Chapter 3

GOVERNMENT CONTROLLED ESSENTIAL COMMODITIES RETAILING SYSTEM IN KERALA, AN OVERVIEW

3.1 Theoretical Framework of Food and Grocery Retailing
3.2 Government Controlled Essential Commodities Retailing System in Kerala.

This chapter briefly describes the meaning and principles of retailing, especially food and grocery retailing and the existing arrangements for supplying essential commodities under the government in Kerala state. The present system of essential commodities retailing controlled by the government in the state is a planned arrangement to ensure the supply of essential goods at reasonable prices to all. A widely routed Targeted Public Distribution System along with some arrangements in the form of government controlled agencies function in all the states in the country for ensuring the supply of essential commodities. In addition to these, lakhs of traditional small retailers and thousands of large sized retailers with modern retail formats also distribute essential goods in the country. Thus, the essential commodities market consists of lakhs of enterprises with different types of objectives and sizes of formats in all states of the country. As Kerala is known rather as a consumer state, the essential commodities market of the state is very sensitive and any adverse changes in the prices of essentials will affect all her people, especially small and medium income groups. Moreover, people prefer dynamic changes and developments to be made here. These days, the majority of the consumers are price sensitive without compromising the quality of
products. Therefore, all types of enterprises retailing consumer goods including those sells essentials have to follow modern principles of retailing. As the consumer outlets of CONSUMERFED is established to sell consumer goods, especially, essential commodities in a competitive situation, they have to follow modern well accepted principles of retailing applicable to Food and Grocery retailing. Therefore, an attempt is made in this chapter to describe the retailing principles applicable to ‘Food and Grocery Retailing’. Also, the history, development and functioning of the Public Distribution System of the state of Kerala and the organizational mechanism functioning under the state government to distribute essential goods to the public at reasonable prices are described. In this respect, a brief picture of the working of the Kerala State Civil Supplies Corporation (SUPPLYCO) along with the retailing activities of consumer co-operatives functioning in the state is given.

This chapter is divided into two sections: section 1 describes briefly the theoretical framework of retailing and the growth of organized food and grocery retailing in India and section II provides a brief picture of the present arrangements existing under the government for the distribution of essential commodities in the state.

SECTION I

3.1 Retailing Principles and Growth of Organized Food and Grocery Retailing in India.

According to Sam Walton, the CEO of Wal-Mart (2006), “the secret of successful retailing is to give your customers what they want and recall, if you think about it from your point of view as a customer you want everything –a wide assortment of good quality merchandise, lowest possible prices,
guaranteed satisfaction with what you buy and a pleasant shopping experience’’1. Retailing is a broad area and comes within the purview of marketing. Food and grocery retailing is one of the major areas of retailing and is dynamic in all respect. Amazingly, multi-aspect changes have happened in the customer expectations and resultant forms of trade, promotion strategies, brand concepts, pricing strategies and so on. As the study is concentrated on the retailing activities of CONSUMERFED, it is important to discuss briefly the modern concepts and principles of retailing.

3.1.1 Meaning and Definition of Retailing

The word retail is derived from the French word ‘retaille’, meaning ‘to cut off’ or ‘to break bulk’. ‘Retailing encompasses of the business activities involved in selling goods and services to consumers for their personal, family or house hold use. It includes every sale of goods and services to the final consumers ranging from automobiles to apparels to meals at restaurants to movie theatre tickets. Retailing is the last stage in the distribution process’ (Berman & Evans. 2002)2. Retailing involves a direct interface with the consumers. It is the core activity which coordinates other business activities right from the design stage of the product or offers its delivery and post delivery services to the customer. A retail trade is any business form whose sales volume comes primarily from retailing. ‘Retailing includes all the activities involved in selling goods or service to the final consumers for personal non-business use. A retail store is any business enterprise whose sales volume comes primarily from retailing’ (Philip Kotler.2005)3. ‘Retailers are often referred to as middlemen or intermediaries. This suggests that they occupy a middle position, receiving and passing on products from wholesalers to customers. This is accompanied by the addition of service and the provision of a store in a convenient location to provide a successful channel of distribution.
Thus, retailing encompasses all the activities involved in the marketing and distribution of goods and services including a convenient store/ a place of business. Marketing is a core area for any retail operation as the success or failure of retailers is based on how well they understand and serve the needs of customers.

Undoubtedly, retailing is one of the largest industries in the world and contributes to the economic growth of many countries. It is also one of the fastest changing and dynamic industries in the world today. According to recent reports, the US$9 trillion retail industry is the world’s largest industry and the sector is still growing. 47 of the Global Fortune 500 companies and 25 of Asia’s top 250 companies are retailers. ‘Retailing is a significant contributor to the world’s Gross Domestic Product (GDP- about 28%) and contributes more than 20 percentage of world employment. Organized retailing is the most prevalent form in most of the developed countries in the world. It accounts for more than 50 per cent of the retailing business. In Europe it is about 70 per cent, 50 per cent in Malaysia, 40 per cent in Thailand, 40 per cent in Brazil and Argentina, 25 per cent in China’ and about 7 per cent in India’ (Gibson.2008).

3.1.2 Activities of a Large Retailer

A Retailer provides important functions that increase the value of the products and services that help to make available goods to consumers and facilitate the distribution of those products and services for those who produce them. Retailing is the last stage in a channel of distribution. Retailers often act as an intermediary link between manufacturers, wholesalers, and consumers. They collect their merchandise from various sources, buy in large quantities, and sell in small amounts. They study the market trend and usually advice the manufactures on the demand of products and other necessary aspects. Retailers add some value
Government Controlled Essential Commodities Retailing System in Kerala, an Overview

to the product by their prompt and attractive service. For this they charge a margin, which is their net revenue. According to Zikumund and D’Amico (2008) 6, a retailer has to perform the following major activities to achieve his targets:

1) A retailer must identify a niche for his offerings among all available market segments and determine a target market with an opportunity for growth.

2) A retailer must design and develop an appropriate retail format and hold inventory so that products will be available when the customers are needed them.

3) Large retailers should offer an assortment of goods which is sufficient to choose his customers who do ‘one stop shopping’. Supermarkets provide assortment of food, health, beauty care and household products.

4) Buy large quantities and break these in to small consumable sizes. This process reduces cost per unit and advantageous both to produces and consumers.

5) A retailer must provide services to enhance the value of the product to the consumers. He provide services that make easier for customers to buy and use products, and

6) Finally, the retailer must figure out how to establish a sustainable competitive advantage.

‘The most important need of modern retailing is to do things better than the competition. This can be achieved through building loyalty schemes to customers by offering quality merchandise, service, good location, low cost and technology’ (David Gilbert. 2006) 7. Communication programmes are
especially important for the retailers. It is not merely for building brand image to a retailer but useful for educating customers about their offerings.

Retail marketing function requires a combination of various activities. They are all focused on facilitating and expediting transaction exchanges. These tasks ensure that the potential buyer and seller will be able to offer value to each other, be informed and communicate with each other. Intimate knowledge of customers and their needs, development through a learning relationship, are very useful in retaining valuable customers (Shynesh & Jagadish. 2006)\(^8\). For performing responsibilities successfully, a retailer has to undergo certain tasks and functions efficiently, which are listed in table 3.1 below.

