

## CHAPTER I

### INTRODUCTION AND DESIGN OF THE STUDY

- 1 INTRODUCTION
- 2 EXPLOITATION OF CONSUMERS
- 3 ESTABLISHMENT OF SUPER MARKET
- 4 STATEMENT OF THE PROBLEM
- 5 REVIEW OF LITERATURE
- 6 OBJECTIVES OF THE STUDY
- 7 HYPOTHESIS
- 8 OPERATIONAL DEFINITIONS OF CONCEPTS
- 9 METHODOLOGY
- 10 SAMPLING
- 11 PERIOD OF STUDY
- 12 FRAMEWORK OF ANALYSIS
- 13 LIMITATIONS
- 14 CHAPTER SCHEME

## 1 INTRODUCTION

Distribution is the important consequence of production. It is a process of transferring title to goods to the final consumers. Distribution aims to satisfy the needs of consumers. A number of middlemen exist in the process of distribution in the name of wholesalers, agents and retailers relieving the burden of the producers from meeting the consumers and actually canvassing for goods. The wholesalers buy in large quantities from producers and distribute to the retailers in small quantities, who in turn distribute to the final consumers in smaller quantities. Of these three middlemen, the retailers occupy a pivotal position in the channel of distribution whose importance can be justified by their services to the producers and final consumers. There are different types of retailing units such as Super Markets, Departmental stores, discount houses, convenience stores, speciality stores, variety store and retail catalog showroom, apart from the small retail shops.

Of these units super markets occupy an important place. They supply 72.75% of total grocery sales in U.S.A., accounting for 98.4 billion dollars, with 57% of units owned by large chains in 1976<sup>1</sup>.

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1 Barry Berman and Evans R Joel Retail Management A Strategic Approach Macmillan Publishing Co Newyork 1979 p 84

Besides grocery, the super market also offers convenience, shopping and speciality goods to the consumers. Moreover, the super market helps the betterment of the nation at the macro level also. It provides employment opportunities, helps to decide consumption pattern of consumers, facilitates development of transport system, regulates production, increases national income, provides market information, induces innovation in marketing management and enables the consumers to enjoy economies of bulk purchase like low price, quick supply and after sale service. The importance of the super markets can be better understood by tracing the circumstances leading to their establishment which are explained in the succeeding sections.

## 2 EXPLOITATION OF CONSUMERS

*INTRODUCTION*  
 [Ignorant consumers *are* exploited by private traders in many ways. "Consumers in India are cheated to the tune of Rs.2000 crores, annually through black marketing, adulteration, short weight, false or faulty packing, dishonest sales gimmicks, poor quality and services and a polluted environment." *17* In this regard the comments of the Supreme Court *pages* are worth mentioning: for some curious and explicable reason the investigative machinery of the food department in various state rarely turns its attention to the wholesalers and manufacturers who really are adulterators"<sup>2</sup>. Under this

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¶ Dr Satya Sundaram I Consumers at the Cross Roads Indian Consumer Co-operator Vol II No 3 March 1984 p 8

condition, it becomes essential to investigate the circumstances which triggered the thought of consumers to form a new type of management in the field of retailing.

Private traders follow many dubious methods to exploit the customers as explained in the succeeding paragraphs.

2.1 ADULTERATION: Mixing inferior quality stuff with good quality and selling at cheaper rate is a common method of cheating. Grocery items are the major division in which this malpractice is followed. For eg. rice, flour, food powders, oil, spices, medicines and liquors are mixed with inferior quality goods. A study conducted by Dr. D.K. Mauriyal and T.D. Tiwari discloses that adulterated country liquors take the toll of human life every month in any part of the country. Ill effects of spurious drugs and glucose are horrible. The problem of adulteration is ranked third in the survey of 500 consumers<sup>3</sup>.

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3 Mauriyal DK and Tiwari TD Consumers Problems in India  
A case study of 500 consumers in Roorkee City Indian  
Consumer Co-operator Vol 13 No 5-6 May-June 1986 p 4

2.2 DETERIORATION IN QUALITY: When there is a price increase, private traders and manufacturers, instead of giving effect to the price rise, they reduce the quality of the product to sell at the same price. Sometimes when a product is established in the market, the producer takes advantage by deteriorating the quality and charging high price for the same. Corrupt bureaucracy and dishonest manufacturers are considered to be responsible for such vice, in public opinion. The respondents of the study cited in the previous sub section considered this to be the second major problem<sup>4</sup>.

