL SCENARIO**

The retail sector in India is highly fragmented and mostly owner-run “Mom and Pop” outlets. The entire sector is dominated by small retailers consisting of local Kirana shops, general stores, footwear and apparel shops, hand-cart hawkers and pavement vendors. These together form the “unorganised retail” or “traditional retail”. According to the Investment Commission of India (ICI) estimates, there are over 15 million such “Mom and Pop” retail outlets in the country. In terms of total sales, one can find a wide range of estimates and this definitely reflects lack of sound official government data. ICI had estimated Indian retail sales figure at US\$262bn for 2006, although market estimates ranged from US\$200bn to as high as US\$386bn for that year. Various agencies have made efforts to project the growth rate of the total retail market till 2013 and the figures hover around 13-15.5 percent.

In line with India's economic growth, the retail sector in this country is not only expanding but also modernizing. This new trend began during late 1990s and early 2000s. In the midst of the



unorganized retail sector's strong dominance, some of the major industrial houses have entered into this sector and have announced ambitious future expansion plans. Transnational corporations have also joined hands with big Indian companies to set up retail chains. India's Bharti group joined hands with Walmart, the world's largest retailer and Tata group tied up with the UK based Tesco, the world's third largest retail group. A perceptible structural change towards an organised format is foreseeable in the retail sector. These organised and modern retail formats generally consist of supermarkets /convenience stores, hypermarkets, discount stores, speciality stores and departmental stores. These outlets are usually chain stores, all owned or franchised by a central entity or a single store large enough to form a part of the modern retail segment. The existence of these modern retail outlets are generally found in malls and prominent high streets across various cities.

## **INDIAN RETAIL CUSTOMERS**

Currently, India has the largest young population in the world. According to statistics published by the Population Reference Bureau in 2011 India has more than 50% of its population below the age of 25 and more than 65% below the age of 35. It is expected that, in 2020, the average age of an Indian will be 29 years. According to a report by Ac Nielsen, customers spend 42 per cent of their monthly expenditure on products in the grocery category. Sinha (2003) , in his article on shopping orientation, argued that Indian Customers are orientated towards shopping because of the entertainment that can be derived out of it. According to him, the majority of the Indian population can be characterized as young, working class, with higher purchasing power. They seek more of the emotional value from shopping than the functional value and they value convenience and variety.

Customers are impulsive buyers who purchase products either on a whim or when they are emotionally driven to that product. This has led retailers to take on various marketing strategies for attracting and converting customers such as promotional schemes and attractive displays.

### **Stern (1962) classifies impulse buying as four different types:**

- i) Planned impulse buying
- ii) Reminded impulse buying
- iii) Suggestion or fashion-oriented impulse buying
- iv) Pure impulse buying

Planned impulse buying is partially planned but specific product or categories are not decided by the shopper. They are further determined on the basis of the different sales promotions inside the shop. Reminded impulse buying occurs when the buyer is reminded of the need of the product noticing it in the shop. Pure impulse buying is a novelty or escape purchase which a shopper breaks the trend of usual shopping.

Stern (1962) introduced the concept of suggestion impulse purchase as the purchase of new product on the basis of self-suggestion but without any prior experience. He described fashion oriented impulse as a type of suggestion impulse where the purchase is motivated by self-suggestion to buy the new fashion product. In case of fashion oriented impulse buying, shopper has no previous experience with the new and fashionable product. Mattila and Enz (2008) later argued that fashion-oriented impulse buying can be influenced by shopper's own positive emotions when shopping.

### **Factors Influencing Impulse Buying**

Impulse buying of the shopper is influenced by number of factors which could be either related to the shopping environment, shopper's personal traits, product itself and the diverse demographic and socio-cultural aspects

### **External Stimuli and Store Environment**

External factors of impulse buying refer to marketing cues or stimuli that are placed and controlled by the marketer in an attempt to lure consumers into purchase behavior (Youn and Faber, 2000). External Stimuli are related to the shopping and the marketing environment. The shopping environments include the store size, ambience, design and formats while the marketing environment is the various sales and advertising activities. Buying impulses can be induced when a consumer encounters a relevant visual stimulus in the retail environment, or some promotional stimuli (Piron, 1991). Impulse buying is considered as relevant in today's shopping scenario with the innovative sales promotions, creative messages and appropriate use of technologies in the retail stores .

Consumers can experience an urge to buy impulsively when visually encountering cues such as promotional incentives (Dholakia, 2000). Xu (2007) stated that store environments influence the consumers' emotional states which may further lead to impulse buying inside the store.

With the growth of technology such as self service, innovative display of product in airports has accustomed shoppers to do more impulse buying . Omar, (2001) suggested that impulsive

shopping at the airport is promoted by environmental influences. Exclusive availability of certain products, clean ambience, spacious formats and anonymity are some of the reasons that could increase the impulse buying at airport retail shops. Credit cards and its incentive for extra shopping, co-promotion with particular retailer provides an opportunity for shoppers to make frequent visits to retail outlets which may result in increased impulsive purchase.

