CHAPTER XI

RETAIL TRADE IN GROCERY PROVISIONS:
MANAGEMENT PRACTICES AND ATTITUDES.

The data obtained from the field study of retail establishments in grocery provisions present a clear picture of the scale of operations in food retailing. However, in addition to economic factors, the retail trade in grocery provisions, is also deeply influenced by the attitudes of the men who manage the establishments and their way of doing business. With a view to understand attitudes of management, interviews of grocers of longstanding were held. Twenty grocers were contacted and the researcher had long discussions with the owners and managers. While some common points were covered in each interview, the respondents were encouraged to talk freely about business in general. From the narration of histories and their comments on business policies and practices and their plans for the future, a significant common pattern of management attitudes and methods emerges and effort is made to analyse the comments offered by the grocers. The analysis is presented into two Sections. Section-I is devoted to the analysis of the comments on organisation
and entry into grocery business and Section-II has covered the analysis of relationship of stores and community around the store.

SECTION-I

Management pattern, organisation and entry into grocery business.

Retail grocery business is rarely organised as a formal partnership or cooperative society. Most of the establishments both small and large are single, proprietorship.

The organisation of retail grocery stores reflects the comparative ease of entry into this business and there are numerous reasons compelling the most of the persons to turn to it as a prospective means of livelihood. Firstly, the selling of grocery goods which every one needs and with which every one is familiar is a task which may be easily performed by nearly every one. Secondly, the overhead costs of an establishment in a residential area or in central market are negligible. Thirdly, much of the working capital can be obtained through credit from the supplier. Fourthly, the seller, therefore, regards even the smallest return as a sufficient compensation for his time and labour and most of the grocers viewed their small enterprise as an
alternative to idle time or as a part time job.
Moreover, an establishment of independent business,
is also frequently the goal of employee in a store.
Many grocers operating retail stores were once, shop
assistants in another shop.

These are the several reasons for large number
of small store in this type of retail trade.

**Organisation and Management Practices:**

In a typical small firm, the owner manager
maintains complete control on all operations. He does
so with a minimum of record keeping. He is likely to
have neither basic accounting statements nor more
elaborate control systems with decentralised operations.

One successful grocer, who has expanded his business
many fold expressed a common attitude towards keeping of
account books. He comments:

"I have books because the government forces
me to do so, otherwise I would not have any.
I don't need them to know the economic
conditions of the business."

Stock control or purchasing control are all unknown
even in stores with turnover of Rs.6 lakhs yearly.
Physical inventories are taken yearly, if at all, and
all book inventories are the exception. Many retailers
record stocks only when they sell the last item, or
when the wholesellers' representative reminds them of their needs for replacements. Occasionally, several family members in a store may purchase the same item, with consequent, over-stocking.

Yearly income accounts and statements of financial condition are becoming more common, but the validity of these statements in the absence of detailed record keeping is open to question. The owner manager, working in the store, acquires an intimate knowledge of stores condition and is highly sensitive to changes for better or worse. He has learned to think about his business without analysing figures. This intimate acquaintance with the business is a characteristic of most of the retail entrepreneurs.

There is little or no specialisation of management efforts in the typical store. The owner purchases and receives goods and acts as a clerk in a store, makes deliveries, takes orders and pays bills. It follows that the successful retailers in the grocery business work extremely hard and for long hours. Owners regularly insist that authority or responsibility cannot be delegated and in doing so the low calibre of their employees who are treated with a mixture of suspicion and generous paternalism. Here are characteristic employer attitudes:
"Employees are selected on the basis of appearance and character, and disposition to learn, without any regard to previous experience. We train them on the job. They are to be watched continuously.

The low kind of people flow in to the grocery business. They are dishonest and unreliable. There is not a single employee with me who can be relied upon to open the store, on time, every morning.