2.3 DUPLICATE PRODUCT: Duplicate products bearing the standard brand names are produced and sold in the market as original by private retailers. This practice which is common in rural areas is slowly extending to urban areas. It poses serious threat to the genuine producers and illiterate and ignorant consumers. Electronics, electricals, woollen, home appliances, textile goods are a few examples of goods being duplicated at low price.

2.4 UNDER WEIGHT: Traditional weights and scales are used to cheat the rural consumers. Such weighments are handled in a way favourable to the seller. Stones instead of iron and

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4 Ibid p 4

uncertified weights are being used sometimes and in some places. In urban area, modern weighing scales are used but sellers tamper with such weights in spite of Government check.

**2.5 ARTIFICIAL SCARCITY:** Scarcity of certain goods is created by private business men through hoarding. Government interference to ensure continuous supply of essential goods add upto the agony of the consumer due to inefficient and corrupt bureaucracy. Exhibiting the prices of commodities on the labels of the item did not improve the situation as traders used to take advantage of the word 'local taxes extra' since the exact rate of taxes are not exhibited in the shops. Thus the consumer ignorance is exploited.

**2.6 MISLEADING ADVERTISEMENT:** Advertisements given by private traders are misleading the consumers through stimulating their love for family, beauty, health, ambitions, sex, etc. Besides, the consumers were made to bear the burden of the costly advertisements. No one including the Government, newspapers, magazines and other public organisations ever attempt to verify the claims of business men regarding their merchandise.

2.7 EXORBITANT PRICE: Private retailers by taking advantage of consumers' illiteracy and ignorance, distance between production and consumption centres, affluence of consumers, scarcity and necessity of goods, charged higher prices which the consumers were compelled to pay. Uncertainty of budget proposals is also exploited by the private traders during the pre budget period. Often prices have been fixed much higher than warranted by the rise in the cost, lowering the welfare of the consumers. Occasional fall in prices due to Government measures or market conditions at the wholesale level is not generally reflected proportionately at the retail level.

✓ [ The unfair trade practices followed by private traders to exploit the genuine, innocent <sup>and</sup> ignorant consumers of the middle income and poor sections led to the formation of a new type of organisations managed and run by consumers themselves, with service motive. Such organisations are known as consumer cooperative stores.] page 9

### 3 ESTABLISHMENT OF SUPER MARKET

With the establishment of Rochdale pioneers, consumer cooperation was given a red carpet welcome by the world countries. Cash trading policy, management by elected members,

admitting members without discriminating on the basis of sex, race or religion, caste or creed, distributing the surplus to the members in the form of purchase bonus and dividend, keeping away from politics and religion, encouraging savings, thrift and mutual help among the members and selling at market price are some of the important principles of consumers cooperation.

Triplicane Urban Cooperative Store was the first Indian consumer cooperative store established in 1904 at Madras. During 1983-84, 4310 branches were run by the wholesale stores of which 321 as departmental stores, 8750 branches were run by the primary stores. 55000 village societies were engaged in consumer business<sup>5</sup>.

Following table shows total sales effected, sales effected in urban areas and number of families covered by consumer cooperatives in India.

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5 Rao KV Consumer cooperative movement in India Paper presented at the Inter National Cooperative Alliance/ Japan Consumer Cooperative Union Regional Seminar at Tokyo from August 20 to September 10 1985 pp 1-10

TABLE 1 PROGRESS OF CONSUMER COOPERATIVES IN INDIA

Year	Total sales Rs in Millions	Sales effected in Urban areas Rs in Millions	Number of families covered in Millions
1960	7708	587	1
1965	15088	1973	3
1970	18179	3287	4
1975	20405	6297	6
1980	30987	9091	7
1984	32027	13375	8

Source: Paper presented at Regional Seminar at Tokyo held from August 20 to September 10 1985 by Rao KV op cit pp 1-10

Table 1 reveals that the total sales, sales effected in urban areas and number of families covered have increased by 315%, 2179% and 700% respectively over a period of 24 years, from 1960 to 1984.

The following limitations were identified in the working of consumer cooperative stores.

The main limitation was the lack of adequate capital. As these stores were organised by consumers with small means, belonging to either poor or middle class, more capital could not be raised. And also as the number of such societies started were large, the Government too could not provide adequate capital. Due to lack of adequate capital these stores had to deal with only limited number of items.

