

# The Supermarket Effect, analysing the emerging supermarket trends in India and study the consumer perception towards it.

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## Abstract:

India is world's one of the fastest growing economies with a population of 1.1 billion. Due to recent economic escalation spending and purchasing power of consumers is at an all time high. This has had a remarkable impact on the food retail industry as the standard of living is improving swiftly. Purpose of the study is to determine if this journey is likely to prove successful and identify the consumer perception towards it. Further, impact of supermarkets on small traders has been discussed. Quantitative analysis has been used to gain insights on the consumer perception towards supermarkets. This also includes the factors that affect their store choice behaviour and draw their attention towards different retailers.

Qualitative study has alternatively been undertaken to determine the behaviour and attitudes of consumers in-depth as this would allow respondents to express themselves freely.

Findings from primary research has been correlated with that of secondary sources to achieve the objectives. Findings suggest that the primary drivers of supermarkets are likely to be youngsters also referred to as generation-Y as they are the new face of the nation who are experiencing a transformation of behaviours and cultural adaptation towards the west. It is recommended that if supermarkets aspire to gain maximum market share they would need to understand the changing culture and behaviour of consumers. They further need to offer services that is restricting consumers presently to shift from corner shops to supermarkets. Lastly, for traders government intervention has been recommended in order for them to survive and create healthy competition.

## Introduction

India today is one of the largest and the fastest growing economies of the world with an average GDP nearing 9% in the past decade. Rapid modernisation and constant economic development has made it a very attractive region for local and Foreign Direct Investors. The supermarket industry has recently been introduced. In retail sector where some of the key players would include Select super market, More & V Mart These stores are looking to maximise market share by attracting consumers on the basis of price and atmospherics. Presently, corner-shops known as Kiranas account for majority food sales and dominate the sector with over 5million grocers all over India followed by independent vendors. They provide sales in smaller quantities (e.g. 100gm lentils) along with highly personalised relationship, mainly serving to middle/low income groups. Where as organised retailers offer e.g. 1KG packed lentils serving to middle/upper class. (GMID-Euro monitor)

Nonetheless, only 3% of Indian market is organised retail (Business Today, 1999) which leaves a gigantic gap for supermarkets to fill. A recent PriceWaterhouseCoopers study suggests that the size of organised retail in India is only \$666million which is likely to grow 30% per-annum (Economic-Times, pg16). However, potential of organised retail soars high as it is a \$300billion industry which has set the stage for organised retailers to gain substantial market share.

## Research Objectives

1. Find out if the consumers are ready for a transformation form the local corner shops after almost six decades of practice and identify the factors affecting this change.
2. Evaluate the consumer trends and their perceptions towards the new shopping style.
3. Identify the factors that may draw consumer interest and determine the success or failure of supermarkets.
4. Assess the extent to which supermarkets are having an impact on the local traders and independent shop owners.

## Methodology

For the effective completion of this study, data collected through primary data and secondary sources.

Primary data collected through direct interview method and Secondary data collected from journals’.

### Sample size:

4 super market and 25 customers.

## Structure of Study:

Following chapter will present the literature search which will be compilation of secondary sources in context of retail sector that will help in determining the factors influencing store choice. This will be followed by methodology section that will establish qualitative and quantitative techniques to gather data. Further, findings and analysis section will present the data and evaluate it. Interpretations from this section will be used to suggest recommendations and come to a conclusion.

## Literature Review

The subject matter of changing attitudes and cross culture influences has had a considerable impact on the consumers of India.

*“Cultural meanings include common affective reactions, typical cognitions, and characteristic patterns of behaviour”* .There have also been common cross cultural changes over the world which can be applied to the Indian market due to considerable cultural transformation. The western market’s impact has created similar opportunities for the supermarkets in India.However, (Sinha & Bannerjee, 2004) argue that high levels of personalised services such as credit and home-delivery offered by ‘transformed kirana stores’ (corner-shop) are making shoppers reluctant to the supermarket format as a result several successful chains are delaying their expansion.