### **Different External factors**

**In-store Displays:** The most important aspect of successful in-store displays is for retailers to understand their customers and their habits according to Terrazas (2006). Strategic displays can then be devised that help to increase sales especially through unplanned purchases by consumers. One strategy may be to identify the commonality of goods bought by list-buyers and then attractively display complementary products next to these common products. Displaying the most popular products purchased by your clients in the back of the store could be another strategy - this forces the client to walk past and be confronted by as many other items first. It is also common practice to separate popular items (strategic display). Bread and milk, for instance, will most likely be displayed at the 2 most opposite ends of the store which will force the consumer past a host of products encouraging impulsive buying en route to the other essential product (Terrazas, 2006). Shopping trolleys designed to accommodate kids require strategic trolley height displays that will catch the children's attention because children play a big role in shopping trends (Terrazas, 2006).

**The In-store shopping Environment as a Determinant of Impulse Buying:** The in-store shopping environment is a very important determinant of impulsive buying. It is constituted by micro variables which are specific to particular shopping situation and confined to a specific geographic space. Factors such as in-store background music, store display, scent, in-store promotions, prices, shop cleanliness, shop density or congestion and store personnel all make up in-store shopping environment (Zhou and Wong, 2004).

**Unexpected Cheaper prices and discounts:** One effect of unexpected price discounts is that of causing a generalized affective effect on consumers (Janakiraman et al, 2006) has earlier argued that negative affect induced by unexpected price hikes might suppress spending by limiting purchase consideration of other goods. The consumer mental accounting activity concept can also explain price induced accounting activity concept can also explain price induced impulse buying according.

**Sales people:** Consumers tend to enjoy a shopping experience with supportive and friendly shop assistants. Salespeople can really make the shopping experience fun and enjoyable by providing extraordinary service. Consumers enjoy shopping more without the presence of an overbearing salesperson although they do, however, appreciate when a salesperson is nearby and helpful (Jones, 1999).

**Shop congestion/crowding/shop density :** Crowding is generally perceived as an unpleasant experience in shopping situations as cited by Michon et al. (2005). Consumers adjust to higher retail densities by reducing shopping time, deviating from their shopping plans, buying less to enter express checkout lanes, postponing purchases, relying more on shopping lists, reducing interpersonal communications and refraining from exploratory behaviors All these behaviors might militate against consumer impulsive buying.

### **Internal Stimuli**

Internal Stimuli are related to the different personality related factors which characterizes an individual rather than the shopping environment or stimuli. Internal factors of impulse buying denote the individual's internal cues and characteristics that make him / her engage in impulse buying

One of the path breaking researches by Rook and Hoch (1985) highlighted that it is people and not the product, which experience the consuming impulses during a shopping spree. Weinberg and Gottwald (1982) initially established that impulse buyers exhibited greater feelings of amusement, delight, enthusiasm, and joy. Chang, (2011) argued that consumers who had more positive emotional responses to the retail environment were more likely to make impulsive purchase.

Impulse purchases are more likely to happen when shoppers evaluate the purchase as appropriate (O'Guinn and Faber, 1989). Youn and Faber (2000) pointed out that impulse buying may originate from consumer traits such as impulsiveness and optimum stimulation level, shopping enjoyment, or lack of self-control. Shen and Khalifa (2012) observed that cognition of the consumer moderates the relationship among buying impulse and the actual impulsive behavior.

In today's marketing context, which is characterized by growing levels of aspiration, willingness to spend on the part of consumers, influence of westernization and the availability of products, marketers and retailers have several opportunities to make use of impulse buying (Kumar,

The Concept of Retail outlets is on high in Punjab and many private players are looking to cash on this. Punjab is divided into 3 mainland regions called Doaba, Malwa and Majha, the major cities in each of them includes Jalandhar, Ludhiana and Bhatinda. The other most developed areas from retail perspective include Patiala, Amritsar and Ferozpur. The Major malls include Ansal Plaza, Silver arc, MBD neopolis, Westend mall and Flamez. Recent developments have given Punjab a new name, “The Mall Capital of India”. The evolution of Malls in Punjab has increased the Impulse purchases in last few years.

### **Need for the study**

As suggested by the previous research, products bought on impulse are mostly cheap and most of the researchers emphasized on the internal factors. Impulse buying behavior can be associated with individual self-image and symbolic consumption. No study has been undertaken to analyze the factors contributing to impulse purchase in organized retail sector in Ludhiana. Therefore the present study was undertaken focusing on the external factors like store environment and store displays and also this research tries to point out, which factors are most significant in inducing impulse purchasing behavior.

### **Objectives of the Study**

1. To identify the factors which contribute in making impulse purchase in organized retail sector in Ludhiana
2. To understand the role of organized retail outlets in impulse purchase by customers in Ludhiana

## **CHAPTER – II**

### **REVIEW OF LITERATURE**

A brief review of literature is of immense importance with respect to any research. Following are the excerpts of relevant literature, taken from various articles indifferent journals and publications . The literature collected has been put under following headings for better understanding and convenience

A brief review of the relevant studies has been presented in this section.

Applebaum (1951) was the first to suggest that impulse purchasing may stem from the consumer's exposure to a stimulus while in the store. The various stimuli inside the shop directly or indirectly influence the customer. Store atmosphere is influenced by the attributes such as lighting, layout, presentation of merchandise, fixtures, floor coverings, colours, sounds, odours, and dress and behavior of sales and service personnel.