These cooperative stores were generally small organisations with limited capital as explained above. They could not buy and make available large number of goods with large varieties to the consumers. Therefore the consumers were deprived of the opportunity to choose and buy. These stores were mainly dealing with the essential goods like food grains, sugar and kerosene. Rather they were considered by the Government as their unit for distributing rationed goods. In fact the consumer cooperative movement had fillip either during or after every war such as world war II and the Chinese aggression mainly to distribute the essential goods to the public.

[These stores were able to satisfy the needs of rural consumers to some extent. But the urban consumers needing a large range of goods-essentials, comforts and luxuries-found

these cooperative stores totally inadequate to supply their requirements. The urban consumers suffering from exploitation by private traders and in need of a large range of goods needed their own organisation which will be on a large scale, dealing with a large number of goods including comforts and luxuries and offering them a wide variety of goods so as to have the benefit of choice. However they too could not contribute much capital. In this context the Government came to their rescue by starting Cooperative Super Markets.

#### 2 STATEMENT OF THE PROBLEM

Seeing the success of the cooperative super markets entrepreneurs in the private sector also started organising super markets. These private super markets may be started by an entrepreneur, a firm or a company. Alternatively shopping complex used to be built in which space will be leased to different entrepreneurs for starting different sections such as provisions, textiles, cosmetics, drugs, electricals, and travel goods. Though each of these sections are owned by different entrepreneurs as they are available in the same complex the consumers view them as one super market eg. Chamundi Super Market in Salem.

Thus cooperative super markets and private super markets operate parallelly with the objective of serving the consumers with large variety of large number of goods and certain services under one roof relieving the consumer from the botheration of going from one shop to another in search of his requirements. Both are large scale organisations run in huge complexes with a number of Departments or sections. Both spend huge sums in advertisement and salesmanship, make attractive window display and take every step to retain and enlarge their clientele. Therefore in both the super markets the prices of goods are likely to be higher than the prices in other types of consumer cooperative stores. However cooperative super markets have certain special advantages such as central purchase from the District wholesale stores, lower transport cost and Government subsidy. Therefore the prices in the cooperative super market are likely to be lower than the prices in the private super markets. The researcher~~s~~ have also observed the same phenomena in the two super markets in Salem. Now the researcher<sup>she</sup> is interested to investigate whether the price advantage obtained in the cooperative super market over the private super market is only sporadic or is the advantage universal? i.e. is it available in every or most of the goods? The researcher~~s~~ have taken up

one cooperative super market, Ponni, and one private super market, Chamundi in Salem, for the purpose of this investigation.] p-16

## 5 REVIEW OF LITERATURE

The study aims at the investigation of the price advantage in a cooperative super market over a private super market. Though there have been a number of studies on consumer cooperatives and working of super markets, practically the researcher has not come across any study on the price advantage of a cooperative super market over a private super market. A few of the studies referred to are explained in this section.

In his study "A study on Chinthamani cooperative super market, Anna Nagar, Madras" Bagavathirathinam compared the prices of the study unit with open market prices and found that the prices of goods were lower in the super market than in the open market. While the comparison in that study was between the price in the super market and that in the open market, the present study compares the prices in a cooperative super market with that in a private super market<sup>6</sup>.

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6 Bagavathirathinam A A study on Chinthamani cooperative super market Anna Nagar Madras Unpublished thesis submitted to the University of Madras

Gopal.G.in his study titled "Socio Economic benefits of employees' cooperative stores in Coimbatore District" found the price advantage to be one of the various benefits derived by the members from their employees cooperative stores. He did not make any comparison of the prices and the conclusion was arrived at through the opinion survey conducted among the sample members of the employees cooperative stores in the study area<sup>7</sup>.

Ramasamy.K.in his study on "Economies of Ponni cooperative super market, Salem" analysed the economies in purchase, sales and administration. He found that the unit did not ensure economies in sales and administration, though it ensured economy in purchasing<sup>8</sup>.

Murugesan undertook "A study on the sales Management in Chinthamani cooperative super market, Coimbatore". This case study revealed that there was no sales management technique adopted in Chinthamani as per the opinion of the salesmen<sup>9</sup>.

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7 Gopal G Socio Economic benefits of employees cooperative stores in Coimbatore District Unpublished Ph.D thesis submitted to the Madras University 1983

8 Ramasamy K Economies of Ponni cooperative super market Salem Unpublished M.A dissertation submitted to the Bharathiyar University

9 Murugesan A study on the Sales Management in Chinthamani cooperative super market Coimbatore Unpublished M.A dissertation submitted to the Bharathiyar University

Kunju Mohammed R.M. in his study titled as "A study on sales management in cooperative Mini super market in Coimbatore District" has examined the theoretical perspective in sales management and their applicability to cooperative mini super markets. He has also analysed the working profiles of selected units. While his study explained orientation in sales management and working profiles of mini cooperative super markets, no attempt was made to compare the prices in various mini super markets<sup>10</sup>.

