

Supermarkets Vs Small kirana stores

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Abstract: *With the emergence of supermarkets, kirana stores have been depleting day by day. Government is in the grave situation to decide whether to allow 50% FDI or not in the retail sector. There are certain retail outlets such as Walmart, Metro which are better in quality, cheaper in rates, and offering a range and variety of products under one roof. These malls have entered in India but they are into cash and carry business only and not in the multi brand retail sector. Many of them have entered through joint ventures. If government allow them to enter in India, it can be said that all the small shops and kirana stores will not be able to stand in the market. They cannot compete with them. Now the question arise how the kirana stores can be saved from these big giants in the market. It is the need of the hour today to save these kirana stores because in a developing country like India where the income of an average man is low, such types of small business can make them able to earn their living. The present research is an attempt to find out the weaknesses of kirana stores as compared to the malls and to find out the solutions for the betterment of the stores. The research is conducted on various kirana stores in Punjab. The study identifies the problems being faced by kirana merchants such as recovery of credit, inventory management, goodwill in terms of quality, low space, and lack of variety etc. But during the research it has been found out that there are certain areas where these kirana stores have an edge over the market such as emotional attachment with the customer, to fulfil the timely need of credit of the customer, easy availability etc. It is concluded that both kirana stores and malls are important to the Indian economy. FDI is important for the growth of the economy but it should come for the rescue of the existing business and not as a threat. Secondly government intervention is seeked to make improvements in the functioning of the kirana stores. If kirana stores starts using their strategic advantages to the optimum level, they can make can make their existence strong in the market.*

Key Words: *supermarkets, FDI, Strategic advantage*

I. Introduction to Retail sector

The retailing has been derived from the French word “retailor” which means to cut a piece off or to break bulk. Retailing is defined as a conclusive set of activities or steps used to sell a product or a service to consumers for their personal or family use. The journey of the sale of a product begins with the producer from whom a middleman acquires supplies of goods or services and delivers to the ultimate consumer by performing different sets of activities. The job of retailing is done by the retailer who thus links the producers with a variety of supplies of all the manufacturers.

II. Retail Scenario in India: Touching Meteoric Scales

The retail scenario in India is unique as compared to the world scenario. In the early 1980s the industry was dominated by the unorganised sector largely comprised of peddlers, vegetable vendors, neighbourhood kirana stores etc. It is only with the blessing of government policy of liberalisation, privatisation, globalisation in 1991 that organised sector in India have been progressing day by day. The change in the demographic profile of the Indian consumers and consumers buying behaviour gave momentum to the growth of retail sector in the economy. The Indian consumer today has wide choice ranging from shopping centres to multiplex malls that offer “everything under single roof”.

As the corporates – the Piramals, the Tatas, the Rahejas, ITC, S.Kumar’s, RPG Enterprises, and mega retailers- Crosswords, Shopper’s Stop, and Pantaloons race to revolutionize the retailing sector, retail as an industry in India is coming alive. Retail sales in India amounted to about Rs.7400 billion in 2002, expanded at an average annual rate of 7% during 1999-2002. With the upturn in economic growth during 2003, retail sales are also expected to expand at a higher pace of nearly 10%. Across the country, retail sales in real terms are predicted to rise more rapidly than consumer expenditure during 2003-08. The forecast growth in real retail sales during 2003- 2008 is 8.3% per year, compared with 7.1% for consumer expenditure. Modernization of the Indian retail sector will be reflected in rapid growth in sales of supermarkets, departmental stores and hyper marts. Sales from these large-format stores are to expand at growth rates ranging from 24% to 49% per year during 2003-2008, according to a latest report by Euro monitor International, a leading provider of global consumer-market intelligence. A Mc Kinsey report titled “Indian consumer market” estimated that the total retail market in India is likely to increase to US dollar 833 bn by 2013 and by 2018 to 1.3 tn at a compounded annual growth rate of 10%. A. T. Kearney Inc. places India 6th on a global retail development index. The

country has the highest per capita outlets in the world - 5.5 outlets per 1000 population. Around 7% of the population in India is engaged in retailing, as compared to 20% in the USA. In a developing country like India, a large chunk of consumer expenditure is on basic necessities, especially food-related items. Hence, it is not surprising that food, beverages and tobacco accounted for as much as 71% of retail sales in 2002. The share of food related items had, however, declined over the review period, down from 73% in 1999. This is not unexpected, because with income growth, Indians, like consumers elsewhere, have started spending more on non-food items compared with food products. Sales through supermarkets and department stores are small compared with overall retail sales. Nevertheless, their sales have grown much more rapidly, at almost a triple rate (about 30% per year during the review period). This high acceleration in sales through modern retail formats is expected to continue during the next few years, with the rapid growth in numbers of such outlets due to consumer demand and business potential. The factors responsible for the development of the retail sector in India can be broadly summarized as follows:

- Rising incomes and improvements in infrastructure are enlarging consumer markets and accelerating the convergence of consumer tastes. Looking at income classification, the National Council of Applied Economic Research (NCAER) classified approximately 50% of the Indian population as low income in 1994- 95; this is expected to decline to 17.8% in the coming years.
- Liberalization of the Indian economy which has led to the opening up of the market for consumer goods has helped the MNC brands like Unilever, Nestle, etc. To make significant inroads into the vast consumer market by offering a wide range of choices to the Indian consumers.
- Shift in consumer demand to foreign brands like McDonalds, Sony, Panasonic, etc.
- The internet revolution is making the Indian consumer more accessible to the growing influences of domestic and foreign retail chains. Reach of satellite T.V. channels is helping in creating awareness about global products for local markets. About 47% of India's population is under the age of 20; and this will increase to 55% by 2015. This young population, which is technology-savvy, watch more than 50 TV satellite channels, and display the highest propensity to spend, will immensely contribute to the growth of the retail sector in the country. As India continues to get strongly integrated with the world economy riding the waves of globalization, the retail sector is bound to take big leaps in the years to come. The Indian retail sector is estimated to have a market size of about \$ 180 billion; but the organised sector represents only 2% share of this market. Most of the organised retailing in the country has just started recently, and has been concentrated mainly in the metro cities. India is the last large Asian economy to liberalize its retail sector. In Thailand, more than 40% of all consumer goods are sold through the super markets and departmental stores. A similar phenomenon has swept through all other Asian countries. Organised retailing in India has a huge scope because of the vast market and the growing consciousness of the consumer about product quality and services. A study conducted by Fitch, expects the organized retail industry to continue to grow rapidly, especially through increased levels of penetration in larger towns and metros and also as it begins to spread to smaller cities and B class towns. Fuelling this growth is the growth in development of the retail-specific properties and malls.

III. FDI Policy With Regard To Retailing In India

It will be prudent to look into Press Note 4 of 2006 issued by DIPP and consolidated FDI Policy issued in October 2010 which provide the sector specific guidelines for FDI with regard to the conduct of trading activities.

- a) FDI up to 100% for cash and carry wholesale trading and export trading allowed under the automatic route.
- b) FDI up to 51 % with prior Government approval (i.e. FIPB) for retail trade of 'Single Brand' products, subject to Press Note 3 (2006 Series).
- c) FDI is not permitted in Multi Brand Retailing in India.

IV. Organised sector Vs unorganised sector

The features of a kirana and supermarket are quite different. The following pointers explain to an extent why both the kirana and the supermarket are essential to the Indian scenario:

- Kirana stores are owned and operated on a small scale, usually in a space of 500sq.ft. or less. These places are easily available within residential localities. However, for a supermarket to operate, a minimum of 2000 sq. ft. would be required, and usually, so much space would usually be found in commercial localities.
- Supermarkets have the benefit of economies of scale over kirana stores.
- Kirana stores are operated by the owners themselves and thus provide the benefit of low operational costs. Supermarkets are capable of eliminating the wholesalers from the chain and can provide benefits of saved margins.

- Kirana stores target a much smaller market than supermarkets and thus, can be more responsive in terms of their exclusive demands. Supermarkets often offer more variety to customers. Moreover, it is likely to receive the newly launched products earlier than kirana stores.
- Kirana stores are likely to be in the immediate locality and thus have a better understanding of customer preferences. Supermarkets often offer the best bargains, and experts from the company explain the usage and care of a particular product to its potential buyers.
- Kirana stores are more likely to provide services like free home delivery. Supermarkets have big names backing them; moreover they have stronger advertising, probably on national or state level. At the same time, there have been instances of kiranas selling at prices higher than the MRP and tampering with the quantity of loose products.
- Each of us knows our kirana store for a long time, probably from our birth or so. Thus, the customer-trust ratio is very high. The billing is also very fast when compared to the supermarket.

V. Research Methodology

Identification of the Problem

With the emergence of supermarkets, kirana stores have been depleting day by day. Government is in the grave situation to decide whether to allow 50% FDI or not in the retail sector. There are certain retail outlets such as Walmart, Metro which are better in quality, cheaper in rates, and offering a range and variety of products under one roof. These malls have entered in India but they are into cash and carry business only and not in the retail sector. If government allow them to enter in India, it can be said that all the small shops and kirana stores will not be able to stand in the market. They cannot compete with them. Now the question arise how the kirana stores can be saved from these big giants in the market. It is the need of the hour today to save these kirana stores because in a developing country like India where the income of an average man is low, such types of small business can make them able to earn their living.

