Grocery Consumers Purchase Preferences for Buying from Traditional and Modern Shops

Y. Durge *(ydkrishna@yahoo.com)*
GNVS Institute of Management, India

Abstract

The Traditional Grocery market consists mainly of Kirana, Wholesalers, Grahak Panchayat, and KiranaSupermarket. Kirana shops are generally situated close to or within residential areas often in the ground floors of residential buildings. Wholesalers are situated in areas which conventionally are in designated wholesale market areas. Mumbai Grahak Panchayat is the largest voluntary consumer organization in Asia, having distribution centers in Mumbai, Thane, Palghar, and Raigad. KiranaSupermarkets were traditionally Kirana shops now converted into mini supermarkets with self-service and trolleys to move around in isles within the shops. With the opening of Modern Shops Traditional retailers have lost a share of the customers purchasing basket. Food is a basic requirement of all people irrespective of their class or status in society. Groceries are required for daily life. Increasing inflation and the increase in prices of goods makes the purchase of groceries a sensitive area for consumers who require purchasing day in and day out. With an increase in competition amongst retail formats, consumers have wider choices from where they can shop. A Quota Sample of 559 Households of Low, Medium, and High income groups was studied through the Survey method, in Thane City, Maharashtra, India. This paper attempts to study where consumers purchase their groceries from amongst formats such as Kirana, Wholesalers, KiranaSupermarkets, and Modern shops. An analysis of the Input, Throughput, and Output shows three areas of Procurement, Value Addition, and Marketing & Selling that present strengths, weaknesses, opportunities, and threats for traditional and modern retailers.

Keywords: Grocery Retail India, Kirana, Wholesalers, Kiranasupermarkets, Modern Shops

INTRODUCTION

India's Retail segment is expected to reach USD 1 Trillion over the next five years as it expands at a compounded annual growth rate of 15%. The Packaged Consumer Goods Sector is estimated to grow at a pace of 18% and cross the USD 100 billion mark. The retail opportunity in India is substantial (Ficci-PwC Report). This report also states that India's retail sector is expected to double to $1.1-1.2 trillion from $630 billion in 2015 at a compound annual growth rate (CAGR) of 12% by 2020.

India in 2012 had opened up the Multi Brand Segment to Foreign Direct Investment upto 51%. The 2016 Budget saw the government allow 100% Foreign Direct Investment in Multi Brand processed food retailing, as long as they are sourced and manufactured within India. Such ventures however must seek approval from Foreign Investment Promotion Board (FIPB). Multi Brand processed food retailing is a sensitive area as small retailers fear their businesses will be jeopardised by the entry of large companies.[1]

The Traditional Grocery market consists mainly of Kirana, Wholesalers, Grahak Panchayat, and KiranaSupermarket. Kirana shops are generally situated close to or within residential areas often in the ground floors of residential buildings. Wholesales are situated in areas which conventionally are in designated wholesale market areas. Mumbai Grahak Panchayat is the largest voluntary consumer organization in Asia having distribution centers in Mumbai, Thane, Palghar, and Raigad. KiranaSupermarkets were traditionally Kirana shops now converted into mini supermarkets with self-service and trolleys to move around in isles within the shops. The Modern Retail Trade Sector, refers to trading activities undertaken by licensed retailers, who are registered for sales tax, income tax etc., who employ staff legally, pay provident fund for its staff and who use technology for their sales management like automatic billing, credit card acceptance, is growing and eating into the pie of Traditional Retailers.

Food is a basic requirement of all people irrespective of their class or status in society. Groceries are required for daily life. Increasing inflation and the increase in prices of goods makes the purchase of groceries a sensitive area for consumers who require purchasing such

[1] http://economictimes.indiatimes.com/industry/services/retail/budget-2016-retailers-like-walmart-tesco-to-gain-as-govt-allows-100-fdi-in-multi-brand-processed-food-retailing/articleshow/51202128.cms

day in and day out. With an increase in competition amongst retail formats consumers have wider choices from where they can shop. The objective of the research is to understand where consumers are buying different categories of groceries from in order that retailers are able to serve them better and to survive the competition.