**Table 3.1 Responsibilities of retailers to customer interface**

<table>
<thead>
<tr>
<th>Retail Task</th>
<th>Retail function</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identifying customer needs and buying Pattern of customers</td>
<td>Data mining and market research</td>
</tr>
<tr>
<td>Analyse marketing opportunities</td>
<td>Segmenting and target marketing</td>
</tr>
<tr>
<td>Assortment and store layout and Stock management planning</td>
<td>Retail product planning-merchandise</td>
</tr>
<tr>
<td>Determination of retail product’s value</td>
<td>Pricing policy</td>
</tr>
<tr>
<td>Informing and motivating customers</td>
<td>Promotion and store display</td>
</tr>
<tr>
<td>Making customer satisfied</td>
<td>Providing higher value to customers</td>
</tr>
</tbody>
</table>

In short, defining the type of business in terms of goods and services and determination of service category (full- service, limited service or self – service) is the foremost need of a retailer. Targeting customers based on income levels or gender and or/ age and serving them to fulfill their needs will be another major thrust of any retailer. He must implement an integrated strategy that combines store location, product assortment, pricing, advertising and promotion, displays and layout to achieve his objectives. He should
evaluate the performance of his business based on his objectives and customer responses and should correct weaknesses as and when observed.

### 3.1.3 Special Characteristics of Retailing

Retailing is a mixture or amalgam of goods and services. Many of the retailers are at a retail myopia and do not understand the special characteristics of retailing business. Retailing is considered as a sub-part of marketing and so modern marketing principles are applicable to this sector also. But, at the same time, several special characteristics distinguish retailing from other type of businesses. They are;

1) The average amount of a sales transaction for a retailer is much less than that of manufacturers. These low amounts create a need to tightly control the costs associated with each transaction, to maximize the number of customers and place promotions to create impulse buying.

2) Inventory management is often difficult for retailers because of the many small sales transactions to a large number of different customers.

3) Retail customers often make unplanned or impulsive decisions in purchasing and this behavior indicates the value point of purchase displays, attractive stores layout, catalogs and websites. Since customers buy so many goods in an unplanned manner, the retailer’s ability to forecast, budget, order merchandise and the proper number of personnel on the selling floor is made tougher (Berman & Evans. 2002).  

4) Store environment is one of the major customer influences on purchase decisions.
5) Despite the inroads by no-store retailers, most retail transactions are still performed in-store. In-store shopping is preferred by most of the customers as this offers features of touch, feel, smell and compare products.

6) Retailing is dynamic than other type of businesses.

7) Long lasting customer relationships are required to be maintained by retailers to retain customers.

3.1.4 The Retailing Concept

A sincere and long-term desire to please customers is the basic aspect of the retailing concept. In doing so, the business will have to follow a customer-oriented, value-driven and goal oriented approach to satisfy its customers and to earn a fair profit. The retailing concept is based on four principles, which should certainly be understood and applied by all retailers:

1) Customer orientation. The retailer tries to understand the attributes, needs and wants of its customers and endeavors to satisfy these needs to the possible level.

2) Value-driven. The retailers offer value to the customers. This is possible through fixing prices appropriate to the level of products, offering standardized services to customers and through the sale of quality products.

3) Coordinated effort. The retailer integrates all plans and activities to maximize efficiency.

4) Goal Orientation. A retailer must have to set his long term and short term goals and adopt strategies to attain them.
3.1.5 The Total Retail Experience

A customer may shop at a neighborhood store, next time at a self service firm and another day at a discount store, in all the stores he has something crucial in common: he encounters a total retail experience in making purchase. These include everything from parking to check out counter. According to the director of International Business Machines (IBM) Global Retailing Practice, “Consumers are clearly telling retailers that they want a personalized and interactive shopping experience. They want immediate access to promotions based on past purchases and loyalty, as well as precise details and product availability or items that are out-of-stock. They also want helpful sales associates, fast service, and a store that is easy to stop, sometimes even more than they want low prices.” (www.marketwire.com)\textsuperscript{10}. The total retail experience includes all the elements in a retail offering that encourage or
inhibit consumers during their contract with a retailer. Many elements such as displays, prices, assortment, brands carried, responses of sales people, adequacy of parking, etc have influence in the creation of total customer experience. ‘If the total experience in a retailing place is not satisfactory, consumers may make a purchase tougher’ (Berman & Evans. 2002) ¹¹. In planning a retail strategy, retail firms must be sure that all the elements necessary to create retail experience should be arranged in apt places. A food and grocery store has to keep ample stock in hand, superior personnel to serve, attractive layout, prices suited to the segment, etc. The store planning, store design and store design are atmost important in organized retailing.

Store planning is location planning followed by site selection. The right selection of location is important in terms of convenience to the customers and large sale in case of retailers. It must not be a place which overlaps other similar traders. ‘Trading area’ concept should be followed while planning the store location.

The design and layout of the store are a means of communicating the image of retail store. The design may be suitable to navigate the store easily, provide appeal to the customers, pleasure shopping experience, easiness to locate the merchandise, ample space to move between the racks, etc. It must provide aesthetic view and sensory perception to the customers including parking facilities, healthy and safety based systems.

The store layout of a store is the arrangement and location of fixtures, fittings and equipments, merchandise, aisles, checkouts, etc. Store layout should entice customers to move around the store to purchase merchandise than they may have originally planned. Supermarket shoppers typically have specific things to buy, so retailers need to place an emphasis on locating
merchandise. Good layout is to provide a balance between giving customers adequate space in which to shop and productively using expensive space to other facilities.

3.1.6 Customer Satisfaction.

Assessment of the level of customer satisfaction is most important in all types of businesses. In a competitive business set up, only 'satisfied' customers are likely to remain loyal in the long run. Satisfaction is a state of mind. Customer satisfaction occurs when the value and the customer service provided through a retail experience meet or exceed consumer expectations. If the expectations of value and customer service are not met, the consumer will be dissatisfied. “Retail satisfaction consists of three categories: a) shopping system satisfaction- which includes availability and types of outlets, b) buying systems satisfaction- which includes selection and actual purchasing of products and c) consumption satisfaction- consumer satisfaction derived from the use of a product. Dissatisfaction with any of the three aspects could lead to customer disloyalty, decreases in sales, and erosion of the market share”\(^{12}\) (Otineo, Chris & Gaynor. 2005). The level of customer satisfaction can be improved only through offering quality products and expected services to the customers. For this total retail offering has to be evaluated and weak points should be identified. In this respect the assessment of customer rating on the performance of products and customer services and customer opinion on the complaint redress mechanism, etc has a crucial role in retailing businesses. The management and service personnel together should frame and follow an effective strategy to rectify the weaknesses, to create more fully satisfied customers.

Customer satisfaction is a necessary but not the only sufficient condition for customer loyalty. Satisfaction is directed specifically at product or service
attributes and may be relatively more dynamic measure. In contrast, loyalty is a broader, more static attitude towards a company in general. It has both rational and emotional elements and is clearly affected by satisfaction. The price, product and service quality are the major intermediate variables involved in customer satisfaction and customer value. Loyalty has affective and cognitive dimensions. Affective loyalty dimension involves human interaction and cognitive dimension of loyalty includes evaluation of business relationship that involves price, proximity, timeliness, and soon.

![Diagram of loyalty and satisfaction relationships](image)

**Figure 3.2: Relationship between loyalty and satisfaction.** (Source: Derick, R. Allen, Tanniru, R.Rao. (2010) Analysis of Customer Satisfaction Data, New age international publishers. p.9)

### 3.1.7 Customer Loyalty and Customer Retention Strategies in Retailing.

Recent developments in retail marketing have been associated with building customer loyalty. The creation of customer loyalty is the planned programme for retaining existing customers and to attract new customers to the business. Identifying and understanding the target market, and offering the products and services and the right type of reward is the first step needed in
loyalty building strategy. ‘Customer retention’ is the process of keeping customers in the customer inventory for an unending period, by meeting the needs and exceeding the expectations of these customers. ‘It is an approach of converting a casual customer into a committed loyal customer’\(^{13}\) (Mohammad & Sahadevan. 2000). Retention of the bulk of the customers of a retailer for the long run is the end result of an effective customer loyalty strategy. Supplying quality goods at low prices and similar strategies are positive steps to enhance customer loyalty. According to Sopanen (1996)\(^{14}\), retail strategies required to build customer loyalty and customer retention are:-

1) Offer apt location of a retail outlet – Convenience loyalty.
2) Offer goods at low prices and create such a notion among customers –Price loyalty.
3) Offer quality goods based upon the requirements of the customers -Quality loyalty.
4) Offer reward schemes for accumulating benefits - Incentivized loyalty.
5) Offer popular brands to the customers-Create brand loyalty.