## ANALYSIS

### **Fresh Food v Packaged Food:**

Traditionally, Indian consumers have given priority to fresh food over convenience, however recent researches show, as number of working members increased in a family they prefer more processed food. This shows inclination in favor of the supermarkets by generation-Y.

The Economist (1997) contradicts the above by showing more than 40% of the Indian population is vegetarian and consumers dislike frozen products including beef & pork. Hence, a trend that bends away from the supermarket-culture. Reardon et al (2003, 1143) further adds that sales for processed and packaged food at the supermarkets are relatively low as compared to fresh food. This may pose a serious threat to the supermarkets due to the lack of interest in processed food. However, demand for foreign food products is high and continues to grow. About a decade ago people used to bring foreign goods from trips abroad Bullis (1997). Now these products are available in the supermarkets as major attractions for the ever-changing Indian society.

### **Affect on Traders and Small Farmers:**

Supermarkets pose great threat to the small farmers as a new supply-demand chain may be formed. Big stores would move towards preferred suppliers, and set private grades and standards which may be very difficult for the local and small farmers to achieve (Humphrey, 2007). He further adds that UK supermarkets selling a lot of fresh food acquire it in ways that appear to be small farmer unfriendly. Similar trend may be followed by the Indian supermarkets, consequently, destroying small traders. Various supermarkets in India like Reliance Fresh & Spencer's have already had this impact on the lively hood of traders (The Economic Times, 2007). Moreover, due to mass protest some supermarkets had to pull out of

two major states of India (Uttar-Pradesh and West-Bengal) negatively effecting farmers, traders, supermarkets and employees who lost their jobs.

### **Socio-Economic Factors:**

Social classes would be another aspect affecting the consumer behaviour. This refers to national status hierarchy by which groups and individuals are distinguished in terms of self esteem and prestige (Consumer Behaviour & Market Strategy 2005 p.339). According to Economic survey , urban population is over 93% with per capita income of 9.1% which clearly demonstrates growth amongst social classes.

Past purchase experiences can influence the store choice of consumers which are further affected by these Socio-economic factors such as income, geography, personality, age, etc. This implies that aspects such as convenience and familiarity of corner shops will be of greater importance than savings made at supermarket.

### **Atmospherics & Store Entertainment Value:**

Kotler (1973) suggests atmospherics as an important aspect for retailers. Most shoppers find multiple motives in a single trip to stores which may include socialising or browsing; not necessarily purchasing, according to which atmospherics and entertainment aspects should be focused upon.

In addition, staff-attitude, queue-lengths, etc influence their store choice pattern. Hence, tangible and intangible factors such as staff attitude, location and ambiance are vital for consumer appreciation. In comparison of traditional shops to supermarkets, the latter has an advantage in terms of space, ambiance and other physical characteristics, creating a better environment to attract more customers. In addition, services such as coffee shops and restaurants are also offered at supermarkets. According to the over all economic condition of India, it may not be possible for many consumers to avail such facilities, as their primary aim would be to fulfil the basic needs. Convenience, friendship and credit are the key basis of choosing a store for low-income consumers. However, supermarkets provide the benefit of

hygiene in comparison to corner shops. Hygiene factors are one of the key considerations, but it is not possible for all retailers (in low-income areas) to maintain them. Supermarkets prevent these climatic and hygiene problems faced by the consumers, as regular shops don't have suitable temperature control equipment nor are backed up by 24 hour electricity.

### **Conclusion:**

Consumer market in India is changing, as people are beginning to spend more money they expect maximum level of service standard in return. This need has paved way for many corporations towards the launch of supermarkets.

Furthermore, standard of living is increasing with strong adaptations towards the western culture. Supermarket effect is one of the factors that have influenced the consumers and created desire for an improved lifestyle. Ever since, supermarkets have been introduced, most stakeholders have been influenced which has led to diverse behaviours that have been analysed in this study.