I treat my employees as if they were my sons. I chat with them, but always keeping the distance that distinguishes every one's position in the business. I distrust any employee who believes he knows more than I. Such employees do not good to your business and you should get rid of them.

I try to make of my business a big family. I pay good salaries, treat them well, help them if they have any problem, give them advice like a father instead of scolding them when they do wrong."

Judging from the remarks of many grocers, however, the personal pride in his business may lead the owner manager to exaggerate the shortage of trained personnel. His belief about the operation of the store that the retail store is best managed by one man operation and many more retail entrepreneurs are convinced that such control is essential, and that no one can do the job as well as the owner. As a result little authority is delegated. Following are some of the characteristic grocer's attitudes:

The progress of this business is based on the personal attention of the owner. It is not the same, if I am looking after the business as if some one else is doing it for me.
This is a business that requires personal attention of its owner. Even with the most advanced checking systems the business requires very strenuous supervisory efforts from its owner.

The existence of many small firms may thus be result of two interacting forces, the refusal of owners to delegate responsibility which is traceable partly to a disbelief in the ability of others and partly to the difficulties of finding suitable employees.

This and similar personnel policies come in for general criticism. The following are the general criticism about personnel policies in the business:

The trouble with most grocers is that when they have a vacancy they get a man just to "fill that hole", without any concern for his ability to develop.

The trouble with most store owners is that they pay very low wages and exploit assistants. That is why only the people who cannot get work elsewhere are willing to work as grocery clerks and only for a shortwhile.

Salaries are low because one cannot get good people and good people are not attracted because salaries are low. The only chance of getting good personnel is training them yourself. It involves tremendous efforts to train personnel and to get subordinates to use business methods effectively.

As a rule, the promising employees, quit the jobs to open their own stores. That is why owners are not concerned with employing people of superior ability who could be developed into managers."
These personnel policies bear importantly on the possibilities of aggressive merchandising and expansion by successful retailers. Present operations are generally enlarged or expanded only when the other members of the family are available to share the work. And so the typical larger firm is managed by several brothers and close relatives.

About the expansion of business the following few observations about the attitude of the grocers towards expansion of business are worth noting:

I have tried to induce my sons and nephews to join me in the business but they prefer to work for somebody else in 'clean' job.

I have no incentive to expand. I am fifty years old and my children are educated and married and settled. None of them will take over the business.

A further deterrent to expansion is the lack of capital for retail enterprise in the light of risks involved. A general attitude is that, "retailing is risky" was stated by a number of retailers, as follows:

"It takes a lot of efforts to raise capital to operate a store. Only people who are already in the business as owners or more likely, as experienced employees, are ready to invest their capital in the grocery business. Outsiders do not want to invest in this field which does not offer very attractive returns. Their belief, that most grocery firms are bankrupt or on the verge of bankruptcy,"
Those who want to expand must count on their own resources. The people with liquid funds who are not in the business already are not prone to lend their funds to grocers. The grocery business has a reputation for being risky.

Shortage of capital is a barrier to expansion. It is hard to get money for risky ventures, banks grant loans in such a case only against a good collateral. Eventhough there are many wealthy families in ....... with thousands of rupees idle in the banks who are only out to speculate in real estate, but would not sink a Naya Paisa on risky ventures.

However, even those firms who claim that they can obtain outside capital rarely wish to do so, because of threat to their independent operations. Once again, the belief in one man control is paramount.

One final characteristic of the grocery store owner, must be noted and this is a nearly universal, attitude of "live and let live." The practical manifestation of this attitude is a non-aggressive attitude on prices and a tendency towards sharing of whatever business is available.

Various factors contribute to this attitude. The fact that owners used to work long and hard, the lack of suitable personnel to handle expanded operations, the absence of family members who will be interested in
taking over an expanded enterprise, and the general knowledge that the distributive traders are over crowded are all important. In many cases live and let live is the easiest approach to manage a business.