Customer loyalty can be improved by providing better customer service, making shopping more pleasant by investing in entertainment, expanding the merchandise mix or develop a store specific brand, etc. The common strategy required for all retailers to improve customer loyalty is a strong desire to please the customer and a strong market niche. ‘Creating customers can occur at the emotional, humane levels at any time, any place’\(^{15}\) (Barlow & Dianna. 2006). Consumer loyalty and consumer retention are highly related. A retail firm must plan and implement strategies to improve consumer loyalty to retain their existing customers. Different strategies to improve consumer loyalty are
very important for supermarkets, especially chain retailers as they are directly related to repeated purchase. Loyalty remains one of the greatest engines of business success. Principles of loyalty-based management are alive and well at the heart of every company with an enduring record of high productivity, solid profits and steady expansion ¹⁶ (Federik. F Riecheld. 1996). The most important and effective path to competitive superiority is by maintaining customer stability. Customer retention is considered very important because, it is demonstrably cheaper to keep current customers than to attract new ones¹⁷ (Jane Licanta & Michel Webber. 1998).

### 3.1.8 Retail Strategy

A retail strategy is the overall plan guiding a retail firm. The retail strategy is a serious decision in respect of deciding which customer groups that firm will serve (segmentation and targeting) and how it will serve them (differentiation and positioning). It determines the total market to be served, services to be offered, promotion strategies needed, etc. It influences the firm’s business functions and its responses to market forces such as competition, brand image, etc. Food and Grocery retailers utilize the following six important steps in their strategic planning.

1. **Define the type of business in terms of the goods and service category and the firm’s specific orientation.**
2. **Set long run and short run objectives for sales, market share, products, and activities and so on.**
3. **Decide the market size, customers which the retailer intends to serve and study their needs, characteristics, demographics, etc.**
4. **Devise an overall plan that gives direction to the firm and its employees.**
5) Implement an integrated strategy for store location, product assortment, pricing, advertising and displays and

6) Regularly evaluate performance in relation to sales, services, employee motivation, etc. and correct weaknesses and/or threats observed.

The process of retail planning provides a thorough analysis of the requirements for doing business for retailers. It outlines retail goals and differentiates a firm from competitors in the initiation of schemes and policies that appeal to customers. It also helps to overcome crises. Market segmentation, target marketing, market differentiation and market positioning are very crucial and inevitable in determining a retail strategy. Market segmentation and target marketing are important to decide the customer groups that a retailer can fruitfully serve. For this, the retailer divides the market into groups based on their characteristics and enters one or more of the segments where the firm can profitably act. Then the retailer offers superior value to the customers targeted to serve so as to differentiate it from others. It may be through offering products at low/high prices or through enforcing quality or a variety or choice, etc. Positioning in retailing means a firm occupying a distinctive position among the competitors through its products and services. The inter-related elements of a retail strategy are designed as under:
Situation analysis is a candid evaluation of the opportunities and threats facing a retailer. A successful retailer has to set objectives for the long run and short run performance targets he hopes to achieve. This includes sales, profit, satisfaction of customers and image. Image represents a retailer devising a strategy to ‘positioning’ it to gain popularity. As the third step in devising
retail strategy, a customer group to be served must be selected by a retailer (target market). A retail strategy must be based on controllable and uncontrollable variables. Deciding the store location, merchandise management, pricing, promotion strategies are controllable variables while competition, economic conditions, technology, etc. are uncontrollable. As the last step in the strategy, there should be arrangements for collecting feedbacks from customers, employees, etc. This will help to capitalize on opportunities.

3.1.8.1 Reasons for the Failure of Strategy

Due to a number of reasons, a retailing business may turn out to be a failure. Factors such as economic depression of a state and resultant reduction in the income level of the people, aggressive changes in fashion, taste and buying pattern of the customers and similar other reasons, even those which are uncontrollable may stand against a retailing firm. Similarly, unattractive location, failure in encashing the customer perception, offering goods at high prices, failure in supplying quality goods at reasonable selection and poor service could be the major causes of failure of a retailing business. Customers may switch over from an outlet:

1) When they perceive that the price charged for the products are high.
2) When the quality of products are found to be very low.
3) Due to poor service,
4) Due to certain products going out of use, and
5) Due to organizational- internal, external or political impacts.

3.1.9 Five Important Principles of Retailing

The following are the five important principles of retailing given in the Retail Inspector’s Handbook by Antony Welfare:
1) Customer is the most important person in your business: The customer holds the key to every successful retailer and understanding the customer is imperative to make your business customer focused. The customer should be the centre of the business and everything we do must revolve around the customer. Understanding customers is the first step in the series of building customer loyalty programs. Best businesses cultivate a positive culture. The business which has been overtly aware of customer service from the beginning and has taken steps to safeguard and cultivate the culture, is a culture focused one.

2) Retail is detail: The success of a retail business involves the processes to solve mistakes. Customers will turn away if too many mistakes are repeated by a retailer. He should be focused in studying the customers and running the business.

3) Understanding the four Ps: The apt implementation the old principle 4 Ps- Product, Price, Place and Promotion will positively nurture a retail business.

4) Go the extra mile for your customer: Offering a world-class customer service should be the motto of a retailer.

5) Location: The final retail principle of location is a much older one but still a golden principle, which has a major impact on quantity of business.

3.1.10 Customer Service in Retailing

Customer service refers to the identifiable, but sometimes intangible activities performed by a retailer or his personnel in conjunction with the basic goods and services on offer (www. iibeam.com). Food and grocery retailers
have to follow a standard set of customer services but will have to be unique in their own methods and customs. It will provide an additional goodwill to the enterprise. Customer requirements, the cultural background of the people, income levels of the customers and similar considerations are important in framing customer service strategy. The action plan must clearly define the responsibilities and responsiveness of employees, quickness in delivery policies, complaint redresses, etc. Customer service includes even store hours, parking access, shopper friendliness of the layout of the store, delivery facilities, employee courtesy and their service mentality, seating arrangements for customers, drinking water facilities, facilities for kids, etc. Satisfaction with customer service is affected by the expectations and past experiences of a customer. Therefore, a standard set of treatment could not be applicable to all type of customers.

### 3.1.11 Management of Service Quality in Retailing

The major factor that retailers have to understand is the growing expectations by consumers that they will receive quality products and service. For satisfying these expectations of consumers, they have to understand them. Service aspects in retailing are inseparable to products as they create intrinsic value, which adds to product value. The performance level of the staff is directly related to the level of customer satisfaction. The interpersonal relationship between the ‘client’ and the ‘service provider’ creates a positive sales experience. For creating a positive sales experience it is important to ensure standardized service levels. They should be adhered to satisfy the needs and expectations of the consumers.

Customer expectations and attitudes on service quality are mostly based on experienced service and perceived service. Experienced service is the type and magnitude of service that the customer received from similar type of
outlets. Perceived service is the service quality expected from a particular outlet based on physical, psychological and other factors.

The management of service quality should be based on general customer expectations and attitudes towards a particular type of outlet (Parasuraman, 1985). Parasuraman developed a model of service quality which claims that the customer evaluates the quality of a service experience as the outcome of the difference (gap) between expected and perceived service. The model highlights the main requirements of a service provider delivering the expected service quality. An understanding of this model leads to an improved realization of the key points at which the marketer can influence the satisfaction of the customers.

![Diagram]


Figure 3.4: The service quality delivery mode
Deconstructing Service Quality

For deconstructing service quality, the following steps are required.

