CHAPTER 1

INTRODUCTION

India is the 10th largest economy in the world with a GDP of USD 1700 billion and growing at an average of CAGR of about 8%, next only to China. Even though, the current growth rate has slipped to about 5%, Indian economy is expected to touch almost USD 3100 billion by 2020 in real terms (Technopak 2011). Retailing is one of the important contributors of Indian economy and accounts for about 28% of its GDP. The total retail sales in India was estimated at USD 470 billion in 2011 and is expected to be USD 675 billion by 2016. The organised retail sales are projected to grow to USD 84 billion by 2016, at CAGR of 26% (Technopak 2011). So, a very large proportion 94% of the retail sales happen through small, family owned and managed retail outlets such as kirana stores (mom-and-pop stores), other small stores, hawkers, pavement vendors, mobile stores on carts, bicycles, etc. Together, they are called unorganised retailing. With estimated retail sales of USD 325 billion, the Food and Grocery category accounted for 70% of the total retail sales in 2011. The organised retail sales of Food and Grocery category was estimated at USD 9 billion and accounted for 35% of all organised sales in 2011 (Technopak 2011). In addition, the Organised Retail Penetration (ORP) in the Food and Grocery category is only 2.2%. This shows the enormous opportunities that lie in the organised retailing of Food and Grocery category for both the Indian companies and the MNCs.

Post liberalisation, since 1991, organised retailing has become very attractive for the Indian companies and many big Indian companies such as Future Group, Raheja Group, Tata Group, Reliance Group, Aditya Birla Group, RP-SG Group, Bharti Group, etc. have entered into retailing in a big
way and all these major groups have presence in Food and Grocery retailing. In organised retailing of Food and Grocery category, convenience store, supermarket and hypermarket formats are very popular in India. Initially, the organised retailers started these Food and Grocery retail chain stores in metros and major cities and now they are entering into smaller cities and big towns.

Like other major cities in India, Coimbatore too had attracted these organised retailers in the Food and Grocery sector. The first one to come was the RP-SG group’s Spencer’s Retail’s Foodworld in the late 1990s, which was later renamed as Spencer’s Daily. Nilgiris which was operating only one store went in for franchising model and opened 7 new stores, Reliance Retail opened 7 Reliance Fresh stores, Aditya Birla Retail opened 6 ‘More’ stores and finally the home grown Shri Kannan Departmental Stores opened 7 stores in different places in Coimbatore city, mostly in 2007 and 2008. This new breed of modern supermarkets, which are about 2000 – 5000 sq. ft., air conditioned with good ambience and computerised billing system has changed the way people in Coimbatore shopped for Food and Grocery items. This has motivated the researcher to undertake this study on the shopping behaviour and customers’ perception about selected modern supermarket chains in Coimbatore. Even though, studies have been conducted on the shopping behaviour of shoppers at the supermarkets, supermarket choice criteria, store choice, store format choice, store perception / store image, etc. in the U.S. and the Western European countries, since organised retailing is in the nascent stage in India, studies relating to modern supermarket chains are rare and hence this study was attempted.

1.1 THE DOMAIN OF RETAILING

Retailing as an activity can be traced back to the times when human beings stopped producing all their requirements by themselves and trading came into being. Communities such as potters, blacksmiths, and
fishmongers sold their products to households. This was different from wholesale trade that led to spice routes from Malabar (Kerala) to Europe and beyond through Afghanistan and to silk routes in India and China (Sinha & Uniyal 2012). Retailers have now become an integral part of society.

Retailing includes all activities in selling goods or services directly to final consumers for personal, non-business use. A retailer or retail store is any business whose sales volume comes primarily from retailing. Any organisation selling to final consumers – whether it is a manufacturer, wholesaler, or retailer – is doing retailing. It does not matter how the goods or services are sold (in person, by mail, telephone, vending machine, or on the Internet) or where (in store, on the street, in the consumer’s home) (Kotler et al 2013).

Why are retailers needed? Would it not be easier and cheaper to buy directly from manufacturers? The answer, generally, is no because retailers are more efficient at performing the activities that increase the value of products and services for consumers (Levy et al 2012). These activities include

1. Providing an assortment of products and services
2. Breaking bulk
3. Holding inventory
4. Providing services

1.2 TYPES OF RETAILERS

Consumers today can shop for goods and services at store retailers, non-store retailers and corporate retail organisations. The store-based retailers are further classified into food-oriented and general merchandise retailers. The major strategic formats used by food-oriented retailers are convenience stores, supermarkets, hypermarkets, box (limited-line) stores and warehouse stores. These formats as defined by Sinha & Uniyal (2012) are discussed in this section.
**Convenience Stores** – A convenience store is a neighbourhood store. These stores are also known as kirana stores in India. Ease of shopping and personalised services are the major reasons for the patronage of these stores, even when they charge average to above-average prices and carry a moderate number of items. They stay open for long hours and provide an average atmosphere. The service levels are moderate within the store, although in India, they provide home delivery and credit as well. Convenience stores are often referred to as ‘mom-and-pop’ stores. They are visited for fill-in merchandise and emergency purchases. Most customers shop at least two to three times a week at these stores. These stores carry up to 1,000 SKUs. In India, they are generally over-the-counter (OTC) serviced outlets. Convenience stores face most competition from supermarkets that have started providing longer hours and better stocks of non-food items.