REVIEW OF LITERATURE

Store choice and patronage have been widely studied. Some articles in Indian Journals have looked at the marketing decisions taken by the retailers using point of sale (POS) data (Banerjee and Banerjee 2000; Banerjee and Divakar 2000). Shopper may also evaluate each of the situations in the light of the cost incurred and the utilities derived out of shopping (Sinha and Banerjee 2004). The retailing environment / formats are changing rapidly leading to changed shopper expectations. With the entry of large domestic companies in modern multi brand retail and foreign retailers in wholesale trade the competition for traditional retailers and traditional wholesalers has multiplied. Hence a study of grocery consumers purchase preferences for buying from traditional or modern shops is desirable.

METHODOLOGY

This paper is based on the data collected for the researchers Ph.D. thesis: An Analytical Study of Urban Consumers' Expectations of Retail Store Environment in Thane City, 2013. A Quota Sample of 559 Households of Low, Medium, and High income groups was studied through the Survey method, in Thane City. The researcher used a Questionnaire Cum Interview Schedule to conduct personal interviews of respondents, to fill the income quotas required for the study. The questionnaire contained both open and close ended questions which elicited information and opinions of respondents. Respondents were selected directly from housing societies in which people live. Housing societies in Thane are of different types – formed on the basis of community / occupation basis i.e. Government / Company colonies, MHADA Built housing colonies and Private housing societies of different income levels. The effective unit of study was the household. Most Modern format shops are situated in Thane (W) where the consumers have the options of shopping at both modern and traditional shops. Hence, this study is restricted to Thane (W) only. Purchase behaviour relating to essential, non-essential, perishables, and non-food items is studied to understand where consumers purchase their groceries from amongst formats such as Kirana, Wholesalers, KiranaSupermarkets, and Modern shops.

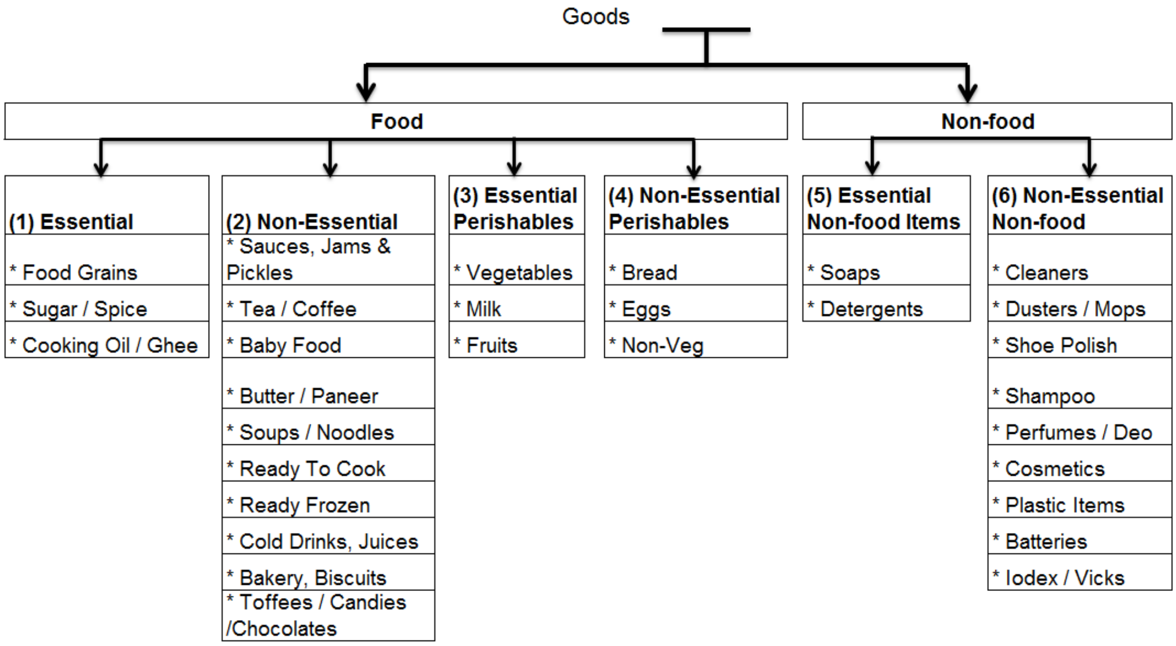
FINDINGS AND DISCUSSION

Traditional Retail taken together i.e. Traditional Wholesalers, Kirana Shops, and Kirana SuperMarkets still constitute the largest chunk of respondent's destinations for shopping. But a granular view with a break up among the Traditional Retailers into Traditional Wholesale and Traditional Kirana Shops shows that in case of Perishables (Vegetables, Fruits, Bread, Eggs, and Non Veg) and Essential Food Items (Grains, Pulses, Sugar, and Spices) Traditional Retailers are leading.