1) Identification of the benefits that consumers seek from a retailer
2) Development of a general service strategy to be implemented
3) Determination of standards required for successful retail strategy implementation
4) Implementation of a service delivery system.

For the implementation of these steps, proper guidance and training should be given to the staff. An assessment of actual service quality at regular intervals, focus on the changing needs of customers, provision for motivating staff, etc also are required.

3.1.12 Retail value Chain

A retailer may try to understand and properly apply the concept of ‘value’ in relationship with his customers. Every customer strongly believes in the value of money that he gets from the products and services. Value is represented by a series of activities and processes. It is the totality of the tangible and intangible product and service attributes offered to customers. Customer perception evolves on a value chain the shopper keeps. Value is based on perceived benefits received versus prices paid. Offering good value is essential for a retailer. Retailers must ensure that the customers perceive the same value as the retailer intends it to be. Offering quality products, and services differently is necessary for the creation of value in the minds of customers.

A retail value chain represents the total bundle of benefits offered to customers through the channel of distribution. It comprises elements such as
store location, parking facilities, retail ambience, the level of customer service, products, quality of products, prices, the retailer image, packing of products, delivery conditions, etc. There are three complementary components to a value chain retail strategy: expected, augmented and potential. **Expected retail strategy** encompasses the minimum value chain elements that a given customer segment expects from a given type of retailer. These attributes must be ensured by all retailers. Cleanliness in the store, popular merchandise, timely service, parking, convenient working hours, and knowledgeable employees are important among the expected retail chain value strategy. **Augmented retail strategy** means the strategies differentiating a particular retailer from another retailer. **Potential retail strategy** comprises value chain elements not yet performed by a competitor in the retail business of that category (David Gilbert. 2000).

### 3.1.13 Customer Relationship in Retail Context

Loyal customers are backbone of a retail business. Long term customers buy more, take less time for shopping and they are comparatively less price sensitive than a new customer. **Customer Relationship Management (CRM),** one of the most important concepts of modern retailing must have to be implemented by every organized retailer. According to Philip Kotler, “it is the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction” (Philip Kotler.2008). Long lasting customer relations can be maintained only through creating customer superior value and satisfaction. Customer superior value can be offered by providing expected customer service, which is the level of service that the customers want to get from any retailer.

In retail context, to create long lasting customer relationship is not so easy. This can be possible only through providing quality merchandise and
services to the customers at a reasonable cost or through delivering customer value. A customer buys products and services from the enterprise that offers highest **Customer Perceived Value**. Customer Perceived Value is the customer’s evaluation of the difference between all the benefits and all the costs of a retailer’s offering relative to other competitors. Customers judge the value based on their perception and they act on perceived value.

For improving customer relationship, retailers must regularly analyze their customer base in terms of population and lifestyle trends, attitudes and reasons for shopping, etc. and design a retail strategy suitable to the changes. For example a company can create basic relationship with low and medium income group customers by ‘low- margin strategies’. Another strategy to improve customer relationship is through improving total retail experience offering to customers by improving customer services. The attributes of personnel who interact with customers as well as the number and variety of customer services offered have a strong impact on the relationship created. To apply customer service suitably, an enterprise may outline an overall service strategy and plan individual services. In food and grocery retailing, offering additional or special reward such as ‘price cut’ or ‘special discount’ or ‘premium products’ to regular customers is another strategy to retain customers. Many firms send ‘greetings’ to their valuable customers on special occasions such as their birthdays etc. to improve their customer relationship.

Attracting, maintaining and enhancing customer relationships through creating customer data bases are important to retain profitable customers. Customers with positive attitude towards a retailing firm have to be identified and to be treated them individual level to retain them as they are potential customers.

To retain customers, it is important to artifact a cordial relationship between buyer and seller. Many studies have proved that buyer-seller relationship will arouse through five general phases, namely:-

1) Awareness Phase: It is unilateral, pre-exchange process, where one party recognizes the other party a feasible exchange partner.

2) Exploration Phase: Mutual considerations and dyadic interactions initiate the exploration stage. It consists of five sub-process such as attraction, communication and bargaining, development and exercise of power, norm development and expectation development.

3) Expansion Phase: The five sub-processes that operated in the exploration phase also works out in this stage. The range and depth of mutual dependence increases in this phase.

4) Commitment Phase: This phase supports high levels of mutual dependence by circumscribing the exchange relationships with value structures and contractual mechanisms that ensure its durability. Here, significant economic, communication and/or emotional relationships blooms up and as result of these, a willingness to bond themselves may facilitate their continued investment in the relation. This is called durability of relationships between seller and buyer.

5) Consistency Phase: When the input level of one party fluctuate, the other party will have difficulty in predicting the outcomes from such relationship. Pressure to adjust rather than dissolve a relation is fueled by the ongoing benefits ac The Retail inspectors Hand defines occurring to each partner.
6) Some scholars have conceived dissolution as the reverse of relationship formation and is also unilateral, dissolution phase cannot be considered as an evolution phase.

3.1.14 Consumer Behaviour in Retailing

It is very important to understand the way retail consumers make decisions and act in relation to consumption of retail products. The purchase motives are based on consumption needs. These needs may be psychological or physical. Understanding consumer behaviour is a difficult task. But knowledge of buyer behaviour helps to know about the buying process and different factors affecting it. Consumer behavior is the behavioral pattern shown by final consumers. Consumer purchases strongly influence the marketing stimuli consisting of the four Ps:- Product, Price, Place and Promotion. Other stimuli consists of buyer’s cultural, social influences (family, personal connections, etc), environmental factors (socio, economic and Technical), personal factors (age, occupation, life style, etc.) and psychological factors (learning, beliefs and attitudes, motivation, etc). Thus, many factors act as stimulus for a purchase and selection of an outlet.

Buyer characteristics influence the type of purchases made. In addition to the influence of society and other personal factors, the impression of sales personnel also has an impact on the purchase decisions of a consumer. Merchandise offer, variety of choice, price of goods, promotion are other factors that influence the purchase behaviour of a person. Therefore, in retailing matching of merchandise offer, price policy, service ingredients, quality of products, etc of a retailer with personal perceptions of the buyer are very important influences on him in taking a decision in favour of a retailer. Philip Kotler (2008) developed a model of consumer behaviour and he
classified the factors influencing the buyer behaviour for arriving at a purchase decision into three categories. The first category consisting of product/ products, price of goods, promotion, economical factors, political, cultural, technical and social factors. All these factors give stimulation to select a product type. The second category consists of buyer characteristics and the decision making process followed by the buyer. Dealer choice, product choice, brand choice, purchase amount and timing of purchase are the resultant behaviour of the first two factors and are known as buyer responses, which is the third category.


**Figure 3.5. Model of buyer behaviour**

### 3.1.15 Purchase Process in Retailing

Management of a retail enterprise cannot be effective unless there is some understanding of the way the retail consumers make decisions and act in relation to the purchase of retail products. Buyer characteristics such as age, occupation, personality, social class, belief, income, spending habit, etc will affect the process of purchase as well as type of product he purchases. The retail service offered by the store has also an influence in the process of purchase. David Gilbert (2000) has given a simple model of purchase applicable to retail customers.
3.1.16 The Retail Marketing Mix

Philip Kotler in his book ‘Principles of Marketing’ (2008) mentions that the marketing mix is one of the key concepts in modern marketing. According to him, “marketing mix is the set of controllable, tactical marketing tools that the firm blends to produce the response it wants in the target market. It consists of everything the firm can do to influence the demand of its product”. These possibilities can be summed up as the ‘four Ps’: product, price, place and promotion. However, many other experts used to describe the marketing mix as ‘seven Ps’. As retailing is an integral part of marketing, these ‘seven Ps’ are considered as the retail marketing mix.