**Supermarkets** – A supermarket is a self-service food store offering wet and dry groceries and with a limited range of non-food items, such as health and beauty aids and general merchandise. They carry 5,000 to 10,000 SKUs. They are chosen due to variety, self-service and promotions. Self-service allows supermarkets to cut costs as well as increase volume. The supermarket was once the most common format. However, competition from other formats due to value drivers, such as better prices from hypermarkets and better service from kirana stores, has led to a reduction in the number of such stores in developing markets. India, however, is witnessing growth in this format.

**Hypermarkets** – Hypermarkets are combination stores that unite supermarket and general merchandise sales in one store, with the latter typically accounting for 25-40 percent of the total sales. Consumers choose them for one-stop shopping and do not mind travelling to visit these stores. Hypermarkets achieve operational efficiencies and cost savings through their large-scale operations. Impulse sales are high in such stores, even when the visit is planned.
**Box (limited-line) Stores** – The box (limited-line) store is a food-based discounter that focuses on a small selection of items and few additional services. The merchandise consists of few or no refrigerated items and few SKUs and brands per item. Items are displayed in cut cases. Customers carry the merchandise in their own bags. Box stores depend on low-priced private label brands. They aim to price merchandise 20-30 percent below that of supermarkets. They are very similar to convenience stores, except in terms of merchandise, price and service.

**Warehouse Stores** – A warehouse store or club is a retailer that offers food and general merchandise with limited services and at low prices, mainly to other retailers, although the final consumers can also buy directly from these stores. These stores appeal to price-conscious consumers who do not mind buying in large quantities and stocking them at home. Warehouse stores are membership-based retail outlets. Such stores are large in size and are generally located in low-rent areas. The store layout is simple and race-track type. As in a warehouse, the aisles and racks are large, suitable for large trolleys to move around. The proportion of private brands in such stores is higher. The assortment is planned on the basis of prices and availability of merchandise. Customers may not get the same brand or SKU of merchandise in every visit.

The major formats used by general merchandise retailers are department stores, speciality stores, full-line discount stores, off-price stores and variety stores. These formats as defined by Sinha & Uniyal (2012) are discussed in this section.

**Department Stores** – A department store is known for its large assortment and service. The goods and services are organised into separate departments, with each department looking after its own operations. These stores cater to customers who are not price-conscious and are ready to pay for the service.
Ambience plays a very important role in such stores. These stores offer a full range of products and services. They offer branded products as well as store brands that are known for quality. They have well-planned merchandise return policies and run loyalty programmes. These stores are the anchors in a shopping centre or mall. They help in attracting very high traffic. Conversion rates are low in such stores. A department store with 30 percent conversion rate is considered very successful. These stores have to face competition from all formats as they deal in several products and services.

**Speciality Stores** – A speciality store deals in a specific product or service. Speciality stores also provide a high level of service to their customers. These stores carry medicine, books, photography, toys, jewellery, hardware and home improvement products. Category killers and do-it-yourself (DIY) stores belong to this category. A Category killer is a specialised discount store. It attracts customers by offering a particular product at the lowest price and the largest assortment. Category killers are known to kill brands by making price the most important buying consideration. In the process, they commoditise the category. Although they are generally large in size, some category killers are choosing to downsize their format to make it fit small towns, though to a mixed result. Do-it-yourself stores are a popular format, but are yet to find success in many parts of the world. These stores are category specialists who offer equipment and material mainly to contractors to make home improvements. They look like warehouse stores. Sales people are available to assist customers in selecting merchandise through demonstrations and workshops. Individual customers also buy from such stores. One such store that has made DIY the core benefit and leveraged it to become one of the largest retailers is IKEA. Unlike warehouses, it is a place where customers can be creative and choose what they visualise with the help of design consultants.
**Full-line Discount Stores** – A full-line discount store is known for offering an assortment at a price that is discounted up to 50 percent of the prices charged by department stores. It targets the mass market that looks forward to the best bargain. It is likely to carry the range of merchandise similar to a department store. It reduces its costs through a very low level of service, private brands and Spartan fixtures and ambience. Competition is forcing these stores to improve the experience and service to the customers without compromising on the price.

**Off-price Stores** – Off-price retailers sell branded merchandise and designer labels at a low price. They generally offer a range of out-of-season designs, seconds and order rejects. The buying is totally opportunistic, though many of them have evolved buying strategies that establish long-term relationships with suppliers. Three special types of off-price retailers are factory outlets, closeouts and single-price retail stores. Off-price retailers are affected most by discount stores and better planning by manufacturers.

**Variety Stores** – A variety store handles a wide assortment of inexpensive and popularly priced goods and services, such as stationery, gift items, women’s accessories, health and beauty products, toys, imitation jewellery and greeting cards. They do not carry full product lines. Transactions are often on cash basis. They face competition mainly from speciality stores, discount stores, hypermarkets and closeout off-price retailers.

Non-store retailing is a form of retailing in which sales are made to consumers without using physical stores. Non-store retailers are known by the medium they use to communicate with their customers, for example, direct marketing, catalogue stores, vending machines and e-tailing. Non-store retailing formats are patronised by time conscious consumers, who cannot easily go to stores and compulsive buyers. Most non-store retailers offer consumers the convenience of making purchases anytime throughout the year.
and delivery at a location and time of their choice. Non-store sales are now growing at a higher rate than sales in retail stores. The high growth rate is primarily due to the growth of e-tailing. The growth of sales in catalogue stores and other non-store retailing formats such as television home shopping, direct selling and vending machines is slower (Sinha & Uniyal 2012).