Modern Retail is eating up into the Traditional Retailers share of market in some Essential Food (Cooking Oil, Ghee), and in Non Essential Food, Essential Non Food and Non Essential Non Food items.

Goods are categorized into Food and Non-food and further according to Essential, Non-Essential, Essential Perishables, Non-Essential Perishables, Essential Non-food Items, and Non-Essential Non-food Items (See Diagram 1.1).

Diagram 1.1



Source: Durge, Y. (2013) An Analytical Study of Urban Consumers' Expectations of Retail Store Environment in Thane City.

Detailed Purchase Patterns of Respondents: Food Items

Traditional Wholesale shops account for the largest number of respondents purchasing essential items Grains, Pulses (35.1%), and Sugar, Spices (31.5%). Traditional Wholesale shops sell these loose i.e. not in pre-packaged form and by weight. This is followed by Modern Shops (25%) and Kirana Shops (20.9%). Modern Shops account for the largest number of respondents purchasing Packaged Consumer goods (Cooking Oil, Ghee, Sauces, Jams, Pickles, Tea, Coffee, Baby Foods, Butter, Paneer, Soups, Noodles, and Ready to Cook, Frozen, Cold Drinks, and Juices). Such goods sell on Maximum Retail Prices (MRP) prices and Modern Shops often offer discounts on these. This makes it attractive for consumers to purchase these from Modern Shops. A point to note is that apart from Cooking Oil / Ghee some respondents have reported not purchasing some of these items (i.e. Packaged Consumer goods) at all. This may either be because some of the respondents may make these at home, or not consume such items at all or may not purchase these as they are an unnecessary expense or in some cases they may not be able to afford such goods.

For Cooking Oil, Ghee Traditional Wholesale Shops are preferred by 32.4% respondents. These are purchased in bulk or large quantities and Traditional Wholesale Shops reduce prices on the same. Kirana Shops account for the largest number of respondents purchasing Bakery items (35.8%). This is because Kirana shops are ubiquitous and easily accessible and Bakery items are best purchased and consumed fresh (See Table 1.1).

Table 1.1

Detailed Purchase Pattern of Respondents: Food Items

		Kirana Alone		Wholesale Alone		KiranaSuper mkt Alone		Mixed Traditional		Modern Alone		Mixed - Traditional & Modern		Total		*Do Not Buy	
Sr		N	%	N	%	N	%	N	%	N	%	N	%	N	%	N	%
1	Grains, Pulses	117	20.9	196	**[35.1]-I**	63	**[11.3]**	6	1.1	140	25.0	37	6.6	559	100	0	0
2	Sugar, Spices	127	22.7	176	**[31.5]-I**	62	**[11.1]**	6	1.1	168	30.1	20	3.6	559	100	0	0
3	Cooking Oil, Ghee	93	16.6	181	**[32.4]**	55	9.8	2	.4	217	**38.8-I**	11	2.0	559	100	0	0
4	Sauces Jams Pickles	79	16.4	88	18.3	47	9.8	5	1.0	245	**50.9-I**	17	3.5	481	100	78	14.0
5	Tea, Coffee	98	18.5	147	27.8	54	**[10.2]**	3	.6	209	**39.5-I**	18	3.4	529	100	30	5.4
6	Baby Foods	20	17.4	25	21.7	6	5.2	0	0	63	**[54.7]-I**	1	.9	115	100	444	79.4
7	Butter, Paneer	146	**[36.5]**	29	7.3	31	7.8	1	.3	172	**43.0-I**	21	5.3	400	100	159	28.4
8	Soups, Noodles	86	20.5	57	13.6	36	8.6	3	.7	223	**53.2-I**	14	3.3	419	100	140	25.0
9	Ready to Cook	16	10.0	11	6.9	11	6.9	1	.6	117	**[73.1]-I**	4	2.5	160	100	399	71.4
10	Frozen Food	22	15.8	6	4.3	6	4.3	0	0	102	**[73.3]-I**	3	2.2	139	100	420	75.1
11	Cold Drinks, Juices	100	27.8	29	8.1	22	6.1	2	.6	189	**52.5-I**	18	5.0	360	100	199	35.6
12	Bakery	178	**[35.8]-I**	63	12.7	48	9.7	5	1.0	171	34.5	31	6.3	496	100	63	11.3
13	Toffees, Choc	114	**[33.1]**	33	9.6	32	9.3	0	0	148	**43.0-I**	17	4.9	344	100	215	38.5