**The Product** is the totality of the offer which will normally include the merchandise, service, store layout, benefits, etc. A retailer needs to decide on the merchandise to offer and include the variety and range of products assorted for supply in the store. The depth and width of the product range will depend upon the specific strategy of each retailer but it must be one which satisfies the target group. Another ingredient and inevitable attribute of product is the quality concept. A retailer cannot create reputation and long term growth unless he includes quality concept in the products assorted and in various services.
Chapter 3

Creating a level of service to be offered to the customers is as important as offering quality products. Staff responsiveness, convenience in self service, speed in billing, and quick delivery of goods are some of the essential services needed in a super store. The type of layout can also ruin or enhance customers. The design of store layout should be proactive with qualities of free movement and ambiance. It must allow optimum presentation of merchandise (Naggle & Hoden, 1995).

**Retail Pricing:** The Pricing policy of a retailer is critically important as it determines the profitability and the determinant of demand for the products. Price is the major weapon of most of the modern supermarkets in the battle of competition. Customers may not remain with a retailer if it offers products at a high price than its real value. The pricing policy of a supermarket should be practical and tactical –based on the nature of products, cost involved and the competition that prevails. They can adopt an approach either cost oriented or demand oriented or a combination of both as their pricing policy (Gronroos).

**Place:** It includes the channel and activities that make the product available to consumers. A well planned supply chain distribution system is inevitable to make the products available and accessible to the place of customers. It includes the activities from processing and manufacturing products to the ultimate exchange of various goods to the end user. A well planned retail supply channel should:

1) Reduce total inventory investment
2) Improve customer service
3) Lower unit cost
4) Reduce handling cost
5) Ensure adequate supply of goods.
**Retail Promotion:** Promotion means activities that communicate the merits of the products and persuade target customers to buy them. Retail promotion is a term used for expressing the mix of communication and persuasion methods used by a retailer to boost his sales. The presence of a store and the merchandise and service availability should be communicated to the target group. Promotion includes advertising, personal selling, sales promotion and public relations. All these are aimed to influence the consumer in his purchase decision making process. It is proved that effective promotion strategies help to increase the sale of products, customer loyalty and store image of a retailer.

**Processes:** The fifth element of marketing mix is the processes. It is associated with customer service such as identifying customer needs, handling customer complaints, processes for handling customer orders, etc followed in retailing business.

**Physical Evidence:** Customers expect a high level of presentation in modern retail units, they need to easily find their way around the store and expect a good presentation. Retailers should develop the habit of thinking continually about how they are positioned in the hearts and minds of their customers. It means how they are seen and thought about by their customers, which is a critical determinant of the success in a competitive marketplace. Sometimes it is called ‘service’ or ‘excellence’.

**People:** Develop the habit of thinking in terms of the people inside and outside of your business who are responsible for every element of your sales and marketing strategy and activities. It is a major factor behind the successful operation of any business. The reputation of the firm rests in the hands of people who contact and those who work within a firm. In a specific way, the ability to select, recruit, hire and retain the proper people, with the skills and abilities to do the job is more important than everything else put together.
3.1.17 Chain Retailers

In India, a considerable portion of food and grocery retailing is under organized chain retailers. They are operating multiple outlets under common ownership at different places in a state/country. Some of them are concentrated in urban areas only. However, recently it is seen that the majority of chain retailers are extensively extending new stores either to city outskirts or rural areas. They usually engage in some level of centralized purchasing and decision making. Chains account for more than one quarter of retail firms and it contributes 65 per cent sales and employment in USA. Competitive advantages of chain retailers are:

1) They have higher bargaining power as they purchase larger volume of goods.

2) Chains achieve cost efficiencies when they buy directly from manufacturers. They can bypass wholesalers and thereby acquire products at lower prices.

3) They can efficiently use modern storage facilities either by constructing warehouses or facilities on shared basis.

4) Chain retailers can sell products at lower prices than independent retailers as their purchase rate is lower than theirs.

5) They can economically use modern technologies for training their staff.

6) Regional demand variations may not affect total turnover of chain retailers. As their outlets spread in many regions, reduction of demand for products in a region may neutralize with the hike in the demand in another region.

7) Most of the chains have defined management philosophies and professional managers.
3.1.18 Types of Retailers and Important Retailing Formats

Food and Grocery retailers are classified broadly in two categories/types.

1) Traditional Retailers. In India 90 per cent of retailing is done by traditional retailers called as Mom and Pop stores or Kirana stores or Grocery stores.

2) Modern or Organised retailers. These retailers operate business as large formats such as departmental stores, supermarkets, specialty stores or non-store retailing. They are normally registered traders. The following exhibit shows the classification of retailers:

![Types of Retailers diagram](image-url)

**Figure 3.7. Types of Retailers.**
3.1.18.1 Formats of Organized Retailing.

Organized retail players are drawing up their plans in such a way as either to cater to all sections of the population or to serve to the elite upper group, or the middle income group and/or the low income category. Accordingly, they have devised different formats for retail trade. Formats of organized retail trade can broadly be classified into food oriented retailers and general merchandise retailers. But practically this classification is difficult as most of the modern retailers offer food and non-food items from their outlets. The prominent formats of retail trade are described below.

- **Supermarkets** – They are large retailers selling mostly food products, grocery, etc. They cater to the choice and variety needs of customers by offering a large number of products with length and depth under one roof. Self-service is the peculiarity of these retailers. This type of institutions were started 85 years ago when it was recognized that large scale operations would let a retailer combine sales volume, self-service and low prices. The world book 1999 defines supermarkets as large stores selling food and other goods, where customers select products themselves and pay at a checkout counter. Supermarkets began in the US during the 1930s and spread to Europe in the 1950s and are now in most countries.

- **Convenience Stores** - provide a limited amount of merchandise at more than average price with speedy checkout. The storage facility of convenience stores is limited but well located.

- **Hypermarkets** - provide variety and huge volumes of exclusive merchandise at low margins. This form of large retail outlets offer
both food and non-food items at discounted rates. Typically, it
would span more than 1,00,000 square feet of space and are
located outside the city centre.

- **Departmental stores** - very large stores offering a huge assortment
  of ‘soft’ and ‘hard goods’ often bear a resemblance to a collection
  of specialty stores. Like the name suggests, this format carries
  various departments such as apparels, house ware, furniture,
  jewellery and appliances.

- **Discount stores** - tend to offer a wide array of products and
  services, but they compete mainly on price and offer extensive
  assortment of merchandise at affordable and cut-rate prices. This
  format’s proposition is that it offers no frills such as spacious,
  well-lit and air conditioned retail space. Discount stores may be
  warehouse membership retailers, specialty retailers, full line
  retailers or off-price retailers.

- **Warehouse stores** - offer lowest, often high quality goods piled
  on pallets or steel shelves. They offer a moderate number of food
  based items in a no-frills setting.

- **Variety stores or dollar stores** - offer extremely low-cost goods,
  with limited selection.

- **Demographic retailers** - focus on wealthy individuals that aim at
  one particular segment.

- **Specialty stores** - give attention to a particular category and
  provide high levels of services to customers.

- **Malls** - have a range of retail shops at a single location.
Category killers or category specialists - supply wide assortment in a single category for lower prices and sales person will be available to address customer queries.

E-tailers/ non-store retailers - the customer can shop through internet and merchandise are dropped at the customers door step.

Automated retail stores - self service, robotic kiosks located in airports, mall and grocery stores. Eg: Zoom shop, Red box etc.