Although many retail stores are independently owned, an increasing number are part of a corporate retailing organisation. These organisations achieve economies of scale, greater purchasing power, wider brand recognition and better-trained employees than independent stores can usually gain alone. The major types of corporate retailing are corporate chain stores, voluntary chains, retailer and consumer cooperatives, franchises and merchandise conglomerates (Kotler et al 2013).

1.3 RETAIL STRATEGY AND RETAIL MIX

Formulating and implementing a retail strategy are based on an understanding of the retail environment – the macro-environment and micro-environment. The retail strategy indicates how the retailer plans to focus its resources to accomplish its objectives (Levy et al 2012). It identifies

1. The target market or markets towards which the retailer will direct its efforts
2. The nature of the merchandise and services the retailer will offer to satisfy the needs of the target market
3. How the retailer will build a long-term advantage over its competitors.

To implement a retail strategy, retailers develop a retail mix that satisfies the needs of its target market better than that of its competitors. The retail mix is a set of decisions retailers make to satisfy customer needs
and influence their purchase decisions. Levy et al (2012) have identified the elements in the retail mix which include the following:

1. Merchandise management
2. Pricing
3. Channels
4. Communication mix
5. Store design and display (Store atmosphere)
6. Customer service

1.4 SHOPPING BEHAVIOUR, STORE CHOICE BEHAVIOUR AND STORE PERCEPTION

1.4.1 Shopping Behaviour

Shopping is an activity that we perform with a high level of regularity and involvement. It is more than just a necessity – it is a desirable activity that appeals to the inherent nature of humans. We are basically a social species and most of us would like to spend some part of our leisure time in socialising. Thus, a market is not just a place to exchange goods and money. It is a place to see and be seen at. Shopping is considered as an important part of our social life.

Shopping is the act of identifying the store and purchasing the product. The behaviour of shoppers differs according to the place where they are shopping and their involvement level with the act of shopping (Berman et al 2011). Shopping is a function of the nature of the product, the degree of perceived risk inherent in the product class and level of knowledge or amount of information about alternatives. Observations of shopper behaviour in the store show that every purchase involves part or whole of a process that follows a consistent pattern of see-touch-sense-select.
The shopping decision process can be analysed from two perspectives:

1. The decision process, and
2. The factors affecting the process

The decision process has five basic steps:

1. Need recognition
2. Information Search
3. Evaluation of alternatives
4. Purchase
5. Post-purchase behaviour

Sinha & Uniyal (2012) have explained that the buying process typically begins when a customer recognises an unsatisfied need. He or she then seeks information about how to satisfy that need, what products or services might be useful and how they can be bought. This is followed by an evaluation of the various alternative sources of merchandise, such as stores, catalogues and e-tailing sites, on various parameters and then the final selection of a particular interface. Eventually, the shopper makes a purchase and consumes the product. Based on his or her experience, the shopper then decides whether the product or service satisfies his or her needs to the desired extent.

Levy et al (2012) have said that the process of decision making can take three forms:

**Extended Problem Solving** – This is a form of purchase decision in which shoppers devote considerable time and effort to analyse alternatives. The purchase decision involves a high level of risk and uncertainty. Shoppers go beyond their personal knowledge to consult with friends, family members, or experts and indulge in an extended problem solving activity. A new product or a product with high cost or technicality would be bought in this fashion.
**Limited Problem Solving** – This is a purchase decision process involving a moderate amount of effort and time. Shoppers engage in this type of buying process when they have had some prior experience with the product or service and the risk associated with the purchase is moderate. In these situations, customers tend to rely on personal knowledge than on external information. They usually choose a retailer they have shopped from before and select merchandise they have bought in the past. In such a situation shoppers tend to confirm their decision to buy their usual brands by collecting information about other brands at the store. This behaviour is also exhibited by shoppers in situations where there are small differences among the available brands.

** Habitual Decision Making** – This is a decision process involving little or no conscious effort. This process is followed mainly in cases of repeat purchase. Brand and store loyalties play a significant role in such purchase situations.

Family, reference groups and culture are the factors affecting the shopping decision process. It is also influenced by the shoppers’ beliefs, attitudes and values.

**1.4.2 Store Choice Behaviour**

Store choice is recognised as a cognitive process. It is as much an information processing behaviour as any other purchase decision. Store choice and patronage is affected by store-related variables such as trade area and location, products and store image, shopper-related variables such as personal characteristics, self-image, past experience, information processing and desired customer benefits and situation-related variables such as task definition, level of involvement, shopping orientation, usage information and perceived risk (Sinha & Uniyal 2012).
1.4.3 Store Perception

Store perception or store image reflects shoppers’ perception of the store in terms of functional and psychological attributes. These can be classified as tangible and intangible attributes. The tangible attributes of a store such as merchandise, location, sales people and displays are explicit and observable. The intangible aspects, such as ambience, co-shoppers and other psycho-social factors are difficult to measure and hence manage. Retail literature also discusses the congruence between self-image and store image. Studies show that this congruence leads to loyalty. Shoppers select cues from the store environment and draw inferences about the characteristics of a typical shopper of the store. They then compare the image inference with their own self-image and build an attitude towards the store (Joseph et al 2000). The image of a store has been found to drive loyalty. The more positive the store image, the greater is the degree of loyalty. Several studies report direct linkages between store image and intensity of store loyalty (Korgaonkar et al 1985). Store image is also affected by the tenant mix. Malls with anchor stores tend to absorb the image of the anchor stores. A mall with a department store as an anchor reflects an image of high quality merchandise and customer service. A mall with a price format store as an anchor has an image of a lower price low service mall.