"A study on the factors responsible for success or otherwise of the Pandian cooperative super market, Madurai" a research conducted by Senthamaraikannan, aimed at studying purchase efficiency, sales, administration, inventory management and financial aspect of the super market. No attempt was made to compare the price between two super markets<sup>11</sup>.

"Financial performance of super Bazaar, Warangal" a paper submitted by V.Gangadhar and K.Raji Reddy analysed the composition of ownership, working capital position and profitability with the data given in the Annual report.

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10 Kunju Mohammed RM A study on Sales management in cooperative Mini super market in Coimbatore District M.Phil dissertation submitted to the Bharathiyar University

11 Senthamaraikannan A study on the factors responsible for success or otherwise of the Pandian cooperative super market Madurai Unpublished M.A dissertation submitted to the Bharathiyar University 1978

Reasons for unsatisfactory performance of the super Bazaar were given in the paper<sup>12</sup>.

"Economies of Sowdeswari Mini super market, Coimbatore" a study undertaken by Ramakrishna Reddi.R. with the objective of analysing the economies of purchases, sales, administration, and member satisfaction. He concluded that negative results were noted in all these aspects<sup>13</sup>.

Chellian.B. analysed the efficiency of super markets in Tamilnadu in his study titled as "Operational efficiency of super markets in Tamilnadu" using mainly secondary data<sup>14</sup>.

Shanmuga Sundaram.S. and Benjamin Christopher.S. made a survey on utilisation of the Chinthamani cooperative super market by the members in their paper<sup>15</sup> "The Chinthamani cooperative super market, Coimbatore - A study on utilisation by members". They also identified certain factors influencing utilisation.

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12 Gangadhar V and Raji Reddy K Financial performance of super Bazaar Indian Cooperative review Vol XXIV No 2 October 1986

13 Ramakrishna Reddi R Economies of Sowdeswari Mini super market Coimbatore M.A dissertation submitted to the Bharathiyar University

14 Chellian B Operational efficiency of super markets in Tamil Nadu M.Phil dissertation submitted to Annamalai University

15 Shanmuga Sundaram S and Benjamin Christopher S The Chinthamani cooperative super market Coimbatore A study on utilisation by members Indian cooperative review Vol XXIII No 4 April 1986 pp 351-374

The foregoing discussion reveals that though there has been a number of studies on cooperative super markets, there has been no attempt to compare the prices in a cooperative super market with that in a private super market and to measure the price advantage in the former over the latter. Hence the present study has been undertaken.

### 3 OBJECTIVES OF THE STUDY

The objectives of the study are )

- i To study the working of super markets.
- ii To study the working and progress of Ponni cooperative super market, Salem.
- iii To study the working and progress of Chamundi super market, Salem.
- iv To study the price advantage in Ponni super market over Chamundi super market.
- v To make suggestions for better performance of super markets. *in increasing the price advantage.*

### 7 HYPOTHESIS

In order to examine the main theme of the study i.e. price advantage, the following hypothesis was formulated, based on the personal observation of the researcher.

Goods are cheaper in Ponni cooperative super market than in Chamundi super market. This hypothesis was tested with the help of data relating to the prices of goods collected from Ponni and Chamundi super markets.

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## 8 OPERATIONAL DEFINITIONS OF CONCEPTS

8.1 PRICE: Price refers to the amount paid by the consumers in exchange for goods from the respective super markets. The cash price paid exclusive of the discount allowed is taken into consideration.

8.2 PRICE ADVANTAGE: This term has been used to refer lower prices of goods in one super market than the other.

8.3 SUPER MARKET: Super market means large scale retail trading unit dealing with a wide range of goods, household, essentials, comforts and luxuries. They have a number of sections or departments dealing with different types of goods. Super markets also have certain infrastructural facilities such as parking space for vehicles, canteen, post offices, and sometimes books for the benefit of the customer. They are generally consumer oriented. There are two types of super markets, one in the cooperative sector and the other in private sector. In this study, the term super market refers to both the types.

8.4 COOPERATIVE SUPER MARKET: Cooperative super markets are established in the cooperative sector. They are generally run by District wholesale stores and a few by the state and National consumer cooperative federations.