3.1.19 Growth of Organized Sector in Food and Grocery Retailing in India

It was estimated that more than 60 per cent of total retailing consists of food and grocery retailing in the world. About 70 per cent of total retailing amount accounts for food and grocery in the US market and in many developed and developing countries this percentage does not vary much. Moreover, world’s retailing giants are also doing no other business other than food and grocery retailing. Also, in India, the most prevalent form of retailing is considered as food and grocery retailing. This sector is estimated to be about 60 per cent of the total retailing in the country. This sector had been dominated by small independent retailers. But, the scenario is slowly changing in the country with the entry of organized retailers. They are comparatively big retailers having registration with tax authorities or local bodies and function as per other prevailing laws of the country. They have become major attractions to middle and high class consumers in India. As a result of the growth in their number, they compete with each other as well as compete with traditional small retailers. ‘The grocery industry is strongly driven by price competitiveness, product selection, assortment and courtesy of personnel. While determining the format choice, cleanliness is the most important attribute.'
Assortment has been identified as the most important single driver for the choice between store formats’ 27 (Janson & Moore. 2006). Singh and Powell (2002) 28 found that grocery shoppers consider quality to be most important, followed by price, locality, range of products and parking. Super-centres of retailing are identified by the customers as low price centers offering wide assortment of goods. Goswami and Mishra (2009) 29 have identified some dimensions that are relevant for store choice in food and grocery retailing in their study. They are; price of products, assortment, behaviour of sales personnel, cleanliness, quality, deals/promotions, delivery, ease of shopping, location, store signage/ambiance, parking, expenditure, apathy, refund/exchange.

### 3.1.20 Food and Grocery Retailing Scenario in the World.

The role of small and independent retailers is very significant in food and grocery retailing. They control the major portion of sales in most developing and underdeveloped countries. But in developed countries, organized retailers are prominent. Among the world’s largest 500 companies, 40 are engaged in food and grocery retailing. Most of them are chain retailers and have more than 1000 stores. Their retailing format and activities spread out to many countries and they offer large employment opportunities. Wal-Mart, the US based, world’s largest retailer has 4450 retail stores across the world and US$421889 million turnover. Kroger has 3574 stores, Wal Green has 7651 stores and Carrefour has 4899 stores.

The world food retailing market is considered to be the largest employment provider. This sector also contributes a considerable portion of GDP in developed and fast developing countries. It ranges from 10 - 20 per cent on an average in developed countries GDP while it is 5-12 percent in...
developing countries. The world food retail market is expected to witness sluggish growth, maintaining a yearly rate less than 6 per cent. The industry forecasts a revenue of almost US$6 Trillion by 2016 (D.William. 2002). Currently it is estimated that the sector has a total sales of about US$4.8 trillion. Supermarkets, hypermarkets and discount stores are the most profitable form of retail formats generating almost $2.5 trillion of overall market value. The European Union (EU) food retail market represents around 33 percent of the overall world market. In the United States, the retail sector is the second largest industry and the provider of employment to 20 million people. On an average retail industry has generated 18 percent return to shareholders between 1994 to 2000 where as the return in the insurance sector was 15.2 percent and 9 percent in the banking sector (Indian Retail Report.2002). It was reported that even in the period of economic meltdown, the only sector that remained strong is none other than retailing in many of the advanced countries.

The growth of supermarkets has brought a wave of consolidation to the retail food industry. Many small, frequently family owned operations of one to several stores have lost their sales to the new formats and gone out of business or been taken over by large firms. Many large supermarket chains like Kroger and Safeway increasingly suffer from competition. The US retail giant Wal-Mart has announced that much of its expansion will focus on smaller urban stores (Bustillo & Timothy.2010).
Table 3.2 Ten top global retailers of 2011, their country of origin, sales, net income and the dominant form

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Country</th>
<th>Sales in US$ million</th>
<th>Net income in US$ million</th>
<th>Dominant form of business</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Wal-Mart</td>
<td>US</td>
<td>421889</td>
<td>16993</td>
<td>Hypermarkets, supermarkets</td>
</tr>
<tr>
<td>2</td>
<td>Carrefour</td>
<td>France</td>
<td>121519</td>
<td>754</td>
<td>Hypermarkets, supermarkets</td>
</tr>
<tr>
<td>3</td>
<td>Tesco PLC</td>
<td>UK</td>
<td>94244</td>
<td>4131</td>
<td>Superstore</td>
</tr>
<tr>
<td>4</td>
<td>Metro AG</td>
<td>Germany</td>
<td>89311</td>
<td>1243</td>
<td>Cash and carry warehouse club</td>
</tr>
<tr>
<td>5</td>
<td>The Kroger Co</td>
<td>US</td>
<td>82189</td>
<td>1133</td>
<td>Supermarket</td>
</tr>
<tr>
<td>6</td>
<td>Schwarz</td>
<td>Germany</td>
<td>79119</td>
<td>1053</td>
<td>Discount store</td>
</tr>
<tr>
<td>7</td>
<td>Costco corporation</td>
<td>US</td>
<td>77946</td>
<td>1323</td>
<td>Cash and carry warehouse club</td>
</tr>
<tr>
<td>8</td>
<td>The Home Depot. Inc</td>
<td>US</td>
<td>67997</td>
<td>3338</td>
<td>Home Improvement</td>
</tr>
<tr>
<td>9</td>
<td>Wal Green</td>
<td>US</td>
<td>67420</td>
<td>2091</td>
<td>Pharmacy</td>
</tr>
<tr>
<td>10</td>
<td>Aldi Einkuf</td>
<td>Germany</td>
<td>67112</td>
<td>1910</td>
<td>Discount store</td>
</tr>
</tbody>
</table>


From the table 3.2 shown above, it is clear that food and grocery retailing firms dominate the retail sector and supermarkets, hypermarkets and superstores are the dominant form of business outlets. But in most of the countries the most preferable form of retail outlets are convenience stores-which are smaller than supermarkets but can profitably operate even in small towns. Wal-Mart is the largest retailer in the world having 4450 retail outlets and heir sales were US million $421849. The second largest US retailer the Kroger has 3574 outlets but are very small compared to Wal-Mart (1/5 of Wal-Mart based on sales).
3.1.21 Changing Food and Grocery Retailing Scenario in India

Traditionally, Indians had been accustomed to buying food and grocery products from their neighborhood baniyas/ small retailers. The majority of food and grocery are still retailed through these kirana stores. Neighborhood kirana stores are very small in size (less than 300 sq.ft) and deal with only 100-300 products. They have little infrastructure to keep dry products at low quantity. They are unorganized small retailers. They have no control over the prices of the products. They sell products to the customers by adding up a margin. The margin may be based on the competition prevailing in the locality. They are not at all able to purchase anything except a few vegetables or fruits directly from the manufactures, so they cannot sell goods at a low price to the customers. The number of unorganized food retailers in India is about 12 million.

Food retailing in India is witnessing a boom in terms of the entry of organized retailers and modern retailing formats such as convenience stores, supermarkets, hypermarkets and malls. The future of retailing for any of the products across the country will definitely be in mall, supermarkets and hypermarkets. Initially, the new food retail formats were seen in large cities only. A well known co-operative store ‘Aparna Bazar’ in Mumbai and ‘Kendriya Bhandar’ in Delhi were the pioneers in this sector. Both were successful and are operating many outlets in all important locations in the respective cities. ‘Escorts Group’ entered in to food retailing in 1985 with ‘Nanz Stores’ in Delhi. ‘Nilgiries’ in Bangalore, ‘Food Land’ in Mumbai, ‘Spencers’ in Chennai were the other new retailing formats that started functioning in the early 1990s. Southern India was far ahead in organized retailing during the initial years. Chain retailers such as Nilgiries, Subhiksha, Margin-Free Markets, Big Bazaars, Trinetra, etc. concentrated on retailing...
mainly in large cities in the southern states of India. But later, a number of organized retailers have come even to small cities in south India. Now, a retail revolution is witnessing the country, especially southern parts of the country.