1.5 THE GLOBAL SCENARIO OF RETAILING

Retailing is a global industry. Many retailers are pursuing growth by expanding their operations to other countries. Table 1.1 lists the 10 largest retailers in the world. Walmart remains the undisputed leader in the retail industry, with sales that are more than three times greater than those of Carrefour, the second largest retailer.
The largest 250 retailers operated in 6.8 countries on an average, with 21.3 percent of their sales coming from outside the retailers’ home countries. Retailers headquartered in Europe are more international than U.S.-based retailers. The average European retailer in the top 250 had presence in 11.1 countries, with over one-third of their total sales coming from foreign countries. In contrast, the 87 U.S.-based companies among the top 250 had 88.3 percent of their sales from domestic operations (Levy et al 2012)

**Table 1.1 World’s Largest Retailers**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Name of the Company</th>
<th>Country of Origin</th>
<th>2010 Sales ($ billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Walmart</td>
<td>U.S.</td>
<td>401.26</td>
</tr>
<tr>
<td>2</td>
<td>Carrefour</td>
<td>France</td>
<td>121.27</td>
</tr>
<tr>
<td>3</td>
<td>Tesco</td>
<td>U.K.</td>
<td>85.75</td>
</tr>
<tr>
<td>4</td>
<td>Seven &amp; I</td>
<td>Japan</td>
<td>81.35</td>
</tr>
<tr>
<td>5</td>
<td>CVS</td>
<td>U.S.</td>
<td>74.95</td>
</tr>
<tr>
<td>6</td>
<td>Target</td>
<td>U.S.</td>
<td>66.93</td>
</tr>
<tr>
<td>7</td>
<td>Kroger</td>
<td>U.S.</td>
<td>66.23</td>
</tr>
<tr>
<td>8</td>
<td>Schwarz</td>
<td>Germany</td>
<td>64.47</td>
</tr>
<tr>
<td>9</td>
<td>Walgreen</td>
<td>U.S.</td>
<td>62.77</td>
</tr>
<tr>
<td>10</td>
<td>Aldi</td>
<td>Germany</td>
<td>61.95</td>
</tr>
</tbody>
</table>


Retailers offering food and other fast-moving consumer goods (FMCG) dominate the top-250 list. However, retailers in this sector tend to be least international. On an average, FMCG retailers operated in 4.9 countries, generating 23.4 percent of sales from foreign operations. Retailers that focus on hard lines such as consumer electronics, appliances and furniture experience
better financial performance than FMCG and apparel retailers. However, the large retailers with the best financial performance are well known for their strong brands (Levy et al 2012).

India is the last large Asian economy to liberalise its retail sector. In Thailand, more than 40 percent of all consumer goods are sold through supermarkets, convenience stores and department stores. A similar phenomenon has swept through Malaysia, Taiwan and Indonesia. Even in China, more than a tenth of all consumer goods are sold through modern retail formats – a proportion that is growing rapidly (Sinha & Uniyal 2012).

1.6 RETAILING IN INDIA

India is one of the fastest growing retail markets in the world with 1.2 billion people and it has been ranked 5th in the A.T. Kearney (2012) Global Retail Development Index (GRDI). The retail sector is the second largest employer after agriculture, employing more than 35 million people with wholesale trade generating an additional employment of 5.5 million (Deloitte 2011). The overall retail sales in India was estimated at USD 470 billion in 2011 and is projected to grow to USD 675 billion by 2016 at CAGR of 7.5%. The Food & Grocery category is the largest and accounts for about 70% of the total retail sales. Table 1.2 gives the category-wise retail sales for the years 2006, 2011 and 2016 (projected) and the expected growth rate in terms of CAGR for the period 2011 - ’16.
Table 1.2 Category-wise Retail Sales and its Projected Growth for 2016

<table>
<thead>
<tr>
<th>Category</th>
<th>Retail Sales (Bn. USD)</th>
<th>CAGR (2011-’16) (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2006</td>
<td>2011</td>
</tr>
<tr>
<td>Food and Grocery</td>
<td>217</td>
<td>325</td>
</tr>
<tr>
<td>Apparel</td>
<td>25</td>
<td>35</td>
</tr>
<tr>
<td>Jewellery &amp; Watches</td>
<td>16.5</td>
<td>25.6</td>
</tr>
<tr>
<td>Consumer Electronics &amp; IT</td>
<td>16.5</td>
<td>22.7</td>
</tr>
<tr>
<td>Pharmacy</td>
<td>8</td>
<td>13.9</td>
</tr>
<tr>
<td>Furnishings &amp; Furniture</td>
<td>6.5</td>
<td>9.1</td>
</tr>
<tr>
<td>Restaurants and Food Joints</td>
<td>4.6</td>
<td>8.8</td>
</tr>
<tr>
<td>Footwear</td>
<td>3.6</td>
<td>4.5</td>
</tr>
<tr>
<td>Beauty Services</td>
<td>0.6</td>
<td>1.3</td>
</tr>
<tr>
<td>Health / Fitness Services</td>
<td>0.4</td>
<td>1</td>
</tr>
<tr>
<td>Others</td>
<td>11</td>
<td>23</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>310</td>
<td>470</td>
</tr>
</tbody>
</table>