Stern (1962) found that products bought on impulse are usually cheap. Shopping lifestyle is defined as the behavior exhibited by purchaser with regard to the series of personal responses and opinions about purchase of the products.

Belk (1975) explained that the elements that form a social surrounding include the presence of others, their characteristics, their apparent roles and any interpersonal interaction.

Engel and Blackwell (1982) impulse buying is an action undertaken without previously having been consciously recognized or a buying intention formed prior to entering the store. Based upon the different description, we conclude that impulse buying involves hedonic purchase decisions which are made inside a store and excludes the reminder purchasing activities

Donovan and Rossiter (1982) Their focal interest was on the relationship between emotions induced by a particular environment and behaviors in this environment, rather than how the emotions or behaviors are related to the characteristics of the environment.

Rook and Hoch (1985) identified five crucial elements responding to the urge to buy rather than on solving a in impulse buying: a sudden and spontaneous desire to preexisting problem or on finding an item to fill a act, a state of psychological disequilibrium, the onset of predetermined need. Finally, consistent with general psychological conflict and struggle, a reduction in impulsiveness, impulsive buying is immediate.

Hoch and Loewenstein (1991) observed that it is people and not the product that experiences the urge to consume on impulse. They suggested that impulse buying may increase more by loss of self-control.

Piron 1991 Defined impulse purchase based on four criteria-Impulse purchases are unplanned, decided “on the spot”, stem from reaction to a stimulus and involve either a cognitive reaction, or an emotional reaction, or both.

Rook and Fisher (1995) pointed out the role of individual attitude and its relation to impulse buying behavior. They call it the “normative influence of impulse buying”, which means that if consumers view impulse buying as appropriate behavior, it is more likely that they will buy on impulse. Impulse buying is also found to correlate positively with the materialism of a consumer

Mick (1996) said that impulse buying behavior can be associated with individual self-image and symbolic consumption. He said that impulse buying behavior is formed by individuals’ experiences.

Bayley and Nancarrow (1998) defined impulse buying as a “sudden, compelling, hedonically complex buying behavior in which the rapidity of an impulse decision process precludes thoughtful and deliberate consideration of alternative information and choices.” Hedonic behavior is marked with pleasure; in contrast to the utilitarian behavior where the shoppers seek for functional benefits and economic value in the shopping process.

Block and Morwitz (1999) enunciated the definition of impulse purchase as consumer buying an item with little or no deliberation after the result of a sudden, powerful urge. Kacen and Lee (2002) stated that impulsive behavior are more arousing and irresistible but less deliberative when compared to planned purchasing behavior.

Hausman (2000) argued that impulse buying is a hedonic need predominantly motivated by achievement of higher order needs loosely grouped around Maslow’s ‘hierarchy of needs’. Efforts to satisfy the higher order needs in this hierarchy lead to different types of impulse buying behavior.

Babin and Babin (2001) found that in stores consumer’s purchasing intentions and spending can largely be influenced by emotions. These emotions may be specific to certain things for example, the features of the items, customer self-interest, consumer’s gauge of evaluating items and

the importance they give to their purchasing at a store.

Verplanken and Herabadi (2001) found the similar results in his studies and stated that impulse buying is often associated with individuals who want to escape from negative psychological perceptions such as low self-esteem, negative feelings, or moods.

Baker et al (2002) found that a store environment that is formed by design, ambience and social factors is positively related to consumer patronage. In this framework, the “social factors” of a store environment refer to store employees and other consumers.

Baumeister (2002) The ability to alter one's own responses is one of the most important features of the human psyche and is substantially responsible for the immense range and diversity of human behavior as well as for the adaptive success of our species. For consumer behavior, self-control represents the capacity to resist temptations, especially those relevant to impulsive purchases and other expenditures that are likely to be regretted later on. The factors and processes that undermine self-control are worth studying insofar as they may contribute to causing people to spend more money. The effectiveness of self-control depends on multiple factors, including chronic traits and weaknesses, clarity of goals (and absence of conflicting standards), careful monitoring of one's behavior, and depletion of self-regulatory strength caused by prior exertion or decision making

Kacen and Lee (2002) realize there is no research focusing on the eastern culture. So conduct a research focusing on global scale, using a multi-country sample of above a thousand consumers from western and eastern culture context in order to acquire the deep understating of the diversity in different culture background. The authors adopt sociological theories to separate the consumers from both cultures and regard the western culture consumers as a social pattern of individualists who think themselves of independent and autonomous and see the eastern consumers as collectivists who regard themselves as an integral part of one or more groups, such as family. The founding indicates that culture affects the relationship between trait buying impulsiveness and impulsive buying behavior at the cultural grouping and individual level. That is to say, Asians tend to less purchase on impulse due to trait buying impulsiveness. While Caucasians engage in more impulsive buying. In addition, the increasing of age reduces the rate of impulsive buying behavior of Asians, in contrast, nothing can be changes among the Caucasian. Finally, certain difficulties of cross-culture research, such as the appropriate scale for both cultures, have been mention.