[Denotes 3 Highest Categories Within a Shop Type]

I - Denotes The Highest Category Among Shop Types

*Out of 559

Detailed Purchase Patterns of Respondents: Non Food Items

The largest numbers of respondents purchase Soaps (40.0%) and Detergents (40.6%) from Modern Shops. Both these categories come under Packaged Fast Moving Consumer Goods (FMCG) and Modern Shops often give discounts or offers (e.g. free items such as buckets) on these. These offers / free items may be offered by the Modern Shops themselves or by the Company manufacturing the products. Kirana Shops often do not pass on the freebies given by the Company manufacturing the products to customers. The second largest numbers of respondents purchase Soaps (28.6%) and Detergents (28.6%) from Traditional Wholesalers. This again points to price sensitivity amongst consumers. For Cleaners, Dusters, Mops, Shoe Polish, Shampoos, Perfumes, Deo, Cosmetics, Plastic items, Batteries Modern Shops are leading. For Iodex and Vicks largest numbers of respondents prefer Traditional shops (63.9% Chemists & 10.8% Kirana) as such shops are easily accessible (See Table 1.2)

Table 1.2

Detailed Purchase Pattern of Respondents: Non Food Items

sr		Wholesale Alone		Kirana Alone		Kirana Super market Alone		Mixed Traditional		Mixed - Traditional & Modern		Modern Alone		Total		*Do Not Buy	
		N	%	N	%	N	%	N	%	N	%	N	%	N	%	N	%
1	**Soaps**	160	28.6	92	16.5	52	9.3	4	.7	27	4.8	224	**40.0-I**	559	100.0	0	0
2	**Detergents**	160	28.6	94	16.8	53	9.5	4	.7	21	3.8	227	**40.6-I**	559	100.0	0	0
3	Cleaners	157	28.4	100	18.1	52	9.4	4	.7	19	3.4	221	**39.9-I**	553	100.0	6	1.1
4	Dusters, Mops	150	27.9	133	**[24.7]**	51	9.5	4	.7	11	2.0	189	**35.1-I**	538	100.0	21	3.8
5	Shoe Polish	71	20.9	63	18.5	26	7.6	1	.3	6	1.8	173	**[50.8]-I**	340	100.0	219	39.2
6	Shampoos	155	30.3	69	13.5	44	8.6	1	.2	13	2.5	230	**44.9-I**	512	100.0	47	8.4
7	Perfume, Deo	130	**[31.6]**	25	6.1	21	5.1	0	0	7	1.7	228	**[55.4]-I**	411	100.0	148	26.5
8	Cosmetics	169	**[39.3]**	41	9.5	19	4.4	1	.2	6	1.4	194	**[45.1]-I**	430	100.0	129	23.1
9	Plastic Items	184	**[35.7]**	76	14.8	24	4.7	0	0	22	4.3	209	**40.5-I**	515	100.0	44	7.9
10	Batteries	94	19.2	170	**[34.6]**	25	5.1	3	.6	15	3.1	183	**37.3-I**	490	100.0	69	12.3
11	Iodex, Vicks	25	4.9	381	***[74.7]-I**	7	1.4	1	.2	7	1.4	89	17.5	510	100.0	49	8.8

[Denotes 3 Highest Categories Within a Shop Type]

I - Denotes The Highest Category Among Shop Types

*(63.9% Chemists & 10.8% Kirana)

*Out of 559

Purchase Pattern: Vegetables & Fruits

Traditional – Street Markets, Thelas (handcarts with wheels which can be moved around adroitly) and Municipal Markets are most preferred by consumers for Vegetable purchases

(86.7%) and Fruits (88.3%). Modern Shops often situated in Malls are difficult to access for Vegetables and Fruits which are bought often or frequently to consume fresh (See Table 1.3).