Source: Technopak (2011)

The organised retail sales was estimated at USD 26 billion in 2011 and is estimated to grow to USD 84 billion by 2016 at CAGR of 26%. At 35%, Food & Grocery has the highest share of organised retail sales. Food & Grocery along with Apparel, Jewellery & Watches and Consumer Electronics & IT accounted for about 80% of the organised retail sales in India in 2011 (Technopak 2011). Table 1.3 gives category-wise organised retail sales in India for the years 2006, 2011 and 2016 (projected) and the expected growth rate in terms of CAGR for the period 2011 – ’16.
Table 1.3 Category-wise Organised Retail Sales and its Projected Growth for 2016

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</tr>
<tr>
<td>Food and Grocery</td>
<td>2</td>
<td>9</td>
</tr>
<tr>
<td>Apparel</td>
<td>3.5</td>
<td>5.5</td>
</tr>
<tr>
<td>Jewellery &amp; Watches</td>
<td>1</td>
<td>2.5</td>
</tr>
<tr>
<td>Consumer Electronics &amp; IT</td>
<td>1.5</td>
<td>4</td>
</tr>
<tr>
<td>Pharmacy</td>
<td>0.2</td>
<td>0.8</td>
</tr>
<tr>
<td>Furnishings &amp; Furniture</td>
<td>0.4</td>
<td>0.7</td>
</tr>
<tr>
<td>Restaurants and Food Joints</td>
<td>0.5</td>
<td>1.5</td>
</tr>
<tr>
<td>Footwear</td>
<td>1</td>
<td>1.7</td>
</tr>
<tr>
<td>Beauty Services</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Health / Fitness Services</td>
<td>0.1</td>
<td>0.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10</strong></td>
<td><strong>26</strong></td>
</tr>
</tbody>
</table>

Source: Technopak (2011)

The overall organised retail penetration is only 6% compared to 85% in U.S. Fig. 1.1 shows the organised retail penetration in selected countries (PricewaterhouseCoopers 2012).

Fig. 1.1 Share of Organised Retail to Total Retail

Source: PricewaterhouseCoopers (2012)
The major reasons driving the organised retailing in India include the following:

- Higher incomes driving the purchase of essential and non-essential products
- Evolving consumption patterns of Indian customers
- New technology and lifestyle trends creating replacement demand
- Increase in rural income as well as urbanisation
- Increase in access to credit and consumer awareness
- Growth of modern retail formats across urban, Tier I, Tier II and Tier III cities and towns
- Rapid urbanisation and growing trend towards nuclear families

In India, organised retailing is referred to trading activities undertaken by licensed retailers, those who are registered for sales tax, income tax, etc. These include publicly traded supermarkets, corporate-backed hypermarkets, supermarkets and convenience stores retail chains and also privately owned large retail stores. Unorganised retailing, on the other hand, refers to the traditional formats of low cost retailing, which include the kirana stores (local mom-and-pop stores), owner managed general stores, pan / beedi shops, hand cart and pavement vendors, etc. 94% of the retail sales happen through unorganised retailing. The typical retail shops in the unorganised retailing in India are very small and over 14 million outlets operate in the country and only 4% of them have areas larger than 500 sq. ft. India has about 11 outlets for every 1000 people. India allowed FDI in the cash and carry wholesale format in 1997 but with Government approval, subsequently in 2006 automatic approval was allowed in this format. In 2006, India allowed FDI up to 51% ownership in single brand retailing. In January 2012, India allowed FDI up to 100% ownership in single brand retailing and in September 2012, after a lot of dithering allowed FDI up to 51% in...
multi-brand retailing with some conditions (IBEF 2013). Multinational retail giants such as Walmart, Carrefour, Tesco and IKEA are expected to seize this opportunity and enter the Indian retail market in a big way.

### 1.6.1 Food and Grocery Retailing in India

The Food and Grocery category retail sales is estimated to be USD 325 billion in 2011 and is the largest category accounting for 70% of the total retail sales. The organised retail sales of Food and Grocery is estimated at USD 9 billion and accounts for 35% of the total organised retail sales (Technopak 2011). The Organised Retail Penetration (ORP) in the Food and Grocery category is only 2.2% (CRISIL Opinion 2012). Seeing the huge opportunity in this category, all the big Indian companies and the MNCs have entered this segment of the organised retailing. Cash and Carry wholesale, hypermarket, supermarket and convenience store are the store formats that have been used by the organised retailers.

The Cash and Carry stores are large, more than 75,000 sq. ft. and carry several thousand stock-keeping units (SKUs). They are involved in B-to-B wholesaling, catering to kirana shops, resellers and other institutional buyers. Hypermarkets typically vary between 50,000 sq. ft. and 1,00,000 sq. ft. and offer a wide range of products such as grocery, fresh and processed food, beauty and cosmetics, household products, clothing, appliances etc. Supermarkets are typically 2,000 sq. ft. to 5,000 sq. ft., located on high-streets closer to residential areas and offer food and grocery, other FMCG and household products. The family is the target customer. Convenience stores are relatively small, less than 1,000 sq. ft., located in residential areas (closer to consumers), open long hours, work seven days a week and carry a limited range of food and grocery, other FMCG and household items (Joseph et al 2008).
Table 1.4 shows the major players in the Food and Grocery category of the organised retailing and the store formats used by them.

