Customer Patronage towards Food and Grocery Retail- A Case Study

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Abstract

Indian retail is witnessing a tremendous growth with the changing demographics and increase in income and quality of life of urban people. India is termed as the nation of shopkeepers with about 15 million retail outlets of all kinds, but it is dominated by small neighbourhood grocery stores termed as kirana stores. Food and grocery constitute the major portion of Indian household consumption. The present study tried to find out the patronage behaviour of the customers towards traditional and modern food and grocery retailers. The primary data are being collected from a sample of consumers visiting both organised and unorganised outlets in Odisha state. The understanding of the patronage behaviour helps the modern retailers to focus and strengthen the elements of their retail offerings which is more valued by customers.

Keywords: Organised retail, Customer patronage, Traditional retail, Kirana stores.

1. Introduction

Retailing in India is going through an evolutionary stage and is one of the largest sectors in the global economy. The Indian retail sector accounts of over 20% of the country’s GDP and contributes 8% to total employment. The current estimated value of the Indian Retail sector is about 500 billion USD and expected to reach 1.3 trillion USD by 2020. [1] The contribution of modern retail is currently 8% is expected to increase form 37 billion USD to 220 billion USD in 2020. [2] This growth can be directly attributed to factors like higher income, evolving consumption pattern, new
technology and lifestyle trends, increase in easy access to credit, rapid urbanisation, increase in rural income, growth of modern trade format in Tier-I, Tier-II and Tier-III cities and towns etc. This tendency is expected to continue for at least the next two-three decades attracting attention from various areas. [3]

2. Food and Grocery Retailing in India
The Indian retail industry has experienced growth of 10.6% between 2010 and 2012 and is expected to increase to USD 750-850billion. Food and Grocery is the largest category within retail sector with 60% of share. [4] According to A.T. Kearney’s Global Retail development Index (GRDI), 2012, India is the fifth most favourable destination for international retailers. Of the total Indian retail market 8% constitutes the organised retail segment which is estimated to grow at a rate of almost 30% by 2015, and hence, at a much faster pace than the overall retail market which is forecast to grow by 16% in the same period. [5]

Although food and grocery constitute 60% of India’s total retail market (which is estimated to be worth $490billion), the share of this category in the country’s $37billion organised retail format has increased from one percent to three percent according to a recent study of Tecnopak. [6]

The significant share of food related items in retail sales may account for the large number of kirana stores in the Indian retail sector. Over the past few decades a number of organised players have come up. Food and grocery segment presents the most significant potential in the Indian context as consumer spending is highest on food. Apart from the Kirana stores food and grocery is being sold in India through modern formats like supermarket, hypermarket, discount stores and convenience stores. [7]

3. Literature Review
Huddleston (2004) in his study observed that retailers need to develop strategies that recognise customer loyalty as a multifaceted and complex construct influencing customer preference and decision making. Sinha and Banerjee (2004) in their study concluded that store convenience and customer services positively influences consumer store selection. [8]. Goswami (2009) concluded that customer patronage to grocery stores was found to be positively related to location, helpful, trustworthy salespeople, home shopping, cleanliness, offers, quality and negatively related to travel convenience. Kiranas are better performers in terms of location but poorly on cleanliness, offers, quality and helpful trustworthy salespersons. The converse is true for the organised retailers. She suggested that kiranas need to upgrade their facilities to compete with the organised retailers who are expected to improve their location scores rapidly in near future. [9]

With the rapid introduction of many new retail formats in the Indian market in recent times but with limited success, it is required for the Indian business to understand changing shopping behaviour among consumers, especially with regard to
their preferred point of purchase. The consumer purchase behaviour is termed as patronage behaviour of consumers. From the review of literature, the study of the patronage behaviour of the consumers in food and grocery area has been identified as an unexplored area with specific reference to Odisha state.

4. Objective of the Study
The main objective of the study is to find out the decision variables which influences the selection of a traditional outlet or a modern store for the purchase of food and grocery items.

4.1 Hypothesis
H_0 - There is no significant difference in perception regarding the importance associated with the variables influencing the decision of consumer choice between the organised and unorganised format for the purchase of food and grocery.

These decision variables are selected after considering the variables coming out from literature survey. The various decision variables which are common to both traditional and modern retail formats which are taken for the study are (i) Convenient location, (ii) Availability of parking facility, (iii) Volume of products, (iv) Product variety, (v) Expected price, (vi) Phone order facility, (vii) Facility for home delivery, (viii) Credit facility, (ix) Bargaining facility, (x) Convenience of working hours, (xi) Goods return policy, (xii) Goods exchange policy, (xiii) Loyalty programme, (xiv) Sales promotion schemes, (xv) Self service facility

5. Research Methodology
The study was carried on in Odisha state during 2013. The respondents were the customers of both organised and unorganised retail. Total 387 customers were interviewed out of which 349 complete responses were kept for the study. 15 decision variables common to both traditional and modern formats were identified on the basis of literature review of related studies to identify important factors affecting customer perception in choosing a particular store for the purchase of food and grocery items. The interview was conducted through a structured questionnaire using 7-point Likert scale from most important to least important. The final results have been calculated using paired sample t-test.
6. Findings

Table 1: Mean Values and Paired t-test.