Table 1.3

Purchase Pattern: Vegetables & Fruits

Sr.		Vegetables N	Vegetables %	Fruits N	Fruits %
1	Traditional - Street / Thelas / Municipal Markets	483	**86.7**	462	**88.3**
2	Mixed - Traditional & Modern	46	**8.3**	35	**6.7**
3	Modern Only	28	**5.0**	26	**5.0**
4	Total	557	**100**	523	**100**
5	Do Not Buy	2	**.4**	36	**6.4**

* Do Not Buy Out of 559

Purchase Pattern: Milk & Bread

Milk is Home Delivered to (50.3%) respondents which points to an excellent distribution system in place albeit (45.5%) respondents purchasing the same from Kirana / Dairy Shops. Some consumers are price sensitive and want to save the per packet delivery charge levied for home delivery of milk. Kirana / Dairy / Street Markets are favoured (86.0%) for purchase of Bread which is again an item that is bought on a frequent basis (See Table 1.4).

Table 1.4

Purchase Pattern: Milk & Bread

Sr.		Milk N	Milk %	Bread N	Bread %
1	Home Delivered	272	**50.3**	21	**5.0**
2	Kirana / Dairy / Street Markets	246	**45.5**	362	**86.0**
3	Modern	19	**3.5**	26	**6.2**
4	Modern + Kirana / Dairy / Street Markets	4	**.7**	12	**2.9**
5	Total	541	**100**	421	**100**
6	* Do Not Buy Milk / Bread, Out of 559	* 18	3.2	* 138	24.7
7	Grand Total	559		559	

Purchase Pattern: Eggs

Kiran / Street Markets are mainly favoured for purchase of Eggs (61.2%). A sizeable number of respondents have Eggs Home Delivered (15.3%). This delivery could be through Kirana Shops or independent small sellers who go on bicycle from one housing society to another. The latter are fast disappearing. In urban areas there is development and redevelopment of Housing Societies. With newer Housing Societies professional security services are used and small sellers / vendors are not allowed in the society premises (See Table 1.5).

Table 1.5

Purchasing Pattern: Eggs

Sr.		N	%
1	Home Delivered	64	**15.3**
2	Kirana / Street Markets	256	**61.2**
3	Wholesale	71	**17**
4	Modern	19	**4.5**
5	Modern + Kirana / Street Markets	8	**1.9**
6	Total	418	**100**
7	*Do Not Buy Eggs, Out of 559	* 141	25.2
8	Grand Total	559	

Purchase Pattern: Non Veg

Street Markets are most favoured for Purchase of Non Veg (86.8%). Respondents reported their concern about 'fresh or freshness' of non veg as opposed to frozen cold storage products. Hence Street Markets are favoured for the purchase of the same (See Table 1.6). The frozen foods / products industry will have to work hard to change perceptions of consumers and convince them of the freshness of their products to encourage them to buy cold storage products.

Table 1.6

Purchase Patttern of Respondents: Non Veg

Sr.		N	%
1	Street Markets	317	**86.8**
2	Both Modern + Street Markets	15	**4.1**
3	Modern	33	**9.0**
4	Total	365	**100.0**
5	*Do Not Buy, Out of 559	* 194	34.7
6	Grand Total	559	

SWOT (Strengths, Weaknesses, Opportunities, and Threats) Analysis through an Exploration of Input, Throughput, and Output

An analysis of the Input, Throughput, and Output shows three areas of Procurement, Value Addition, and Marketing & Selling that present Strengths, Weaknesses, Opportunities, and Threats for Traditional and Modern Retailers.

Procurement in large quantities reduces cost for Modern Retailers who pass on the discounts to consumers. This is especially in case of Packaged Fast Moving Consumer Goods. Amongst Traditional Retailers the Wholesale shops also give lower prices to consumers purchasing in bulk. For Traditional Wholesalers a new threat is in the form of Modern Wholesale such as Wal-Mart, Metro Cash and Carry, and Bookers. These Modern Wholesale shops are actively targeting provision / general stores, dairy's, pan shops, sweet / farsan, stationery / gift, medical shops, bakeries, pubs & bars, hotels, restaurants & caterers, schools, and hospitals to register and purchase from them. Such shops require customers to possess a variety of proofs i.e. Identity proof, Business proof, and Address proof in order to qualify for shopping there. No such requirement is necessary for shopping at Traditional Wholesale shops.