Table 1.4 Major Players in the Food and Grocery Category of Organised Retailing in India

<table>
<thead>
<tr>
<th>Company</th>
<th>Store Format</th>
<th>Brand Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metro</td>
<td>Cash and Carry Wholesale</td>
<td>Metro</td>
</tr>
<tr>
<td>Bharti Walmart</td>
<td>Cash and Carry Wholesale</td>
<td>Best Price</td>
</tr>
<tr>
<td>Carrefour</td>
<td>Cash and Carry Wholesale</td>
<td>Carrefour</td>
</tr>
<tr>
<td>Pantaloon Retail (India) Ltd. (Future Group)</td>
<td>Hypermarket Supermarket</td>
<td>Big Bazaar, Food Bazaar</td>
</tr>
<tr>
<td>Spencer’s Retail</td>
<td>Hypermarket Supermarket</td>
<td>Spencer’s Hyper, Spencer’s Daily</td>
</tr>
<tr>
<td>Reliance Retail Ltd.</td>
<td>Hypermarket Supermarket</td>
<td>Reliance Mart, Reliance Super and Reliance Fresh</td>
</tr>
<tr>
<td>Aditya Birla Retail Ltd.</td>
<td>Hypermarket Supermarket</td>
<td>More Megastore, More</td>
</tr>
<tr>
<td>Bharti Retail Ltd.</td>
<td>Hypermarket Supermarket</td>
<td>easyday Hyper, easyday Market and easyday</td>
</tr>
<tr>
<td>K. Raheja Corp.</td>
<td>Hypermarket</td>
<td>HyperCITY</td>
</tr>
<tr>
<td>Trent (Tata Group)</td>
<td>Hypermarket</td>
<td>Star Bazaar</td>
</tr>
<tr>
<td>Max Hypermarket India Ltd.</td>
<td>Hypermarket</td>
<td>Auchan Hypermarket</td>
</tr>
<tr>
<td>The Nilgiris Dairy Farm Pvt. Ltd</td>
<td>Supermarket</td>
<td>Nilgiris</td>
</tr>
<tr>
<td>Shri Kannan Departmental Store Pvt. Ltd</td>
<td>Supermarket</td>
<td>Kannan</td>
</tr>
<tr>
<td>Vishal Retail Ltd</td>
<td>Hypermarket</td>
<td>Vishal Mega Mart</td>
</tr>
</tbody>
</table>

Source: Company websites (2014)
1.6.2 Food and Grocery Retailing Scenario in Coimbatore

Coimbatore is a Tier-II city in India and has a population of 2 million. Prior to the middle of 1990s the consumers of Coimbatore depended on the traditional retailers for their Food and Grocery requirements. Even Nilgiris and Kannan had only one store each till 2006. The first supermarket chain to enter Coimbatore was the Foodworld by the Spencer’s Retail, in the late 1990s, which was later on renamed as Spencer’s Daily. But the real growth in the supermarkets happened in Coimbatore only during 2006 – 2008, when Subhiksha, More and Reliance Fresh chains of stores were opened. Each of these supermarket chains opened around 6 – 7 stores close to different residential areas in Coimbatore. These supermarket chains offered a wide variety of products, self-service, convenient location, better quality, good ambience, computerised billing, etc. and this has changed the way Coimbatore people shopped for their Food and Grocery. Seeing this, Nilgiris expanded their stores through franchising mode and opened 7 stores and Kannan has opened 7 stores on its own. Between 2008 and now, not all the supermarket chains did well. In fact, Subhiksha closed all their stores in 2009, due to the severe cash flow problem the company faced. All the More stores have been closed down by 2011, due to poor patronage by the customers. Spencer’s Retail Ltd. has reduced their Spencer’s Daily stores to 2. During this period, another interesting thing has happened, that is 3 hypermarkets have been opened in Coimbatore, 1 each by Pantaloon Retail (India) Ltd. (Big Bazaar), Max Hypermarket India Ltd. (Auchan Hypermarket) and Reliance Retail Ltd. (Reliance Mart). These supermarkets and hypermarkets are continuously changing their product mix, layout, etc. to find out what works best for the Coimbatore market. Currently, in the supermarket format, Spencer’s Daily, Reliance Fresh, Nilgiris and Kannan are the major players operating in Coimbatore.
1.7 BRIEF PROFILES OF THE MODERN SUPERMARKET CHAINS SELECTED FOR THE STUDY

Spencer’s Daily, Reliance Fresh, More, Nilgiris and Kannan are the five modern supermarket chains that were selected for the study. Brief profiles of each of these supermarket chains are given below and their store locations in Coimbatore city, during 2010-’11, are given in Appendix 2.