Sinha (2003) stated that Indian customers are orientated towards shopping because of the entertainment that can be derived out of it. According to him, the majority of the Indian population



can be characterized as young, working class, with higher purchasing power. They seek more of the emotional value from shopping than the functional value and they value convenience and variety.

Park and Lennon, (2004) The external stimuli are available across the shopping channels. There are studies conducted in different shopping environments. Yet most of the previous researches have focused on impulse-buying behavior in traditional brick and mortar shopping and television shopping.

Zhou and Wong (2004) identified as factors with a promotional and economic effect. Conversely the factors that failed to support the hypothesis were all in the category of factors with an atmospheric, entertaining, experiential and hedonic effect

Lou (2005) conducts a research on the influences of shopping with others on impulsive buying behaviors, which partially similar with the Kacen and Lee's research. In the research, the author regards the family members and peers as the influence factors, and take two dependant variables into considerations: (1) impulsive urge, (2) purchasing. The founding suggests that shopping with peers could lead to high rated of impulsive buying, while shopping with family could decrease the impulse buying rates. But, the research fails to explain any culture factor's influence on impulsive buying.

Peck and Childers (2006) found that touch increases impulse purchasing as the distance between product and consumer decreases (proximity). Suggested that point-of-purchase signs, displays, and packaging encouraging product touch may increase impulse purchasing.

Mattila and Vertz (2008) found that store environmental stimuli positively affect impulse buying behavior especially when the store environment is perceived as over-stimulating (excitement and stimulation)

Dawson and Kim (2009) have predicted that with the tremendous growth potential of online shopping, there is scope for consumers to get involved in online impulse buying. Credit cards and its incentive for extra shopping give the opportunity for online shoppers to make frequent visit to online retail shops which may result in increased impulsive buying.

Gupta, (2009) suggested that when size of the store is concerned product display and product prices were the major in-store stimuli in large stores. For small-sized stores, product price was the main factor that attracted impulse purchases. Retail merchandising instantly motivates a consumer to buy a product.

Harmancioglu et. al. (2009) suggested that to promote the impulse buying urge and behavior of new products, marketing managers may emphasize excitement; fun and variety in their promotional activities.

Sneath et al. (2009) have argued that impulse buying can also be induced because of depression of an individual and an attempt to improve the mood. The various autistic stimuli which are self-generated such as consumer's own thoughts and emotions are also responsible for impulse buying.

Sharma et al (2010) indicate that mood, low control of cognitive or spontaneous behavior in the proximity of an appealing object activate impulse purchasing and such behavior may induce largely regardless of financial and any negative consequence.

Dave (2010) pointed out that retail stores in Indian settings and found that all of the in-store measures taken by the retailer affects the impulse stimuli of the customers and therefore contributes towards conversion, but overall the promotional mix can act as base for differentiating a store from others and attracting customers to it.

Yu and Bastin (2010) studied the effect of in-store Point of Purchase (POP) posters in supermarkets and found them to induce impulse purchase behaviors and cost-effective. In-store stimuli are promotional techniques employed to increase impulse buying of products. Some examples of these techniques include in-store settings, on-shelf positions, price-off promotions, sampling, POP displays, coupons, and in-store demonstration.

Hulten & Vanyushyn (2011) The analysis indicates that, while Swedish shoppers make more impulse purchases, the French consumers appear to be more attentive to special in-store displays and two-for-the-price-of-one offerings. Contrary to expectations, the impulse purchases of French and Swedish shoppers are not predicted by gender.

Punj (2011) argued that biological factors, which are proven to be responsible for an impulsivity personality, should be further investigated by impulse buying researchers. The author also said that personality traits of non-impulsive buyers and impulsive buyers differ considerably.

The review of literature shows that previous researchers in the field focused on the role internal factors, satisfaction gained from impulse buying and the effect of in-store point of purchase posters in retail store but no research has been undertaken to analyze the factors contributing to impulse purchase in organized retail sector in Ludhiana.

## **CHAPTER- III**

### **RESEARCH METHODOLOGY**

For the purpose of this study an exploratory research design was used. The purpose of the research was to understand the role of retail outlets in inducing impulse purchase and to find out which external factors induce impulse purchase. Primary data was collected from the respondents through predesigned questionnaires. The questionnaire will include both internal factors and external factors which induce impulse purchase.

The Chapters have been divided under following heads

- Research Design
- Population
- Sample design
- Method of data collection
- Statistical tools used
- Limitation

#### **Research Design**

For the purpose of this research the exploratory research design was used. Two Questionnaires were used to achieve the objectives of the research. For the achievement of first objective, a questionnaire was designed for the customers, which helped in finding out the factors which help induce impulse purchase.

To achieve the second objective, another questionnaire was devised, and this one was for the Store managers in the organized retail sector in Ludhiana region.

#### **Population**

The population was all the stores in the organized retail sector in Ludhiana region. Organized and modern retail formats generally consisted of supermarkets /convenience stores, hypermarkets, discount stores, specialty stores and departmental stores. For the purpose of this research, the stores located in the malls were found suitable.