The threat for Kirana Shops is that they procure in smaller quantities and do not have much scope for giving consumers discounts or price offs. Kirana Shops need to consider forming cooperatives amongst themselves to procure goods centrally to reduce sourcing costs.

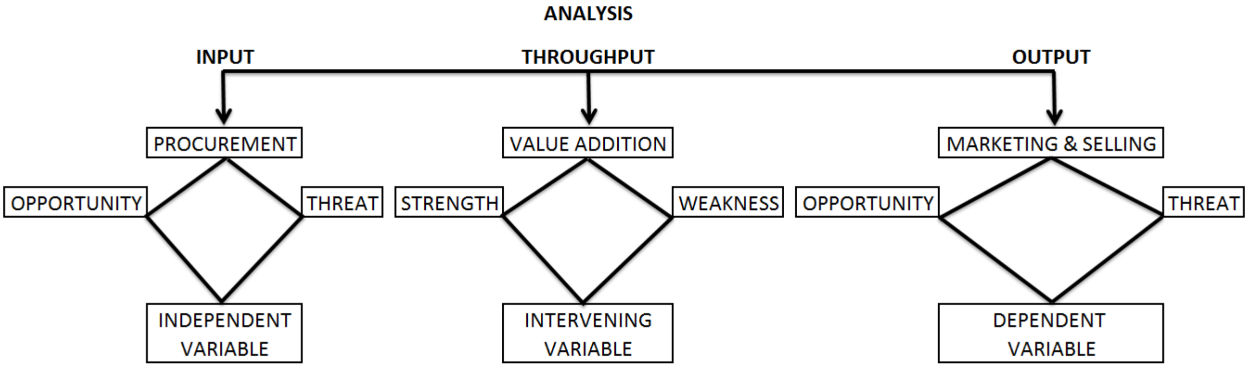
In terms of value addition, Modern Shops offer the convenience of all shopping under one roof, air conditioning and comfortable ambience, touch and feel product factor, parking facility, discounts, offers, and loyalty schemes, payment through credit / debit card to entice consumers to purchase there. Kirana Shops have limited variety of goods but have the advantage of being close to the consumers often in the ground floors of buildings. They need to focus on strengthening their home delivery service. Kirana Shops also cater to those customers who prefer to buy in small quantities and to those who need / want to buy on credit. These shops also accept Sodexo meal coupons as payment for purchase of groceries which many Modern Shops refuse to do. Kirana Shops need to start accepting payments through credit / debit card from customers. Traditional Wholesalers are of no frills type with grains / pulses of different varieties in open display sacks and they provide home delivery to bulk purchasers. They do not accept payment through credit / debit card. KiranaSupermarkets were earlier Kirana Shops which have now transitioned to mini supermarkets with isles, trolleys, and offer the convenience of self-service to customers. They accept payment through credit / debit cards, and offer some discounts on goods. KiranaSupermarkets often have loyalty programs such as on purchase of a certain minimum every month for 12 months customers get the shopping of the 13th month to that extent free. This helps to lock in customers with the shops.

Modern Shops advertise heavily in print, on television, through email and sms (short message service or text message) on phone. Traditional Wholesalers, Kirana Shops, as well as KiranaSupermarkets do not do any form advertising at all. Traditional Shops need to advertise in the form of newspaper inserts in the local areas they operate in. This will help to get in touch with customers in their catchment areas. Such shops could use sms or WhatsApp types of free messenger services to attract customers to new products or freshly available products arrived at their shops. Traditional retailers also need to improve on their communications and soft skills while dealing with customers. Some such shops are well known for their rude behaviour towards customers. Traditional retailers need to install some kind of simple yet computer based systems such as billing, printing invoices, and keeping databases of customers. These shops need to take phone order bookings, a blessing for busy customers.

Modern Shops supply new types of goods, foreign goods, and organic foods which make these shops a destination to go to. Modern shops are constantly striving to make their shopping experience world class while retaining the essentials that build its local relevance.

Better visibility and display of promotional lines makes customers aware of the best priced products in the store.[2] Modern Shops offer large variety which is their strength. But this can also be weakness as consumers get tempted to purchase things not required. Traditional retailers have the advantage of being around the corner, less time is spent in shopping and fewer unnecessary products are purchased at such shops. This time saving is an advantage to busy consumers who very often simply drop in a list of their requirements which are home delivered to them subsequently. And Traditional retailers are open for long hours.