Spencer’s Daily

Spencer’s Daily is the brand name of the supermarket format of Spencer’s Retail Ltd., which is a part of the Rs. 9,000 crores RP-SG Group. As one of the earliest entrants in retail space in India, it has been instrumental in introducing Indian consumers to the concept of organised retailing, becoming the country’s first grocery chain way back in 1920. As the pioneer in organised food retailing in India, the modern-day Spencer’s started its operations in the early 1990s in South India. It runs about 200 stores (including about 30 large format stores) across 35 cities in India. Currently, it offers customers two retail store formats – Supermarkets branded as Spencer’s Daily and Hypermarkets branded as Spencer’s Hyper. Spencer’s Daily is a supermarket neighbourhood store that caters to the daily and weekly top-up shopping needs of consumers. Typically, the store area is about 1500 – 2500 sq. ft. and stocks the minimum assortment of fruits and vegetables, food and non-food Fast Moving Consumer Goods (FMCG), staples and frozen foods, personal and home care products, baby care, basic apparels and electronics and electrical goods. Apart from many national brands, it sells private labels like Spencer’s Smart Choice, Spencer’s Value, Spencer’s Nature’s Bounty, etc. Spencer’s hyper are hypermarkets, which combine a supermarket with a department store. At least 15,000 sq. ft. in area, they stock on an average 70,000 items, giving shoppers fantastic deals across food, fashion, home and entertainment, all under one roof.
Reliance Fresh

Reliance Fresh is the supermarket format of Reliance Retail Ltd., which was set up to lead Reliance Group’s foray into organised retail. Since its inception in 2006, Reliance Retail Ltd. has expanded into many retail formats such as Reliance Fresh, Reliance Super and Reliance Mart in food and grocery retailing and other speciality formats such as Reliance Trends, Reliance Footprint, Reliance Digital, etc. Reliance Fresh and Reliance Super are supermarket formats and Reliance Mart is the hypermarket format.

The typical Reliance Fresh store is about 2000 – 2500 sq. ft. and located in high streets in the residential areas. It offers a wide range of products such as staples, groceries, processed foods, personal care products, other non-food items, bakery products and fruits and vegetables. The stores are well laid out, air-conditioned and have computerised billing counters. They also offer free home delivery to nearby areas if the purchase value is more than Rs.750. Apart from selling many national brands, reliance fresh also sells private labels in different product categories. Their popular private labels are Reliance Value and Reliance Select. Many products are sold at prices less than MRP and there are other offers and promotions. Reliance Fresh’s loyalty programme is called Reliance One. Once the customer fills out the form and becomes the member of the Reliance One loyalty programme, he or she is offered the Reliance One card and after every purchase, reward points are added based on the purchase value and it can be redeemed at any one of the preferred reliance outlets. The same card can be used in other reliance formats also and the reward points can be accumulated.

More

‘More’ is the supermarket format of Aditya Birla Retail Ltd., the retail arm of Aditya Birla Group. Since its launch in May 2007, the ‘More’
has had an aggressive roll out, reaching the total count of over 486 supermarkets and 14 hypermarkets across India today. All the supermarkets are branded as ‘More’ and the hypermarkets are branded as ‘More Megastore’. ‘More’ supermarkets are neighbourhood stores with the core proposition of offering value, convenience and trust to the customers and averaging 2,500 sq. ft. of area.

‘More’ is a neighbourhood supermarket which takes care of the everyday household needs. Spread across a wide range of products of food and non-food items, ranging from necessities such as fruits and vegetables, staples, personal care, home care, household products, general merchandise and dairy products, ‘More’ provides a one stop solution for the customers’ food and grocery needs. With a range of over 4000 products, ‘More’ is able to fulfill the daily shopping needs all under one roof, at a convenient location closer to the customers. Apart from national brands, ‘More’ supermarkets sell private labels from its own portfolio – available in broad selection, always giving the customers the best possible value for money. More, Hello, Selecta, Maha Saver, 110%, Enriche, Feasters, Paradise, Fresh-O-Dent and Kitchen’s Promise are some of the private labels offered by ‘More’. ‘More’ provides a good shopping experience, with a modern store layout, easy shopping with friendly staff providing assistance, computerised billing facilities and a good ambience. They also have customer friendly policies on exchange and returns that help customers to shop with ease and comfort. ‘More’ has adopted a competitive pricing policy ensuring that the customers receive the best possible value. They sell a wide range of products below MRP. They also have a wide selection of products on attractive offers and promotions that help customers get more from their shopping at ‘More’ stores. ‘More’ also offers attractive promotions such as “Buy and Get Free” and other special offers. From time to time, they also run festival promotions that help the customers shop on special and festival occasions. ‘More’ also offers a customer loyalty
programme called “Clubmore”. “Clubmore” is basically a membership reward programme, which reinforces More’s commitment to consistently add value to the customers’ shopping experience.

Nilgiris

Nilgiris is the supermarket chain of The Nilgiri Dairy Farm Pvt. Ltd. Nilgiris has grown from being a Dairy Farm specialising in butter to a supermarket chain of over 90 stores spread across India’s southern states viz. Karnataka, Tamil Nadu, Kerala and Andhra Pradesh. Nilgiris provides its customers a shopping experience that hinges around freshness of produce, superior quality and better value. It lays special emphasis on its own products, sold under the brand name of Nilgiris 1905. Nilgiris is one of the pioneering champions of organised retail. Beginning with a single store on Brigade Road in Bangalore with butter as its mainstay, Nilgiris has scripted a story of success with multiple stores across cities each delivering unmatched value in terms of range and shopping experience to the customers, offering a wide range of grocery, general merchandise and personal care products. Nilgiris’ growth in terms of number of stores has come only post 2007, through franchising mode. It doesn’t offer any loyalty programme to its customers.