The retail market is being swept away by supermarkets and the small traders are caught in the wave. This on the other hand, is likely to increase competition which would improve services by traders to match that of supermarkets. As a result of this consumers will benefit from the improved services. Even findings illustrate the transformation of corner-shops to compete against bigger stores. Local traders however have been adversely affected by supermarkets because of lack of financial strength and political power.

Bulk purchases allow supermarkets to sell same products for lesser prices which in turn is annihilating high street retailers and causing unemployment. Additionally, vendors might be driven out of business leaving thousands unemployed. On the contrary supermarkets not only create employment but increase the standard of living.

Presently massive investments are being made in India by locals and MNCs who are providing platforms for a stronger economy and increasing the potential to generate greater amount of money. In the long run if consumers spend more the supermarket sales are likely to



raise leading to an economic boom. Nonetheless, government needs to intervene and create short term plans because this economic escalation is not likely to come into effect in the near future and by the time it reaches low-income groups small traders won't survive.

In the end it is difficult to conclude if consumers are ready for a transformation because there is no one best way. Store choice decisions are dependant on numerous aspects which are separately perceived by everyone. These decisions are mainly driven by convenience, price and the atmospherics of a store. Analysis from the findings works as an evidence in support of these arguments.

Consumers are manipulating retailers, using both services to their own advantage. Hence, there is no set trend that follows one type of shopping. In spite of success in recent years, supermarkets have lost value and reputation in relation to their product quality. Moreover, recent ban of supermarkets in some states bough them bad publicity. This is because consumers have realised that superstore expansion will cause damage to the local traders leading to redundancies.

Further, it was found that consumer perception, attitude and behaviour changed in different demographics. Variation in perception of youngsters and elders is likely to determine the success of supermarkets as both groups have different needs. But in the long run youngsters are likely to be the main drivers of this sector as their convenience and behavioural patterns correlate with the services offered by supermarkets. The present economic patters suggest that Y-generation is likely to have high spending power while the Indian economy is booming. Supermarkets can be classified successful in the context that they have satisfied higher order needs (Social) in Maslow's hierarchy (Asian). Additionally, respondents accomplished their lower order needs (security) which are categorized as basic. Most response gathered in relation to supermarkets was positive, leading to the fact that different demographics discover different benefits from a common service.

Hence, it cannot be said confidently if consumers will appreciate the transformation of corner shops to supermarkets but their lifestyle have been altered to a great extent. This is an emerging trend and it is too early to determine its performance. Contrarily, popularity as a

whole has increased leading to an increase in market share. An industry which has 3% organised retail, 30% growth every year and is worth more than \$300 billion certainly has a potential for growth in future.

### **Recommendations:**

- After much discussion it can be said that the Indian society has accepted the new shopping format. This should be taken as a positive sign and the big players who should capitalise on this by introducing superstores similar to Tesco-Extra or Wal-mart which not only supply home groceries but all commodities and appliances.
- Further government intervention is required to promote healthy competition. Presently, supermarkets are banned in two states of India. Such extreme actions would have caused redundancies for thousands along with losses to supermarkets in millions. Hence, to overcome such severe situations supermarkets should be restricted to a certain area. E.g. only one supermarket in the radius of 15-20 miles. This would save jobs and at the same time small shop traders may continue their businesses in local/smaller high streets.
- For supermarkets to gain maximum market share they need to fully satisfy customer needs regardless of their demographics. This study has found that different demographics have varied implications towards supermarkets which have made it difficult for supermarkets to target the right customers. They should realise that each consumer category has different needs as comfort might be perceived differently by separate categories. So if older consumers preferred home deliver then it should be introduced.
- Since generation-Y is the future of this market, online selling might be another option as internet usage is more popular with youngsters.

### **Limitations & Future Research:**

As in case of every research, data collection methods in this study had their limitations and benefits.



- Due to time constraints only two focus groups were held. More qualitative discussions with diverse demographic should be surveyed allowing to identify the preferences and perception of a larger sample.
- To gain more suitable insights interviews and higher level of qualitative research would be beneficial. Hence, in future it is recommended to survey people with appropriate knowledge who will be able to identify aspects that the retail sector lacks and factors affecting its performance.

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