Diagram 1.2



Looking into the Future

Nature teaches us that life does not progress in a linear way. The lives of individuals, companies and organizations all follow cycles. The Sigmoid curve is a mathematical concept which is a stretched out S shape lying on its side which charts a route.[3] The Sigmoid or S-shaped curve describes how things go in life. They start out with a dip then grow and move up the curve and eventually wane. Everything wanes – empires, corporations, product lifecycles, relationships, even life itself.

Charles Handy used the concept of the Sigmoid or S-shaped Curve to describe how companies can get continued growth in the future by building a new curve before the first one

[2] Star Bazar to Soon Have More Space for Groceries, Apparel, The Economic Times Mumbai, Monday 1 August 2016

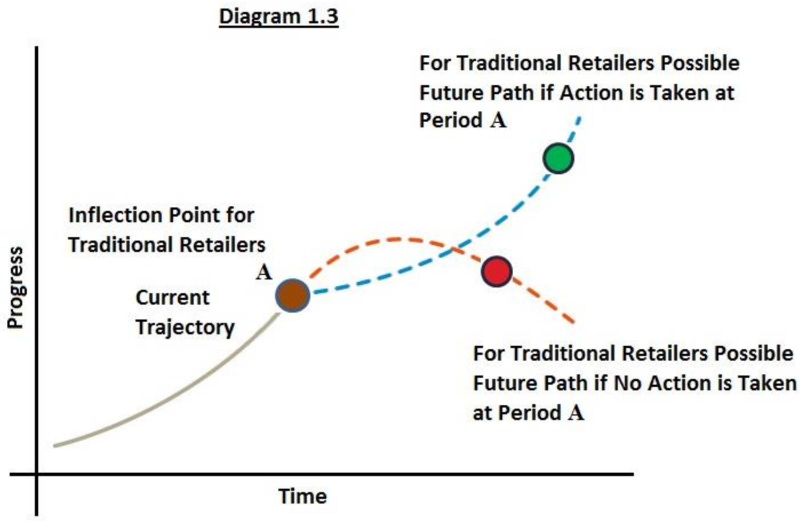
[3] http://www.dumblittleman.com/2008/10/lesson-of-sigmoid-curve.html, Tips for Life, accessed 07/09/2016

begins to descend. This means being constantly inventive and creative. Handy believes that one has to be ahead of the problem and think ‘second-curve’. The trick according to him is not to let go of the past all at once. Don’t abandon the first curve until you have built the second one. It is important to take charge of the future. Not by responding to it.

Traditional Retailers - Wholesalers, Kirana Shops and KiranaSupermarkets are facing immense competition from Domestic Modern Retailers. The concept of ‘cash and carry wholesale trading’ was formally notified in the Foreign Direct Investment (FDI) policy in 1997 and 100 per cent foreign investment was permitted therein with prior approval of the government. After a period of almost 10 years, cash and carry wholesale trading was liberalized and brought under the automatic route in 2006, without any conditionality’s and restrictions.[4] Traditional Wholesalers now face stiff competition from Modern Wholesalers (i.e. Cash and Carry).

This is an inflexion point at which Traditional Retailers and Traditional Wholesalers have to change and experiment with new ideas. Some of the ways they may adapt is by using new technology, common procurement amongst themselves, offering some kind of loyalty programs to customers, and strengthening their home delivery systems (See Diagram 1.3).

[4] Foreign Direct Investment in Cash & Carry Wholesale Trading http://www.rna-cs.com/foreign-direct-investment-in-cash-carry-wholesale-trading/ accessed on 07/09/2016



Reference: The Sigmoid Curve
Handy, C. (1995), The Empty Raincoat: Making Sense of the Future, Random House Business

According to Charles Handy the hatched period beneath the peak is difficult as it is a struggle to keep what is the best while experimenting with the new. For Traditional Retailers there is another hill to climb now but there is no sense of where to find it. Traditional Retailers need to find the second curve before the first one turns down.

CONCLUSION

Competition from Modern Trade is increasingly eating into the pie of Traditional Retailers profits. Fears of Traditional Retailers being wiped out have held back policy makers from allowing 100% Foreign Direct Investment in Multi Brand Retail in India and without any restrictions. Traditional Retailers are at Point A on the Sigmoid Curve. The only thing that is indeterminate is the length and duration of each part of the curve. How long do they have is anybody’s guess.

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