## **Sample Design**

A sample size of 100 customers from the organized retail sector was selected by visiting 20 different stores on convenience basis and their willingness to participate in the survey. This helped in achieving the first objective of the research.

For the fulfillment of the second objective, a sample size of 20 Store managers from 20 different stores was selected from the total population on convenience basis.

## **Methods of Data Collection**

To meet the objectives of the study, primary data was collected through predesigned questionnaires (annexure I and II). Various studies were reviewed to have a thorough understanding about various parameters to be included in questionnaires and accordingly self-administered and questionnaires (as given in the appendix) were designed to collect information from the respondents.

Questions were designed to get information from the respondents about the various factors (both internal and external) which induce Impulse purchase in the organized retail sector. Respondents were asked various scale based questions. For scale based questions, respondents were given a scale from strongly disagree to Strongly agree.

Suitable modifications were made in the questionnaire before the final selection of text of the questionnaires. Before filling the questionnaire, main objectives of the research were explained to the respondents.

## **Statistical Tools used**

Different statistical tools were used in the analysis of the information to get the satisfactory result for the research.

### **1. Factor analysis**

#### **Reliability of the scale**

Before applying factor analysis, testing of the reliability of scale is essential. The reliability of the scale can be tested by a widely used Cronbach's Alpha. Its value varies from 0 to 1 but satisfactory value of alpha should be more than 0.6. A value of 0.6 or less generally indicates unsatisfactory results.

The research focuses on factors affecting impulse purchase behavior. For

accomplishing the objectives, the survey was carried out through a non-disguised structured questionnaire having statements on 5- point likert scale. 19 statements were for the potential customers regarding their impulse purchase behavior. In order to make the sample representative, 100 shoppers have been selected on the basis of convenience. The various factors affecting impulse purchase behavior have been grouped using Factor Analysis Test. The results and analysis drawn are represented with the help of tables using SPSS.

## 2. Mean

Mean is calculated by adding all of the values together, then dividing by the number of points. The statistical mean refers to the mean or average that is used to derive the central tendency of the data in question. It is determined by adding all the data points in a population and then dividing the total by the number of points. The resulting number is known as the mean or the average.

$$\text{Mean } (\mu) = \sum Xi / n$$

Where

$X_i$  = each individual number

$n$  = Quantity of numbers in a group

$\sum$  = Summations sign

## 3. Standard deviation

Standard deviation ( represented by the symbol sigma,  $\sigma$  ) shows how much variation or dispersion exists from the mean, or expected value. A low standard deviation indicates that the data points tend to be very close to the mean; high standard deviation indicates that the data are spread out over a large of values

$$SD = \sqrt{\frac{\sum (x - \bar{x})^2}{n}}$$

$\sum$  = Summations sign

$x$  = Each value of data set

$\bar{x}$  = Mean of all the values in data set

$n$  = Quantity of numbers in a group

#### **4. Summated score**

Summated score is a method in which weights can be assigned to each scale. In this case 5 point likert scale was provided to the respondents. The scale varied from strongly disagree to strongly agree and weights were assigned (Strongly disagree=1, Disagree=2, Undecided=3, Agree=4, strongly agree=5). Score for each statement is calculated by multiplying the frequency of each scale with the weight assigned to it and then adding the scores of all the scales.

#### **Limitations of the study**

Any study based on survey through questionnaire suffers from the basic limitation of possibility of difference between what is recorded and what is the truth, no matter how carefully the questionnaire has been designed. This is because respondents may not deliberately report their true perceptions and even if they want to do so, there are bound to be differences owing to problems in filters of communication process. The error has been tried to be minimized by conducting interviews personally, yet there is no way of obviating the possibility of error creeping in. In addition to this:

1. Scope of study is confined to organized retail sector of Ludhiana so it is difficult to find conclusions about the whole population
2. Respondent may not deliberately report their true perceptions.
3. Sample size of the study is very small, so the results cannot be applied to whole population.

## **CHAPTER- IV**

### **RESULTS AND DISCUSSION**

This chapter presents the analysis of the primary data collected from the respondents. The first part of the chapter satisfies the first objective. This part of the research discusses and analyses the results of the interviews taken from the Customers. The second part of the chapter discusses and analyses the results from the information gathered from the retail Store managers in the Organized Retail sector.

#### **4.1 Factors contributing to impulse purchase**

For satisfying this objective, a sample size of 100 customers was selected. In the first part of the questionnaire the respondents were asked various questions regarding their demographic profile including gender, age, estimated annual income etc. Table 1-5 show the results of demographic profile of the sample.

##### **4.1.1 Profile**

**Table 1 : Distribution Of respondents on the basis of gender**

<b>Gender</b>	<b>Frequency</b>	<b>Percentage</b>
Male	62	62
Female	38	38
Total	100	100

Table 1 shows the distribution of respondents on the basis of gender. Men constitute 62 percent of the total sample size of the survey.

**Table 2: Distribution Of respondents on the basis of Age**

<b>Age</b>	<b>Frequency</b>	<b>Percentage</b>
20 years or below	15	15
21- 30 years	38	38
31- 40 years	27	27
41 or above	25	25
Total	100	100

Table 2 shows the distribution of respondents on the basis of age. The age is segregated in 20 years or below, 21- 30 years, 31- 40 years and 41 or above. It was found that majority of the respondents (38 percent) belonged to the age group 21-30 years followed by 27 percent in the 31-40 years age group and 25 percent 15 percent in the 41 years or above and 20 years or below category respectively.