It is estimated that Indian retail food industry grows at a rate of 30 percent and has been considered as the most potential industry in India. Retail sector undoubtedly is the top most emerging market for the global retailers. As a vibrant economy with second largest population, it provides an unexplored retail sector. The fastest rise of middle income population and urbanization were the most important reason for the growth of organized retailing in India. At present the organized sector accounts for 6 to 8 percent of the total market, and it was forecasted that it will rise to 20 to 30 percent of the total by 2016 (Gopal Das.2011). The Indian Retail Report 2007 reviewed that food and grocery comprises 62 percent of the Indian retail market (about US$270 billion). India’s food retail sector will be more than double in the next fifteen years.

Major reasons that paved the way for growth of food and grocery retailing in India are:

1) Changing life style of middle class population
2) Fast growing employment opportunities
3) Increasing disposable income
4) Effect of banking revolution
5) Urbanization
6) Impact of retail polices of the government
7) Technological growth
8) Educational growth
9) Impact of globalization
10) High growth rate in per capita GDP, and
11) Increase in the number of working women

Goldman Sachs (2005) estimated that the Indian economic growth will actually exceed that of China by 2015 and the retail market of the country is estimated to grow to US$637 billion by 2015. Presently, India is rated as second most attractive emerging retail market and has huge potentiality in food retailing (AT Kearney, Global Development Index). The rural middle class of India is growing at 12 percent against 13 percent growth of their urban counterparts. The rural market of India is double than the urban market and 70 percent of the population lives in rural areas. The scenario in rural consumers such as low income, social backwardness, low standard of living are slowly changing in India and now the rural market is as larger than urban market. All these reasons accelerated the growth of modern retailing trend in the country. The report of NABARD (2011) estimated that the size of Indian food retail was around ₹10,700 billion in 2008-09, which was about 61 percent of the total retail turnover of ₹17,493 billion. They reported that the share of organized food retailing in India was less than 2 percent in 2008-09 and valued at ₹154 billion but growing at rate of 150 per cent yearly. It has been on the back of favorable drivers such as higher disposable income, growing proportion of youth in overall population, gradual increase in urban population, etc.

3.1.22 Major Players in Organized Food and Grocery Retailing in India.

Last one or two decades witnessed the penetration of inland business giants in the food and grocery retailing sector of the country. Some of the co-operative
agencies and government owned enterprises have also shown their active involvement in this sector. But, in many states indigenous private players have been dominant and some of these players have made arrangements such as joint ventures with foreign giants in the field with the aim of capturing the Indian market (Bharthi Wal-Mart). Major players of Food and grocery retailing in India are- Pentaloon Retailing Limited (the largest retailer in India), RPG Group, Aditya Birla Retail Limited, Reliance Retail Limited, Subhiksha Retail Limited, Nilgiris Retail Limited, K. Reheja Group, Bharti Wal-Mart, etc.

Table 3.3  Major organized (chain stores) food and grocery retailers in India

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Retailer</th>
<th>No.of Stores as on 31-03-2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Pentaloon Retailers (Big Bazaar)</td>
<td>1027</td>
</tr>
<tr>
<td>2</td>
<td>Aditya Birla group (More)</td>
<td>543</td>
</tr>
<tr>
<td>3</td>
<td>RPG group (Spencer’s)</td>
<td>500</td>
</tr>
<tr>
<td>4</td>
<td>Reliance fresh</td>
<td>497</td>
</tr>
<tr>
<td>6</td>
<td>Supply co (Peoples Bazar and Sabari supermarkets)</td>
<td>360</td>
</tr>
<tr>
<td>7</td>
<td>CONSUMERFED (Triveni Supermarkets)</td>
<td>232</td>
</tr>
<tr>
<td>8</td>
<td>Bharti Wal-Mart</td>
<td>230</td>
</tr>
<tr>
<td>9</td>
<td>K. Reheja Group (Shoppers stop)</td>
<td>224</td>
</tr>
<tr>
<td>10</td>
<td>Nilgiris</td>
<td>220</td>
</tr>
</tbody>
</table>

Source: Economic Times, August 12, 2012

3.1.23 Recent Trends of Food and Grocery Retailing in Kerala

Food and grocery retailing is one of the prominent businesses in Kerala as the state is known rather as a consumer state. The food and grocery sector is still dominant with the small traditional retailers, but they are slowly being replaced by large forms of retailers. The enterprises which offer food and grocery and convenience goods can broadly be classified into two categories-private retailers and government controlled retailers. Private retailers who
supply essential goods are of two types: small retailers (traditional/kirana stores- unorganized) and large retailers (organized). The other type of outlets consists of ration outlets, consumer stores managed by the Kerala Civil Supplies Corporation, the Kerala State Co-operative Consumers’ Federation and other co-operatives.

More than two lakh independent small retailers do food and grocery retailing in Kerala. They sell commodities in a traditional way but offer most of the goods at the living places of people. They distribute all essential goods including food grains, grocery and provisions. But they have no control over the prices of goods because they are last in the chain of distribution. They cannot offer more brands of goods as they are small in all respects. The two fold advantage they offer: 1) Ensure the availability of essential goods everywhere and 2) Provide employment to a large number of people (more self employment).

Another class of private retailers dealing with essential goods in the state is supermarkets and hypermarkets. This is the age of supermarkets and even at rural areas we have small and medium size supermarkets. Large size consumer stores mushroomed recently in every urban and semi-urban areas of the state. Medium and small sized private supermarkets both managed by Supply co, CONSUMERFED, chain retailers and individuals have started functioning in rural areas of the state. Most of private chain supermarkets are managed by organized retailers such as the Pantaloon group (Big Bazaar), Aditya Birla Group (more), Reliance Group (Reliance Fresh) and other chain retailers. Consumer Protection and Guidance Society of Kerala has given franchise to about 420 Margin free markets at different parts of the state and claims that they protect the interest of consumers by providing quality merchandise at low prices. They claim that they provide quality services to their customers at lowest rates. In Kerala, many charitable institutions also run supermarkets like ‘Gramin Supermarkets’,
‘Sulabha Supermarkets’ in Kottayam district. In addition to this, government regulated supermarkets managed by the SUPPLYCO and CONSUMERFED have also a predominant place in food and grocery retailing in the state.

Table 3.4 Prevalent organized chain retailers functioning in Kerala.

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Retailer</th>
<th>No. of Stores as on 31-03-2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The SUPPLYCO Peoples Bazaars</td>
<td>360</td>
</tr>
<tr>
<td>2</td>
<td>Triveni Supermarkets</td>
<td>232</td>
</tr>
<tr>
<td>3</td>
<td>More Supermarkets (Aditya Birla group)</td>
<td>47</td>
</tr>
<tr>
<td>4</td>
<td>Reliance fresh</td>
<td>42</td>
</tr>
<tr>
<td>6</td>
<td>Big Bazaar</td>
<td>9</td>
</tr>
<tr>
<td>7</td>
<td>Dhanya Supermarkets</td>
<td>8</td>
</tr>
<tr>
<td>8</td>
<td>Bharti Wal- Mart</td>
<td>8</td>
</tr>
<tr>
<td>9</td>
<td>K.Reheja Group (Shopper’s stop)</td>
<td>7</td>
</tr>
<tr>
<td>10</td>
<td>Nilgiris</td>
<td>5</td>
</tr>
<tr>
<td>11</td>
<td>V Mart</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: www.rait.net.in

In addition to the above named supermarkets operated by chain retailers hundreds of small and medium food and grocery retailers also successfully operate stores in Kerala. As per available statistics, more than 100 private supermarkets function in Ernakulam district, 50 each in Thiruvanthapuram and Kozikode, about 40 each in Kottayam, Trissur and Kollam (www.quickstatistics.com). Other districts are also not too far behind in the number of modern retail formats. All this shows that modern formats of food and grocery come up in every nook and corner of the state and slowly replace unorganized small retailers. Now, the era of competition among supermarkets has started in the state. Therefore, to survive in the field of retailing, they must adopt suitable pricing and service strategies with modern promotion methods.
SECTION II

3.2 Government Controlled Essential Commodities Retailing System in Kerala

The most important need of man is none other than food. Governments of all nations are obliged to supply sufficient quantity of food items needed by their people at reasonable prices. However, most of the nations in the world have failed to ensure food security to their population and in all those places private firms have taken over the responsibility of supplying essential commodities. It is also very clear that they have been exploiting the people either by charging high prices or supplying inferior quality products. It has been seen that the retail prices of essential commodities in most of these countries have gone up resulting in starvation deaths and acute malnutrition effects. When the rate of increase of Retail Prices in a nation is more than the rate of increase of their per capita income, people cannot cope with the rise in price. Such a situation will have serious impacts in that country. For ensuring the supply of essential commodities to the entire people, it is essential to create and strengthen a government mechanism.