<table>
<thead>
<tr>
<th>Pair</th>
<th>Variables</th>
<th>Traditional Retailers mean</th>
<th>Organised Retailers Mean</th>
<th>Paired t-test sig. (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pair-1</td>
<td>Convenient Location</td>
<td>5.92</td>
<td>5.43</td>
<td>0.000</td>
</tr>
<tr>
<td>Pair-2</td>
<td>Parking space</td>
<td>3.43</td>
<td>5.63</td>
<td>0.000</td>
</tr>
<tr>
<td>Pair-3</td>
<td>Product Volume</td>
<td>5.51</td>
<td>5.87</td>
<td>0.000</td>
</tr>
<tr>
<td>Pair-4</td>
<td>Product Variety</td>
<td>6.03</td>
<td>6.32</td>
<td>0.000</td>
</tr>
<tr>
<td>Pair-5</td>
<td>Expected Price</td>
<td>5.78</td>
<td>5.91</td>
<td>0.185</td>
</tr>
<tr>
<td>Pair-6</td>
<td>Phone order service</td>
<td>4.48</td>
<td>4.36</td>
<td>0.404</td>
</tr>
<tr>
<td>Pair-7</td>
<td>Home delivery</td>
<td>5.32</td>
<td>4.88</td>
<td>0.003</td>
</tr>
<tr>
<td>Pair-8</td>
<td>Availability of Credit</td>
<td>4.87</td>
<td>4.64</td>
<td>0.054</td>
</tr>
<tr>
<td>Pair-9</td>
<td>Convenience of time</td>
<td>5.52</td>
<td>5.37</td>
<td>0.198</td>
</tr>
<tr>
<td>Pair-10</td>
<td>Goods return facility</td>
<td>5.61</td>
<td>5.33</td>
<td>0.026</td>
</tr>
<tr>
<td>Pair-11</td>
<td>Goods Exchange Facility</td>
<td>5.87</td>
<td>5.41</td>
<td>0.015</td>
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<tr>
<td>Pair-12</td>
<td>Bargaining facility</td>
<td>4.72</td>
<td>4.15</td>
<td>0.000</td>
</tr>
<tr>
<td>Pair-13</td>
<td>Self service Facility</td>
<td>4.88</td>
<td>5.72</td>
<td>0.000</td>
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<tr>
<td>Pair-14</td>
<td>Sales promotion schemes</td>
<td>4.64</td>
<td>5.14</td>
<td>0.000</td>
</tr>
<tr>
<td>Pair-15</td>
<td>Loyalty programmes</td>
<td>4.36</td>
<td>5.02</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Table 1 shows the results of the paired t-test conducted on the data collected from the sample. Opinion of the customers regarding location convenience, parking facility, product variety, product volume, home delivery facility, goods return policy, goods exchange policy and customer loyalty programmes were significantly different in two formats. This shows that these variables play an important role in the customer decision regarding the preference of customer towards a particular retail format and as a result the hypothesis related to these variables were rejected. For rest of the variables like expected prices, credit facility, product quality, convenience of working hours, there is significant difference in customer’s perception about the two retail set ups. After study of the means between the variables and the significance of the paired t-test it can be inferred that the customers prefer the traditional or kirana shops because of convenience in location, home delivery facility, facility for bargaining, provision for goods return and goods exchange. On the other hand the decision variables like parking, variety of product, volume of goods to be purchased, sales promotion schemes, self serving facility and customer loyalty programmes led the customers to visit organised retail outlets.
Advantage of location and provision for personalised service like home delivery is very critical for neighbourhood retail outlets. Organised retail outlets are having better parking facilities, more variety and product assortment which led offer better choices to customers, self service, advantage of sales promotion schemes and loyalty programmes leads repeat purchase. So far as the insignificant variables are concerned the mean value of expected prices justifies that the perceptions of prices are lower for neighbourhood retail set ups in comparison to organised retailers. Kiranas are also perceived to be better than the organised retailers in terms of extending credit and phone order services and this is possible due to the familiarity of the customers to the local shop owners and goodwill. The product quality is perceived to be better at neighbourhood outlets especially for food and grocery items because of the choice of freshness in case of food products in India. The kiranas also gives the convenience of shopping hours as these are opened early in the morning and closed late and it requires less time to complete the purchase process.

7. Conclusion
The major benefits of the traditional formats over the modern formats are related to convenience of location, customised services and ease of goods return of exchange policy. India, with the highest retail density in the world is able to provide the customers with a food and grocery retail outlet at a easily reachable distance near to their home. Along with the convenience of distance another factor which contributes to the creation of patronage for kirana stores is provision of personalised services like home delivery as a result of individual customer relation and goodwill. The kirana shops are also preferred by the consumers on account of phone order facility and delivering goods on credit. The kiranas are perceived to serve better quality products and they also offers convenience of working hours.

As the traditional retail outlets are enjoying so many benefits, the modern retailers require some strong value propositions to wean away customers from the traditional stores. The first major value which the customers perceive very important for the modern food and grocery retailers to provide is the product choice. With large assortment of product assortments available under one-roof, the customers can fulfil most of his/her monthly requirement in one shopping trip and avoid making frequent visits to various kirana stores. This value will overcome his/her increased cost in the acquisition of products from the modern retailer. It is this factor, which is likely to make hypermarkets or large supermarkets likely to be more successful in food and grocery category in. Another value-enhancer for the modern retailers can be providing value-added services (like phone-order and home-delivery), goods exchange/return policy, packaging services, carry-bags, etc. Finally, an important factor which can lead to increased patronage at the modern retailers is customer relationship management activities like loyalty bonus/discounts, special customer cards, free-parking facility and so on.
References