8.5 PRIVATE SUPER MARKET: These super markets are established in the private sector. They may be either sole trader concerns, partnership firms or Joint stock companies. In a few cases a building complex is leased out to different concerns for establishing the different sections such as textiles and groceries.

## 9 METHODOLOGY

This study is an ex post facto study based on survey method. Primary and secondary data were made use of. Primary data were collected from the two super markets by the researcher himself. These primary data related to the performance of the two super markets as well as regarding the prices of goods in them. As the main theme of the study is price advantage of Ponni over Chamundi collection of the prices of goods in both the super markets constituted the important process in the data collection. Panel interview technique was used to collect these data. The data collection was carried three times once each in November 86, December 86 and January 87. In each month it took about a week. Daily in the morning session prices of goods were collected from Ponni. Prices of the same goods, same brand, with same measurement were collected from Chamundi

in the afternoon session of the same day. Daily one section was covered. Thus it took about a week to complete all the sections once. This was repeated three times in the three months as noted above and the averages of the three prices were taken into consideration for analysis.

Secondary data were collected from balance sheets, reports, journals, magazines and related literature.

#### 10 SAMPLING

Being the Head quarters of the District in which the researcher resides, Salem has been selected for study using convenient sampling. In Salem city Ponni is the only cooperative super market and Chamundi is the biggest among the private super markets. Hence both these super markets were selected purposively.

In the second stage sections were selected based on their importance to the consumers using purposive sampling. Thus seven sections - cosmetics, textiles, stationery, medicine, provisions, liquor and miscellaneous were covered.

Next stage relates to the selection of items. Care was taken to select only those items whose brand and the size are available in both the super markets on the day of collecting data. All such items numbering 505 were taken for study.

## 11 PERIOD OF STUDY

The core of the study relates to the comparison of the prices prevailing in the two units of study. Prices prevailing at the time of data collection i.e. during November 86, December 86 and January 87 have been collected.

Besides comparing prices as explained above, the study covers the performance of Ponni during the period of 5 years from 1976-77 to 1980-81 and the performance of Chamundi during the period of 5 years from 1981-82 to 1985-86. No comparison of the performance has been attempted. The reasons for the difference in the period constituted a limitation of the study which is explained later in the relevant section in this chapter.

## 12 FRAMEWORK OF ANALYSIS

Analysis is mainly related to calculating the price difference. First the average of the three prices collected during the three stages of the panel interview was calculated for each item separately for Ponni and Chamundi. Then the items with price difference were identified. Then the percentage of items with price advantage in Ponni, with price advantage in Chamundi and with no price advantage were

calculated, tabulated for each group, sectionwise and inferences made. Then the price difference between Ponni and Chamundi in each item was calculated and the average of the difference was computed. The differential 't' test was applied to find out the significance of the price difference.

The extent of price difference in each item was ascertained and two way tables according to the nature of items and extent of price difference were framed for each section. 'Chi-Square' test was applied to study the significance of relationship between nature of items and the extent of difference in each section and inferences were drawn.

### 13 LIMITATIONS

The main limitation of the study is regarding collection of data. The macro level data for super markets in general were practically not available. No such data regarding private super markets could be collected. Even the micro level data relating to Chamundi are not accurate. The entrepreneurs were very much reluctant to provide the data required by the researcher. Whatever data collected were supplied by them only from their memory. No document such as profit and loss account and balance sheet were supplied to the researcher.

As the parent organisation of Ponni maintains accounts for all the units run by the same including the unit of study, in a consolidated form since 1983, latest data relating to Ponni could not be collected except for sales. Therefore, data relating to the performance of Ponni were available only upto 1981 (The accounts relating to 1981-82 and 1982-83 have not been audited and hence not supplied to the researcher).

However, care was taken by the researcher to ensure the reliability of the data relating to the prices, the main theme of the study. They were collected by himself from the respective sale counters at the time of actual sale.

#### 14 CHAPTER SCHEME

First chapter contains the introduction and design of the study.

Second chapter deals with the meaning of super market, its origin, development, characteristics, types and role. It also contains the working of cooperative super markets in India and Tamilnadu.

Third chapter deals with the origin, progress and performance evaluation of Ponni cooperative super market, Salem.

Fourth chapter deals with the origin, progress, and performance evaluation of Chamundi super market, Salem.

Fifth chapter deals with the price advantage of Ponni super market over Chamundi super market.

Sixth chapter contains the summary of findings and suggestions for better performance of super markets.