

AN ANALYSIS OF THE IMPACT ORGANISED RETAIL CHAINS ON TRADITIONAL RETAILERS: A STUDY FROM KERALA

Libi K.C¹

Abstract

Retail market plays a major role for consumers in their consumption needs. Broadly there are two types of retail market in the form of traditional retail shops or *kirana* shops and organised retail shops in the form of super markets, hypermarkets, convenient stores and malls. The traditional retail shops are family run establishments, whereas the organised retail outlets are large retail chains and providing various consumables under one roof along with state-of-the-art facilities. Even though, the majority of the retail shops are traditional shops, they are facing a severe competition from modern organised retail establishments since the consumers are attracted to it for various reasons. The study looks into the impact of organised retail shops on the business prospects of family run *kirana* shops and how the traditional retail shops can compete with organised retail shops. The study was carried out on 109 respondents with google forms and the samples were selected from the Kozhikode district of Kerala. It has found that the consumers are preferring modern retail shops due to the opportunity for self-selection, availability of various items under one roof, availability of good quality products and modern facilities like online payments. Therefore, traditional retail shops should match these facilities for their survival.

Keywords

Retail sector, Traditional retail shops, Organised retail chains, Consumer behaviour, *Kirana* shops, Supermarkets

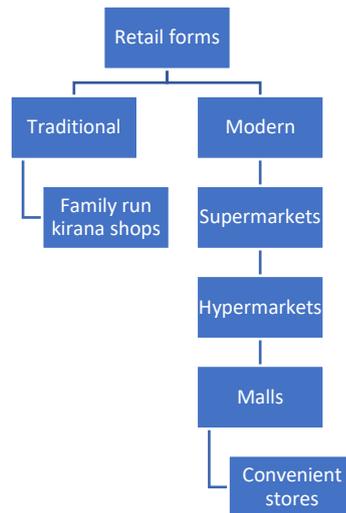
Introduction

Two retail forms are operating in Kerala. Firstly, the family-run small traditional retail shops which are popularly known as *kirana* shops and the second one is much more organised and they are like supermarkets, hypermarkets, convenience stores and malls. The organised retail outlets are of recent origin and are posing a threat to the existing traditional *kirana* shops especially in the urban area. The reason for the competitive advantage to the modern organised retail

¹ Assistant Professor, Economics, S.A.R.B.T.M Government College, Koyilandy, Muchukunnu. (Research Scholar in Economics, Kannur university).
libikc@gmail.com,

formats is its state-of-the-art facilities, customer orientation, added facilities to the consumers like self-selection, offers and discounts and many more. This paper tries to address the problems faced by traditional retail shops from a consumer perspective from the information collected from the consumers.

Fig.1 Classification of different market forms



Literature Review

Lu & Reardon (2018) asserts that consumers taste, preference and shopping cost has evolved a lot in the recent past. Consumers have already shifted to supermarkets from the traditional retail shops and now they are fast-moving to online shopping.

Maruyama & Trung (2007) describes that there are many obstacles to the development of supermarkets in Vietnam. Proximity to the consumers is the main problem and the second one is the high price charged by them. These two factors have to be taken care of for the development of supermarkets.

Reardon & Hopkins (2006) observed that there is a supermarket revolution happening since the 1990s. There are various forms of supermarkets like convenience stores, hypermarkets, mini markets etc. The supermarkets have on the one hand reduced the price to be paid for food items and on the other hand increased the revenue to the small farmers and suppliers.

Reardon et al. (2003) opined that earlier, the supermarkets were a place of purchasing by the rich people and now it has changed and it is a place for all now. The processed food products are the main item which is dealt with in the supermarkets.

Goswami & Mishra (2009) concluded that proximity, quality, ambience, customer service, cleanliness, offers and quality. The small kirana shops or the traditional shops manage only the proximity factor and outscore in all the others. These factors should be taken care of by the traditional shops to prevent them from going into oblivion.

Nair & Nair (2018) put forward that brand loyalty along with growth of the economy and infrastructure are the main determinants of the growth of the organised retail sector in Kerala. Decent remuneration, location and management intervention can take the organised markets to new heights.

Purushothaman (2018) observed that the organised retail markets are giving speedy service to the consumers and other added advantages like parking facilities, payment options and after-sales services etc. The traditional retailers have to work very hard to come up with stiff competition from the modern supermarkets.

The literature review suggests that there is a gap in research in the form of the impact of the modern retail forms on the traditional retail shops which need to be studied and this paper attempts to fill that.

Objectives

Following are the main objectives set for the study.

- To analyse the reasons for preference of the individuals in the selection of supermarkets over traditional retail shops for their consumption needs.
- To find out the measures to be taken by the traditional retailers to compete with the supermarkets.