**Table 3: Distribution Of respondents on the basis of Annual Income**

<b>Annual Income</b>	<b>Frequency</b>	<b>Percentage</b>
Below 2 Lakhs	34	34
2-4 lakhs	31	31
4-6 lakhs	22	22
6 lakhs or above	13	13
Total	100	100

Table 3 shows the distribution of the respondents on the basis of annual income. It was found that majority of the respondents (34 percent) belonged to the income group of below 2 lakhs



followed by 31 percent in 2-4 lakhs income group and 22 percent and 13 percent in 4-6 lakhs group and 6 lakhs or above group respectively.

**Table 4: Distribution Of respondents on the basis of Occupation**

<b>Occupation</b>	<b>Frequency</b>	<b>Percentage</b>
Self-employed /Business owner	19	19
Professional (doctor, Lawyer etc.)	16	16
Govt. Employee	12	12
Student	40	40
Any Other	13	13
Total	100	100

Table 4 shows the distribution of respondents on the basis of education. It was found that the majority the respondents (40 percent ) belonged to the category of student followed by 19 percent in the self-employed category, 16 percent in the Professional category and 13percent and 12 percent in any other and Government employee category respectively.

**Table 5: Distribution Of respondents on the basis of Education**

<b>Education</b>	<b>Frequency</b>	<b>Percentage</b>
Graduate	31	31
Post-Graduate	54	54
Doctorate	15	15
Total	100	100

Table 5 shows the distribution of respondents on the basis of their Education. It was found that the majority of the respondents (54 percent) belonged to the category of post graduates followed by 31 percent and 15 percent in graduate and Doctorate categories respectively.

#### 4.1.2 Factor analysis

In order to identify the factors affecting impulse purchase behavior 19 statements on 5 point likert scale were set. The responses obtained were put to factor analysis, wherein the reliability of the scale for farmers using Cronbach Alpha was 0.609 and the result so obtained was subject to Kaiser- Meyer- Olkin (KMO) measure of sampling adequacy, which came out to be 0.664. Eigen values for the factors with a variance greater than 1.0 were included showing 61.1831 of variance and first seven variables were retained. Varimax rotation method was used to extract Factor loadings and seven components/ factors as shown in Table 6 were extracted and labeled

**Table 6 : Results of Factor Analysis showing factors affecting Impulse Purchase Behavior**

<b>Factor label</b>	<b>Loadings</b>	<b>Statements</b>
<b>F-1</b> Sales person's Overall behavior With the customer and Shop density or congestion	<b>.461</b>	If the sales person is rude in any way, than, I'll leave the store immediately (x3)
	<b>.596</b>	Navigational aids are required in a store (x5)
	<b>.613</b>	I'll ignore the store which I find crowded (x6)
	<b>.606</b>	The products at the store should be easily accessible (x7)
	<b>.556</b>	Sales person should be fully aware of the product attributes (x9)
	<b>.549</b>	I usually think carefully before I buy something (x11)
<b>F-2</b> Internal state of Mind of the	<b>.708</b>	I find it difficult to pass up a bargain (x10)
	<b>.519</b>	I can become very excited if I see something I would like to buy (x16)
	<b>.629</b>	For me, shopping is a stress buster (x17)

customer	<b>.683</b>	It is a struggle to leave nice things I see in a shop (x12)
<b>F-3</b> Promotional schemes and Discounts offered by the store	<b>.636</b>	Promotional schemes and incentives help induce impulse purchase (x1)
	<b>.615</b>	I am more likely to shop when the stores are offering discounts (x14)
<b>F-4</b> The overall ambience and Store characteristics	<b>.675</b>	I often make unplanned purchases if store ambience is good (x4)
	<b>.699</b>	Innovative Store characteristics attract customers (x8)
<b>F-5</b> Self-regulation	<b>.619</b>	I sometimes feel guilty after having bought something (x13)
	<b>.702</b>	I only buy things that I really need (x15)
<b>F-6</b> Emotional state	<b>.594</b>	I make unplanned purchases when I feel stressed (x2)
<b>F-7</b> Personality Traits of the customer	<b>.514</b>	I often buy things without thinking (x18)
	<b>.649</b>	I am a bit reckless in buying things (x19)

According to Table 6 the most significant factor was found out to be “Sales persons overall behavior with the customer and shop density/congestion” with factors like “If the sales person is

rude in any way, than, I'll leave the store immediately, Sales person should be fully aware of the product attributes and I'll ignore the store which I find crowded".

It was followed by "Internal state of the mind of the consumer" with factors like "I find it difficult to pass up a bargain, I can become very excited if I see something I would like to buy, For me, shopping is a stress buster and It is a struggle to leave nice things I see in a shop".

The third most significant factor was "Promotional schemes and Discounts offered by the store" with factors like "Promotional schemes and incentives help induce impulse purchase" and "I am more likely to shop when the stores are offering discounts".