Kannan

Kannan stores are a slightly bigger format supermarket chain, currently operating 22 stores in Tamil Nadu. It was started in 1985 in Erode, in the name of Sangeetha Shopping Centre. Encouraged by the customers’ favourable response, the first store in the name of “Shri Kannan Departmental Store (P) Ltd.” was started in the year 1999 in Coimbatore. Kannan’s annual sales in 2010 – 2011 was Rs.370 crores. 7 of their total number of stores are in Coimbatore and the remaining are in Dindugal, Gobichettipalayam, Karur, Kumarapalayam, Madurai, Mettupalayam, Pollachi and Tirupur. They sell a
wide range of products such as staples, groceries, processed food, personal care products, other non-food items, bakery products, fruits and vegetables, etc. Apart from national brands, Kannan stores sell their private label ‘Kannan’ in many product categories. Kannan stores are patronised by a large number of loyal customers because of their value for money strategy. They do not offer any loyalty programme to their customers.

1.8 NEED FOR THE STUDY

Shopping behaviour of shoppers at the modern supermarket chains, supermarket choice behaviour and customers’ perception about the modern supermarket chains are the three major aspects that have been studied in this research. Since the evolution of modern retail in supermarkets has started in the 1950s itself in the U.S. and subsequently in other countries in Western Europe (Joseph et al 2008), compared to the middle of the 1990s in India, most of the research studies done in this area pertain to the U.S. and the Western European context. Also, only very few empirical research studies have been done on the shopping behaviour, supermarket choice behaviour and store perception / store image with regard to the modern supermarket chains in India and hence the researcher has embarked on the present study.

1.9 STATEMENT OF THE PROBLEM

Modern retailing in the supermarket format is growing very fast in India, but it is in the nascent stage and most of the modern supermarket chains such as Subhiksha, More, Reliance Fresh and Spencer’s Daily have faced problems. In fact, Subhiksha has closed down all its stores in 2009 and More, Reliance Fresh and Spencer’s Daily have closed down some of their non-profitable outlets. To a large section of customers, the new formats such as convenience stores, supermarkets and hypermarkets are perceived to add insufficient additional value, except for the novelty (Sinha & Banerjee 2004).
The new formats are considered adaptations of western formats fetching only moderate to lukewarm success. Several supermarket chains are currently holding back their new expansions. So, there is a growing need to understand the shopping behaviour of these modern supermarket customers, especially to determine the drivers of store choice behaviour and their perception about these modern supermarket chains. This would help the managers of the modern supermarket chains to understand the factors influencing the customers in their supermarket choice. Providing these factors / attributes to the expected levels of the customers would result in more customer satisfaction and ultimately lead to more customer loyalty. This in turn would lead to more market share and customers’ wallet share, for the supermarket chains. This knowledge would also help supermarket chains to devise their retail marketing strategies – segmentation, targeting, positioning, location, product mix, pricing, communication and in-store / pre-sales / post-sales services (retail mix).

1.10 RESEARCH OBJECTIVES

The following are the research objectives of the study:

1. To find out the shopping behaviour of customers of selected modern supermarket chains in Coimbatore such as frequency of shopping, preferred product categories for buying, proportion of monthly Food and Grocery purchase at these supermarket chains, average amount of purchase per visit, and when and at what time they shop.

2. To find out the factors influencing customers of the modern supermarket chains in their supermarket choice and the influence of demographic variables of the customers on the level of importance given to different factors influencing the supermarket choice.
3. To find out the customers’ perception about the performance of the selected supermarket chains in Coimbatore on the supermarket attributes (retail mix).

4. To determine the customers’ preference among the selected modern supermarket chains.

5. To find out the customers’ preference towards buying store brands (private labels), the top three product categories in Food and Grocery, in which the customers prefer buying store brands (private labels) and the reasons for their preference to buy store brands (private labels) in these product categories and the average percentage of money spent by the customers on store brands (private labels) in their total purchase of Food and Grocery items, in the modern supermarket chains.

6. To find out the customers’ awareness, patronage, knowledge levels and their perception about the loyalty programmes offered by the selected modern supermarket chains in Coimbatore.

7. To analyse the importance given by the customers for the pre / post sales services offered by the selected modern supermarket chains in Coimbatore and the customers’ perception about the performance and expectations of them.

8. To offer suggestions for improving the overall shopping experience at these modern supermarket chains.

1.11 CHAPTER ORGANISATION

The remaining chapters are organised as follows:

Chapter 2 reviews the literature pertaining to shopping behaviour, store choice behaviour and store perception / store image and establishes the research gap.
Chapter 3 covers the research methodology in detail. Research design, research method, research instrument (Questionnaire) used, sampling method, pilot study, statistical package and statistical tools used for analysis, hypotheses tested and limitations of the study are presented in this chapter.

Chapter 4 deals with data analysis and interpretation. All the data analyses such as simple frequency distribution tables, Garrett ranking, cross-tabulations, mean, factor analysis, multiple regression analysis and correspondence analysis and hypotheses testing using chi-square test, Z test and one-way ANOVA are shown in this chapter. Charts and figures pertaining to these analyses are also shown in this chapter.

Chapter 5 is the final chapter that covers the findings, suggestions and conclusions of this study. The findings taken from the data analysis and interpretation chapter are summarised here. Suggestions based on the findings are given for the modern supermarket chain operators. Also, the conclusions of this research study and future research possibilities in this area are presented in this chapter.