Material and methods of the study

The study has used a convenient sample method to take the responses from individuals of Kozhikode district of Kerala state and the data collected from a sample of 109 respondents covering all the sections of the society. The questionnaire was circulated by using google form and the respondents were given one week time to fill up their responses and all of them were responded. The respondents were selected from all the Taluks of Kozhikode district to maintain randomness.

Discussion

Kerala is a consumer state and the consumption needs of the consumers are done by the individuals from their nearby retail shops. There are two forms of retail shops generally in the form of traditional retail shops and the newly emerged

modern supermarkets. The traditional retail shops are managed by the owner himself or with one or two assistants. The main source of revenue for their family expense and other day-to-day expenditure is met from the family-run retail shop. Therefore, traditional retail shops are very important in terms of employment generation as well. The analysis made about income, frequency of visit to traditional as well as supermarkets, their likings to the forms of shops and the items they willing to purchase from the retail forms among other things. The survey was conducted in June 2021.

Demographic profile of the respondents

109 respondents from various walks of life in the Kozhikode district participated in the survey. In those 59 respondents were men, 49 respondents were women and one transgender.

Religion: 84 respondents belong to the Hindu religion; 14 respondents were Christians and 11 respondents were Muslims.

Job Profile: The employment status of the respondents is shown in the table given below.

Sl No	Job	No: of respondents
1	Daily wage	32
2	Agriculture	2
3	Business	10
4	Govt job	31
5	Working abroad	6
6	Private job	8
7	Others	20

The data shows that the maximum number of the respondents belong to daily wage labours and are followed by government servants.

Place of residents: 81 respondents are from Panchayath, 19 respondents are from Municipality and 9 respondents are from Corporations.

Monthly income: The monthly income of the respondents is shown in the table below.

Income	Number of respondents
Below 5000	32
5000-10000	18

10000-20000	14
20000-30000	8
30000-40000	9
40000-50000	7
Above 50000	21

The majority of the respondents are earning a monthly income below Rs 5000. Frequency of visits to traditional retail shops in a month is as follows:

Frequency of visits	No: of respondents
Less than 2 times	16
3 times	11
4 times	13
5 times	10
More than 5 times	59

The table shows that 59 respondents who are more than 50% of the total respondents are of the habit of visiting traditional retail shops for their consumption needs more than 5 times a month.

Frequency of visit to supermarkets in a month is as follows:

Frequency of visits	No: of respondents
Less than 2 times	63
3 times	13
4 times	11
5 times	5
More than 5 times	18

57.8% of the total respondents are visiting less than 2 times in a supermarket for their consumption needs in a month and 16.5% of the total respondents are visiting the supermarkets more than 5 times in a month. However, 57 respondents (52.3%) respondents have reported that they like supermarkets over traditional retail shops for their consumption needs.

Items preferred for purchasing from traditional retail shops:

SI No:	Items	No: of respondents
1	Food items	81
2	Textile items	34
3	Utensils	11
4	Fancy items	21

5	Cosmetics	6
6	Vegetables	80
7	Electronics	13

Food items (74.3%) and vegetables (80%) are the leading items that are being purchased from the traditional retail shops since they are being desired at a fresh delivery.

Items preferred for purchasing from supermarkets.

SI No:	Items	No: of respondents
1	Food items	69
2	Textile items	22
3	Utensils	47
4	Fancy items	28
5	Cosmetics	37
6	Vegetables	36
7	Electronics	28

Even though food items contribute the largest chunk of items desired to be purchased from the supermarkets, an interesting scenario seen is that there is an even distribution of desire to purchase things from the supermarkets which is a possible threat to the traditional retail shop since there is a possible shift of consumers for the purchase of other less desired items from them.

Reasons for preferring traditional shops:

SI No	Reason	No: of respondents
1	Proximity	84
2	Friendship	50
3	Low price	27
4	Quality	23
5	Speedy service	26
6	Availability under one roof	11

84 respondents out of 109 are preferring traditional retail shops due to the nearby availability and 50 respondents purchase due to the friendly relation maintained with the shop owner. Some other factors influencing the buyers are low price, quality, speedy service and availability under one roof with 27, 23, 26 and 11 respondents respectively. The first two factors are the reasons from the side of consumers and the other four are with the retailers. The main issue to be noted is

that, once the proximity and friendly relations decrease, there are possibilities of the consumers shifting to other alternatives.