The following opinions could speak about the adoption of live and let live policy:

"I do not lower my prices as much as possible because I am already getting more business that I can handle. One of these days, I will get so "tired" with the business that I will just sell out and retire.

"I have no incentive to expand I can make a comfortable living without 'killing myself much' in my present situation. I would not own a chain organisation if it were given to me.

"I would like to expand this business to certain limit, but going further than this would mean working very hard I would like to have more business, but not wear myself out.

"Any one who would reduce prices and expand their sales volume would do very well financially in the grocery business. But I am not interested in this possibility. Doing business on a large scale volume involves too much work. I would have to take care of a larger business with more store space to watch, a bigger working force to handle, more customers to deal with. I would need additional detectives around every gondala (gondala means separate line of each product). I am quite contended with the way things are shaping up and am not too sure I want additional business responsibilities. As it is, my business takes up quite a bit of my time. I would be interested in adopting techniques which would enable me to expand without too much additional personal efforts, but I have been too busy to give it much thought."
"There may be something to the notion that grocers are quite contented with achieving a level of income which will enable them to indicate their children and retired in comfort and let things go at that. Grocery stores require a lot of attention from the owner and once you are getting a good income, additional return, cost more in terms of added exertion than it is worth.

"I am in business just to make a living for myself and my two aging parents and, thanks god, I am doing fairly well. I don't care if I never get rich in this store; once you have enough to live, on you should be contented.

"As long as the stores gives me a decent living without doing hard work, that is all I need."

There is also, a prevailing attitude, concerning proper behaviour in business..... a notion that some practices are ethical and others (including price competition) are not. Back of this concept is often the idea that retail market is definitely limited, that an expansion of sales volume for one store means losses for some other store. The net result is an agreement not to spoil the market, while in many cases such an agreement is implicit in the retailers' recognition of their situation.

The following comments about competition are interesting:

"I have no competitors because I have business agreement so that we can sell the same lines at more or less at the same prices. I am not interested either in expanding this business nor in opening branches, because the customers are limited and the volume of business would be the same whether I have branch or not."
"I do not keep track of my competitions' price. I price my articles according to a standard mark system. Of course, that also varies with the kind of article and the kind of customers.

"In this neighbourhood, the store owners do not believe in competition but in harmony and fellowship. My store and other's are like one. We share a common clientele and send each other customers when one of us is too busy or does not have an item requested. We borrow often goods from each other, if one of us is momentarily short of goods. Prices are the same at both stores although we never consult each other expressly on this point.

"We believe in the principle of "live and let live". At times we go out of our way to avoid ill will from competitors.

"I do not go out of way to get customers. In fact, I consider it unethical to try delibarately to take away customer from competitors.

"Our relations with other competitors is cordial. There is one competitor who is resorting to 'uncommercial competitions'. He sets his price below the level required for stay in business. We frown on this sort of thing because we take the long run view."

The general conclusions to be drawn from these comments, are already evident. The retailing business in city of Aurangabad is thus, highly personal in nature. They are one man firms or family firms under the control of with few exceptions, a single manager. The continuous and detailed supervision of the owner is substituted for the relatively formal personnel policies and administrative procedure in larger stores, in main bazar area, partly to protect themselves and others
from over exertion and failure, and partly because they believe that the market is limited, a live and let live attitude towards competition is adopted by most entrepreneurs.

SECTION-II

THE GROCERY STORE AND COMMUNITY

The identification of the store with the personality of its owner is important to customers. In all areas a close personal relationship with the store owners is of significance to patrons. Neighbourhood consumers are especially dependent on the small isolated grocery stores. Here people are too poor to buy supplies in large quantities or to make the regular trip into central market. The neighbourhood stores, therefore, stocks soap, matches, home drugs, and even stationery articles and other dry goods.

However, purchase of many other non-food items is sufficiently rare that it requires the additional efforts of a trip to a nearby central market.