The fourth most significant factor was found out to be "The overall ambience and Store characteristics" with factors like I often make unplanned purchases if store ambience is good and Innovative Store characteristics attract customers. It was followed by "Self-regulation and Emotional state of the mind" with factors like I sometimes feel guilty after having bought something , I only buy things that I really need and I make unplanned purchases when I feel stressed.

The least significant factor was "Personality Traits of the customer" with factors like I often buy things without thinking and I am a bit reckless in buying things.

## **4.2 Role of organized retail outlets in impulse purchase**

This part of the chapter will satisfy the second objective of the research. A sample size of 20 store managers was selected from the organized retail stores of Ludhiana to understand the role of organized retail outlets in inducing impulse purchase.

**4.2.1** The first part of the questionnaire consists of some Statements related various external factors which could induce impulse purchase, and store managers were directed to Agree or Disagree with these statements. Responses to these statements were measured using Five-point Likert scale, varying from Strongly disagree to Strongly agree (Strongly disagree=1 and Strongly agree=5).

The results were computed using Summated score.

In this method weights are given to each category like( strongly disagree=1 and Strongly agree =5)

**Range** = Sample size\*1 , Sample size\*3 , Sample size\*5

In this case

Range =  $20*1$  ,  $20*3$  ,  $20*5$

So the range is= 20, 60, 100

If the score is between 20 and 60 than it lies in strongly disagree and disagree zone and if the score is lies between 60 and 100 than the statement is in strongly agree and agree zone. Table 7 shows the results.

**Table 7: Summated Score Analysis**

<b>Statements</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Undecided</b>	<b>Agree</b>	<b>Strongly agree</b>	<b>Summated score</b>
Window displays attract impulse buyers	0	0	0	7	13	<b>93</b>
Price discounts and schemes make people buy more than their original needs	0	5	3	6	6	73
The behavior of sales person can induce impulse buying	0	0	2	11	7	85
Sometimes assortment of the products can induce unplanned purchase	0	3	3	9	5	76
Overall Ambience is important	0	1	2	6	11	87

The score for each statement is calculated by using the following formula;

**Summated score**=  $\text{Score} * 1 + \text{score} * 2 + \text{score} * 3 + \text{score} * 4 + \text{score} * 5$

As discussed above, if the score lies between 60 and 100 hundred than the result is in agree and strongly agree zone.

In our case all the score of all the statements lies between 60 and 100.

So, the one which is the nearest to the higher limit i.e. 100 is the most widely used attribute by most of the Store managers. It was found that the Window displays had the highest score of 93, followed by Store overall ambience and sales persons overall behavior with scores of 87 and 85 respectively, followed by Assortment of the products and Price discounts and schemes with scores of 76 and 73 respectively.

#### **4.2.2 Ranking of the various external factors which induce Impulse purchasing behavior**

The second part of the questionnaire required the store managers to rank the various External factors which induce impulse purchase.

##### **The seven factors given were**

1. Promotional Incentives
2. Physical Attractiveness of Store
3. Store Characteristics
4. Store Displays
5. Sales Person's Overall Behavior
6. Store cleanliness and scent
7. Ambience

Store managers were required to Rank these factors from 1 to 7

##### **Rank 1 being the most important and Rank 7 Being the least important for inducing impulse purchase**

The results for this part of the questionnaire are calculated by Using Mean and Standard deviation

**Table 8: Ranking of the various External factors**

<b>External factors inducing impulse purchase</b>	<b>Mean Rank</b>	<b>S.D.</b>	<b>Rank</b>
Promotional Incentives	3.5	2.58	3
Physical Attractiveness of Store	4.55	1.61	5
Store Characteristics	4.85	1.53	6
Store Displays	<b>2.35</b>	1.42	1
Sales Person's Overall Behaviour	3.40	1.73	2
Store cleanliness and scent	4.20	1.88	4
Ambience	5.15	1.81	7

A customer may be influenced by various External factors like Store displays, Sales person's overall behavior, Promotional incentives or schemes offered by the retail stores. To study the various External factors which could induce impulse purchase, Mean rank and Standard deviation were used. Rank 1 depicts the most significant factor and Rank 7 depicts the least significant factor which induces impulse purchase.

Table 8 reveals that Store display is the most significant factor with the mean rank of 2.35 which induce Impulse purchase, followed by Sales person's overall behavior with the mean rank of 3.40, followed by Promotional incentives, Store cleanliness and scent, Physical attractiveness of the

store, Store characteristics and the Store ambience was found to be the least significant factor with a mean rank of 5.15.

## **Conclusion**

The results from the factor analysis reveal that the most significant factor inducing impulse purchase behavior is sales person's overall behavior with the customer followed by the internal state of mind of the consumer.

The results from the summated score analysis and Ranking of the external factors revealed that Window displays, Store displays and sales person overall behavior are the most important factors which induce impulse buying.



## **CHAPTER-V**

### **SUMMARY**

In this chapter, a brief summary and conclusions of the study have been presented, so as to fully understand the implications of the findings.