Objectives of the research

- To find out the problems being faced by the unorganised retail sector in India.
- To find out the solutions for the betterment and growth of unorganised retail sector.
- To find out ways to save kirana stores from the malls.

Sampling unit

Shopkeepers and consumers of different areas of Punjab have been selected for research.

Sampling technique

Convenient and random sampling has used for the purpose.

Sample size

A sample of 50 shops has been taken for the study.

Data collection

Data has been collected through primary and secondary sources.

Primary sources:-information has been collected through personal interview and observation method.

Secondary sources:-secondary sources like internet, magazines, and newspapers have been used.

Type of research

It is an analytical type of research which tries to find out the problems and at the same time provides solution for it.

Research tools and techniques

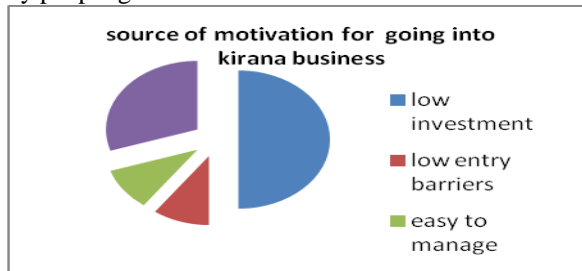
Statistical tools like averages, percentages and factor analysis have been used to analyse the data.

Limitations of the research

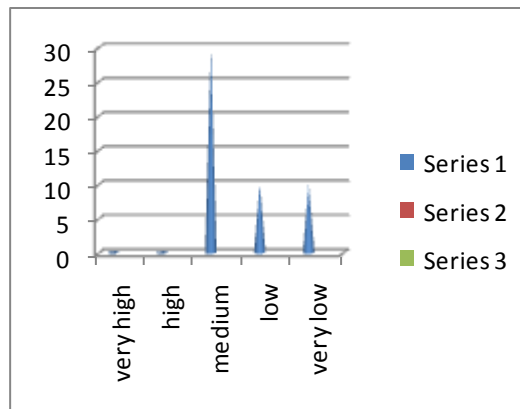
- The study is confined to limited areas of Punjab only.
- Non serious and biased response of the respondents.
- Time and resource constraints.

VI. Analysis

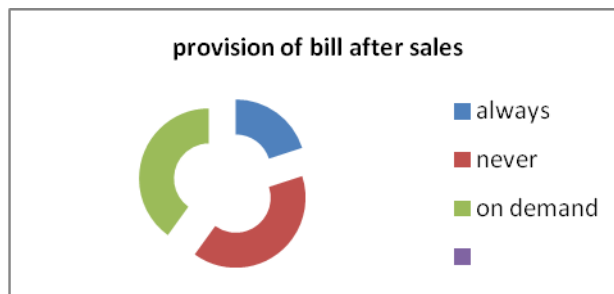
Figure1 shows the reasons why people go for the business of kirana stores.



50% says they adopt the business because of low investment. Low entry barriers and easy to manage was the reason given by 10% shopkeepers. 30% of the people do the family run business
Figure 2 shows the profit margin of kirana stores.



The above figure shows that the margins of kirana merchants are medium and even below average.
Figure 3 shows that no of kirana stores giving receipt after sales

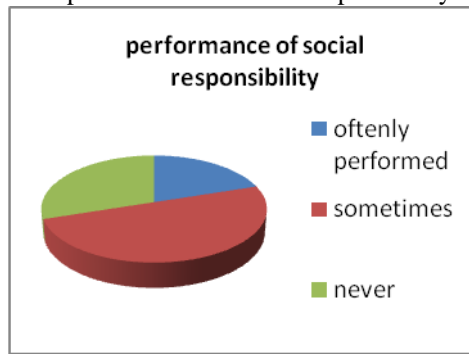


It shows that most of the shopkeepers do not give receipt to customers
Figure 4 shows the no of kirana stores accepting Visa cards etc.



The above figure shows that only 10% of kirana shops accept mastercards, visa cards etc. This facility is hardly provided by the shopkeepers.s

Figure 4 shows the performance of social responsibility by shopkeepers.



Most of the kirana merchants performed their social responsibility in terms of giving donations to charitable institutes and by planting saplings. But there are some who do not know the importance of performing social responsibility.

Facilities provided by kirana stores	No of stores providing the facility
Credit facility	40
Home delivery	10
Free gifts	10
After sales service	25

Table 1 shows the facilities being provided by kirana stores.