Aside from the dependence on whatever store is within walking distance of the family, the consumer is further tied to his grocery store because of the almost universal use of credit. Credit is an integral
part of purchasing grocery items in Aurangabad city. Frequently it is a necessity, where it is not, it may be completely habitual. The customer buys on credit, the retailers also purchase on credit, and consequently credit transactions were large in both type of trades.

Most retailers and wholesalers believe that credit is costly, that it is a nuisance, but because cash purchases are beyond the resources of either consumers or tradesman, that it is also inescapable. Here are some comments:

"You cannot sell unless you sell on credit. There is a man here who tried a cash-carry system. He had to switch to credit and has now more accounts receivable than I."

"It is my opinion that this business has to be carried on a credit sale basis."

"Rich customers are not good customers. Most of them when they make a purchase ask for a reduction in price or take over sixty days to make the payments."

It seems credit sales are higher in proportion to the total sales that in non-food outlets and it has been observed that there are more stores on a strictly cash basis in the non-food lines. However, credit transactions have been developed particularly in the appliances and have furnishing field to accommodate customers with low incomes. The grocers are the primary source of credit. Typical customers' comments about
the credit facilities are as follows:

"If somebody is ill in the family and the doctors bill amounts a large, you call the grocer and tell him you won't pay him that month's bill now but that you will pay it by instalments later. The grocer is human and he understands. If he does not extend you credit, you would have to borrow the money to pay the doctor's bill from somebody else.

The retailers in a small community enjoys considerable prestige partly because he has reached a goal of having its own independent business. The store also often serves as a meeting place or clearing house for news in the community and the owners advice is sought in connection with many problems. This type of mutual trust between store and customer is a fact to be noted for achieving success in business.

Good personal relations play an important part in the sales policy of most retail stores. Managers stress the need for building up such relationship, and look for personal who are "Jovial" "Friendly" or able to chat with people.

About Sales Policy:

The following comments about the sales policy reveals how customer relation policy is being developed to boost sales in the stores:
"The individual customer should be treated as an old friend and an important client. No matter what the status of the person is, we always try to be familiar with him. If a plumber walks into the stores we attend to him personally, treat him as an old friend, talk to him about his business or some of his other interests. If a farmer comes in and is not too eager to buy I take over and start talking about agriculture and the difficult problems that the farmers have in making a living. You have to identify yourself with your customers, show them the best merchandise and make them feel flattered; them think they are important. We give the same service to all our customers, whether they buy a few paisa article or purchase one hundred rupees worth of goods.

"What has given the best business results to me is friendly terms with my customers.

"Another thing is that the customers don't like to be continuously watched. I make them feel free to go around looking at everything. If there is one who takes away or steals or robs anything, it is not a matter to worry about. In one way or another I have been paid for it. May be the same person comes in some day later and makes a good purchase. He is then paying for what he took before. If that does not happen other customers have already paid for it."

Emphasis on personal relations, with customers coupled with the live-and-let live approach noted previously often leads the retailer to have regular patronage, for achieving a high turnover from a larger number of buyers. The retailers interviewed repeatedly stressed this point while adding that they are highly depend upon a satisfied clientele to maintain their volume of business. Regarding building up patronage few grocers opined as follows:
"I do not go out of my way to get new customers; I have my regular, steady, time-tested clientele. Occasionally, some regular customers bring their friends or relatives into the clientele.

"When I opened my new store, I contacted personal friends and new comers to town to seek their patronage. Satisfied customers in turn bring along their friends."

It may be inferred from all this that retailing in Indian culture is much more than the impersonal transfer of goods from the producer to the customer at the lowest possible price. Price competition is infrequent. While the non-price considerations, including credit, friendly relations with customers, advice to shoppers and so on, form a large body of 'services' rendered alongwith the distribution of goods. It is still open to question whether these services provide an effective substitute for the economies to the customer from more energetic price competition.

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CHAPTER XI

Notes and References:


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