The increasing amount of spending in today's society has created a new life style that has been integrated and accepted among consumers. Owning items has become an expression of self-identity for a lot of consumers which has helped to increase shopping as a lifestyle. ). An impulse purchase or impulse buying is an unplanned decision to buy a product or service, made just before a purchase. One who tends to make such purchases is referred to as an impulse purchaser or impulse buyer. Research findings suggest that emotions and feelings play a decisive role in purchasing, triggered by seeing the product or upon exposure to a well-crafted promotional message. . Researchers have attempted to determine if people who frequently engage in this behavior have some common personality traits. Other researchers have suggested that internal states and environmental cues can serve to trigger the impulse to purchase.

This study attempted to investigate the relationship of various factors, with impulse buying tendency of consumers in the Organized Retail Sector of Ludhiana region. This article empirically evaluates the perception of the customers towards various in-store stimuli that is Merchandise, promotion, displays and ambience, across stores located in Ludhiana.

The study aims at achieving following objectives:

- I. To identify the factors which contribute in making impulse purchase in organized retail sector in Ludhiana
- II. To understand the role of organized retail outlets in impulse purchase by customers in Ludhiana

### **Findings**

1. The most significant factor which contributes in making impulse purchase is Sales person's overall behavior with the customer.
2. Internal state of mind of the customer came out to be the next most significant factor.
3. Least significant factors were Self-regulation, Emotional State of the customer, personality

traits of the customer.

4. Store displays and Sales person's overall behavior were ranked as the most important roles of the retail stores.
5. The lowest ranked external factors were Store characteristics and store ambience.

## **Conclusion**

The purpose of the study was to identify most significant factors inducing impulse purchase. Various statistical tools like factor analysis, summated score, mean and standard deviation were used to analyse the data obtained. Findings from the research show that the most significant factors (both internal and external) are Store displays, Sales persons overall behaviour with the customer, Internal state of mind of the customer and Promotional incentives and schemes which induce impulse purchase behaviour.

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**Annexure 1**  
**QUESTIONNAIRE**

**1) Name** \_\_\_\_\_

**2) Gender** \_\_\_\_\_

**3) Age (Please Tick)**

- 20 years or less
- 21 – 30 years
- 31 – 40 years
- 41 or above

**4) Annual Income (Please Tick)**

- Below 2 lakhs
- 2 – 4 lakhs
- 4 – 6 lakhs
- 6 lakhs or above

**5) Occupation (Please Tick)**

- Self Employed/Business owner
- Professional (Doctor, Lawyer, Teacher etc)
- Govt. Employee
- Student
- Other (please specify) \_\_\_\_\_

**6) Education (Please Tick)**

- Graduate
- Post Graduate
- Doctorate
- Other

**7) To what extent do you agree or disagree with the following statements?**

**(Please Tick)**

<b>Statements</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Undecided</b>	<b>Agree</b>	<b>Strongly Agree</b>
Promotional schemes or Incentives help induce impulse purchase					
I make unplanned purchases when I feel stressed					
Is the sales person is rude in any way, than, I'll leave the store immediately					
I often make unplanned purchases if store ambience is good					
Navigational aids are required in a store					
I'll ignore the store which I find crowded					
The products at the store should be easily accessible					
Innovative Store characteristics attract customers					
Sales assistants should be fully aware of the product attributes					
I find it difficult to pass up a bargain					
I usually think carefully before I buy something					
It is a struggle to leave nice things I see in a shop					
I sometimes feel guilty after having bought something					



I am more likely to shop when the stores are offering discounts					
I only buy things that I really need					
I can become very excited if I see something I would like to buy					
For me, Shopping is a stress buster					
I often buy things without thinking					
I am a bit reckless in buying things					

**Annexure II**  
**QUESTIONNAIRE**

- 1) Name \_\_\_\_\_
- 2) Gender \_\_\_\_\_
- 3) STORE MANAGER AT \_\_\_\_\_
- 4) To what extent do you agree or disagree with the following statements?

Statements	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree
Window displays attract impulse buyers					
Price discounts and schemes make people buy more than their original needs					
The behaviour of sales person can induce impulse buying					
Sometimes assortment of the products can induce unplanned purchase					
Overall Ambience is important					

- 5) Rank the following Impulse purchase inducing factors, Rank 1 being the highest.

External Factors Inducing Impulse Buying	Rank
Promotional Incentives	
Physical Attractiveness of Store	
Store Characteristics	

Store Displays	
Sales Person's Overall Behaviour	
Store cleanliness and scent	
Ambience	

## VITA

Name	:	Gunsagar Singh
Father's Name	:	Mr. Ravinder Singh
Mother's Name	:	Dr. Amandip Kaur
Nationality	:	Indian
Date of Birth	:	25 February, 1991
Permanent Address	:	387-r model town, Ludhiana
Phone No.	:	+919417460382

## EDUCATIONAL QUALIFICATION

Bachelor's Degree	:	B.Com ( Hons.)
University and Year of Award	:	Panjab University, 2012
Percentage	:	73%
Master's Degree	:	M.B.A. (Marketing)
University and Year of Award	:	Punjab Agricultural University, 2014
OCPA	:	7.66/10.00
M.B.A. Research Project	:	Impulse Purchasing Behavior: A Study of Organized Retail Outlets of Ludhiana