It shows that most of the kirana stores are running on the basis on credit system only. It is the strategic advantage tool in the hands of shopkeepers. Only 50% of the shopkeepers give after sales service. There is very less provision for free gifts and home delivery.

Factor affecting sales of kirana stores	Highly affected	medium	No effect
Opening up of the malls	20	15	15
Government regulation	50	0	0
Rapid changes in prices	50	0	0
Recession	0	20	30
Fair price shops	25	10	15

Table 2 shows the factors affecting the sales level of kirana stores.

Above table shows that only 20 respondents out of 50 replied that malls have highly affected the sales of their stores. Government regulation and changes in prices affect has 100% impact on the sales of kirana stores. Recession has affected the kirana business to a low extent. 50% shopkeepers are affected by opening up of fair price shops.

Problems of kirana merchants	Always	sometimes	never
Non timely payments	40	10	0
Inventory	25	15	10
Few loan facilities	35	15	0
Lack of knowledge of market	25	12	13

Table 3 shows the problems faced by the kirana merchants

Above table explains that 40 out of 50 kirana merchants are suffering from the problem of non timely payments of credit by customers. Inventory is also a major source of problem for 50% kirana merchants as the size of the shops are small.

VII. Findings

- Although supermarkets posed a great challenge before Kirana stores still the unorganised sector rules in India.
- Kirana store has its own merits and demerits but there are still other areas such as inventory management, modern styles of doing business, visual merchandising, variety which needs to be improved.
- Shopping from malls have become a status symbol for youth in India. So their trend of shopping is slanting towards shopping malls than kirana stores gradually.
- Emotional attachment with the customers is the strongest point lies in the favour of kirana stores which is a competitive advantage over the malls.

- Kirana stores suffer the most from the problems like huge changes in prices and low margins and low skill level.
- Whereas it is a strong point in favour of kirana stores that it provides credit facility to its customer on the other hand it is a weakest point also that there is no proper system set by the government for the recovery of that credit which in terms puts the business in loss.
- It is a weakness on the part of Kirana stores that they rarely accept the mastercard or ATM. etc.
- Supermarkets and malls are also associated with the activities of corporate social responsibility but on the other hand there a few shopkeepers who perform their social responsibility
- The facilities like Home delivery, free gifts, special discounts are rarely given by the shopkeepers.
- It has been found a general behaviour in the consumers that they think the products purchased from kirana stores are not supposed to be original but they believe quality given in the malls.
- Government policy of fair price shops giving atta dal scheme has affected deeply the sales of the kirana stores.
- The persons of low educational qualification can run a kirana store. But malls always preferred graduates and under graduates. Shift in major retail trade to these big companies by 100% FDI will render small traders and their employees unemployed.

VIII. Suggestions

- Kirana stores should start using modern methods of doing business. They should start taking the franchise of famous brands to increase the variety in the shops.
- Visual merchandising can be an added advantage for the growth of kirana.
- Government should start some training programmes for kirana marchants and provide them with the low rate loan facilities.
- Social responsibility should be performed by the shopkeepers to create a goodwill of their business.
- They should sale only the original material to create faith in the customers.
- They should start giving the facilities of free offer discount etc on special occasions or on bulk purchasing.
- Use a suggestion box and customer want slips.
- Extend the store hours.
- Accept Visa, Mastercard etc.
- Analyze complaints and take action to prevent recurrence.
- Train employees to service and work with customers in a professional manner.
- Call customers to let them know when new items have arrived.
- Have lots of convenient parking for customers to use.
- Set up an inventory control system in regards to shrinkage, performance, amount of merchandise, mark-up, profit and turnover.
- Determine whether to price certain items below, at, or above the market.
- Government should make a policy that nobody can open a mall in the area where there are already more than 5 shops in area nearby. Or it should establish certain zones within which the malls can operate. Malls should be established outside the city.
- Foreign investment should come with alliances to these shopkeepers.
- There should be consolidation policy for the shopkeepers. It means instead of opening small shops, in a particular area shopkeepers must unite and open up big showroom and divide the profit according to the partnership.

IX. Conclusion

The Indian Retail sector operates in a unique and complex environment. Indian economy cannot deny the positive effects of FDI and self owned business for growth. It should take lesson from the recent global slowdown and should not forget the role of retail sector to save India from its drastic effects. The need of the hour is to reengineer the operations of Kirana stores otherwise the big giants will leave no space for them to grow. If the Kirana stores improve their functioning and the area of operation be specified by the government then there will be win-win situation for both the parties.

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