Reasons for preferring supermarkets:

SI No	Reason	No: of respondents
1	Proximity	17
2	Friendship	2
3	Low price	21
4	Quality	43
5	Online payment	43
6	Availability under one roof	42
7	Self-selection	55
8	Availability of different brands	48
9	Entertainment	10
10	Restaurant facility	6
11	Children amenities	6

It is evident from the above table that the consumers have become conscious of quality and self-selection. 55 respondents choose supermarkets due to the facility of self-selection followed by 48 respondents due to the availability of multiple brands of the similar commodity, then the facility of online payment and good quality products. Other factors like the availability of restaurants and children's amenities are not much influential on consumers as pointed in several studies.

Main findings

Kerala is a consumer state which is depending on other states for most of the consumption needs. The consumption needs range from food items, textiles, machinery and electronic items among many other things. These items are being purchased by consumers from the retail shops. The retail shops are of two types. Traditional family run *kirana* shops on the one hand and organised retail shops on the other hand. For the consumption needs of the consumers, they can either go to the nearby *kirana* shops or the modern organised retail shops like supermarkets, hypermarkets, convenience stores or a mall.

The following findings have been made from the above study.

- Consumers still prefer the traditional *kirana* retail shops for their urgent consumption needs especially in the rural areas. Whereas there is a mixed feeling in the urban areas about the selection of traditional and organised retail forms.

- Those who are preferring traditional retail shops due to the proximity factor. It is because such shops are available nearby.
- The main reason for the consumers' preference towards the supermarket over the traditional shops is the opportunity for self-selection. This makes the consumer have their examination and selection which consumer values very much. Every consumer is independent and autonomous in the sense that, they won't like someone else choosing for them especially one who is selling the commodity.
- The second reason for the consumers' preference towards the supermarket is the availability of products under one roof. This enables the consumer to purchase items from one shop without the need of wandering from one shop to another for purchasing different kinds of commodities for their daily use.
- Another reason for the preference of supermarkets by the consumers is the availability of the good quality of products. The consumers on a comparison of the traditional and organised market report that good quality products are available with the organised market.
- Finally, the online payment system is available at the organised modern retail shops and this is much valued by the consumers for preferring it for their consumption needs.

Suggestions

The traditional retail shops which are known as *kirana* shops in India is providing employment to a major chunk of the population and provide essential consumables to the people. However, for the past few years, a lot of new generation retail shops in the form of supermarkets, hypermarkets, malls and convenience stores have begun their operations which is causing a severe threat to the existence of traditional retail shops. This study puts forward the following suggestions for the improvement of the volume of business and profitability of traditional retail shops.

- The consumers must be given the opportunity for selection at the retail shops since the consumers are giving a lot of importance to self-selection.
- The kirana shop owners should maintain sufficient customer contact to retain them and they should be given add-on services wherever required.
- Offers and sales promotions should be given at the traditional retail shops to bring new consumers to the shops.
- Government should give incentives and assistance to the traditional retail shop owners for making them compete with the mighty organised retail outlets.

Scope for further research

Further research can be carried out in the following areas in the above discussed topic.

- Due to the penetration of internet in the recent times, online selling and buying are flourishing. Therefore, the impact of online shops on traditional as well as modern retail shops is to be studied further.
- Consumer satisfaction from the traditional and modern organised retailing to be studied further to have a detailed analysis.

Conclusion

It can be concluded that the traditional retail shops are facing a severe threat from the modern organised retail forms and they are facing extinction once the competition intensifies and spreads to the rural areas of Kerala. The solution can be from the traditional retailers to improve their customer orientation by providing value-added services and offers and discounts to compete with the well-established organised retail formats. The policy framers also should give incentives to the traditional retail shops since it is employment provider.

References

- Lu, L., & Reardon, T. (2018). An economic model of the evolution of food retail and supply chains from traditional shops to supermarkets to E-commerce.
- Reardon, T., Timmer, C. P., Barrett, C. B., & Berdegué, J. (2003). The rise of supermarkets in Africa, Asia, and Latin America. *American journal of agricultural economics*, 85(5), 1140-1146.
- Reardon, T., & Hopkins, R. (2006). The supermarket revolution in developing countries: Policies to address emerging tensions among supermarkets, suppliers and traditional retailers. *The European journal of development research*, 18(4), 522-545.
- Maruyama, M., & Trung, L. V. (2007). Supermarkets in Vietnam: Opportunities and obstacles. *Asian Economic Journal*, 21(1), 19-46.
- Goswami, P., & Mishra, M. S. (2009). Would Indian consumers move from kirana stores to organized retailers when shopping for groceries? *Asia Pacific Journal of Marketing and Logistics*.
- Nair, S. K., & Nair, B. C. (2018). Key drivers & factors influencing organized retail sector in Kerala. *Training & Development*, 3, 0-764.
- Purushothaman, V. A (2018) Study about consumer preference for organised retail outlets in Kerala. *Emperor international journal of finance and management research*.