Public Distribution System in India had been initiated by the colonial rule during the most acute Bengal Famine. However, it became a statutory arrangement only after independence. The government of India had had arrangements to distribute the most needed essentials since 1947 as the majority of our populace was poor. All the states and central territories in the country have PDS networks, which is considered to be the largest system in the world of its kind. In addition to PDS, many states have their own permanent system to distribute essential goods and for intervention in the essential goods markets. The Tamil Nadu Co-operative Marketing Federation and the Consumer Co-operative State Federation have more than 300 retail outlets in the state to distribute
essential commodities. In the state of Rajasthan, State Agricultural Marketing Corporation and consumer co-operatives actively engage in the retailing of essentials at reasonable prices. They purchase crops from farmers and make available seeds, fertilizers, and pesticides to them. A number of consumer co-operatives have retail outlets in states such as Delhi, Haryana, Utter Pradesh, West Bengal, etc. Government controlled essential commodities distribution system is essential in the states where production does not match need.

A wide spread mechanism exists in Kerala to ensure the supply of essential commodities and to intervene in the essential commodities market to regulate price levels. Retail outlets managed by the Directorate of Civil Supplies, Government of Kerala, the Kerala State Civil Supplies Corporation, the Kerala State Co-operative Consumers’ Federation and other co-operatives are included in the following discussions. The system altogether is sufficient and powerful to ensure the supply of essential commodities in the state and to control price levels by intervening in the market. But, due to ineffective management and undue political involvements, it faces criticisms of inefficiency and corruption resulting in the distribution of inferior quality merchandise.

3.2.1 Need for government controlled essential commodities retailing system.

An effective government controlled essential commodities retailing system is essential to ensure the supply of food grains and other essentials to the people at a fair price. The system is aimed to correct unethical practices such as hoarding, high profiteering, and exploitation by private sector retailers. Moreover, as a considerable percentage of Kerala’s population belong to the middle income and lower income groups, they cannot buy essentials at high prices from private traders. Out of the total 7055531 ration cardholders, 2060361 families are included in the Below Poverty Line (BPL) in the state (Economic Review,
2010). This shows that as per the government statistics, 30 per cent of the state’s population still have a very low income and is not financially capable to buy their essentials from the open market. Moreover, there are many lakh of people permanently residing in the state without ration cards due to a number of reasons, a majority of them having no houses at all. Certainly, they belong to the BPL category. Therefore, as per official reports, about 40 per cent of the states’ population has very low income. But many observations show that more than 50 percent of the families of Kerala cannot afford the rising price levels of essential goods. To ensure the distribution of quality consumer goods to the low income category of the population at affordable and reasonable prices, a distribution system controlled by the government is indeed a necessity in the state.

The Consumer Price Index of agriculture and industrial workers in Kerala had gone up by 75 points from 1998-99 to 2009-10. In the base year 1998-99, the index was 100 point but it went up to 131 point in 2006 and reached 175 points in June 2010 and consumer prices recorded an average growth rate of 5.5 per cent from 2007 to 2010. The average Retail Prices of essential commodities have also shown an exorbitant increase during the last few years after 2005. The average price of ‘rice’ (matta) increased from ₹ 13.50 in 2005 to 27.15 in 2010, sugar from ₹ 18.70 in 2005 to ₹ 28.59, coriander ₹ 30.4 to ₹ 48.74 and so on\(^3\)\(^6\)(Economic Review. 2010). All these price rises occurred not merely due to changes in production cost only but also as the result of high profiteering of middlemen who stand between producers and consumers.

3.2.2 Monthly Per Capita Consumption Expenditure of Kerala State.

Monthly Per Capita Consumption Expenditure (MPCE) of the state and the country showed a surprising trend of increase during the last few decades. MPCE for a household is the total consumer expenditure for overall items divided by its
size and expressed on a per month basis (30 days). National Sample Survey Organization (NSSO) of India prepares Monthly Per-Capita Consumer Expenditure (MPCE) based on the consumer expenditure in India and the states. A person’s MPCE is based on the household to which he belongs (rural or urban).

According to the latest report (NSSO, 66th round), MPCE in India during 2009-10 for rural sector was ₹1053.64 and ₹1984.46 for the urban sector. The state wise comparison shows that Kerala had the highest rural and urban household MPCE among all the states in India during 2009-10. In the case of Kerala, MPCE was ₹1835 for the rural sector and ₹2413 for the urban sector. This shows that consumer expenditure in the state is far ahead of that of other states and the national average. The MPCE of Rural Kerala was 74 per cent more than that of MPCE of rural India and in the case of urban sector, the percentage of hike was only 21.5 per cent. All these point out that the people of Kerala spend more amount as consumption expenditure compared to other states. Table 3.5 shows the trend of average consumer expenditure per person nationwide and in Kerala.

Table 3.5. Trend of average monthly consumer expenditure per person in India and Kerala.

<table>
<thead>
<tr>
<th>Year</th>
<th>Rural sector</th>
<th>Urban sector</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Kerala (₹)</td>
<td>India (₹)</td>
</tr>
<tr>
<td>1970-71</td>
<td>36.12</td>
<td>35.31</td>
</tr>
<tr>
<td>1990-91</td>
<td>261.85</td>
<td>202.12</td>
</tr>
<tr>
<td>2000-01</td>
<td>841.31</td>
<td>494.91</td>
</tr>
<tr>
<td>2005-06</td>
<td>1055.61</td>
<td>624.53</td>
</tr>
<tr>
<td>2006-07</td>
<td>1250</td>
<td>695</td>
</tr>
<tr>
<td>2007-08</td>
<td>1383</td>
<td>772</td>
</tr>
<tr>
<td>2009-10</td>
<td>1835</td>
<td>1053.6</td>
</tr>
<tr>
<td>CAGR</td>
<td><strong>10.6</strong></td>
<td><strong>9.1</strong></td>
</tr>
</tbody>
</table>

Figure 3.8 and 3.9: Comparison between the MPCE of India and Kerala from 1970-71 to 2009-10.

The average monthly consumer expenditure per person in Kerala compared to the national average in rural and urban sector shows a considerable difference. The Compounded Annual Growth Rate of MPCE in Kerala was 10.6 per cent each both in rural and urban sectors, whereas, during the reported period the CAGR of Per Capita State Income of Kerala was reported to be less than 9 percent (CAGR growth only 37(Economic Research. 2011). This means that monthly consumer expenditure of Kerala is increasing at a higher rate than the increase of per capita income. Moreover, the percentage of variation between the Average Consumer Expenditure in India and Kerala has been widening both in the rural and the urban sector. The variation was only 2.3 percent in1970-71 but increased to 74.4 per cent in 2009-10 between the rural sector of the state and the country. In the meantime, -9.9 percent increased to 21.5 per cent between the urban sectors of the state and the country. The variation in MPCE has not been favorable to the state since the people in Kerala have to pay more for their consumption than the rest of India.

About 30 per cent of the families in Kerala belong to the BPL list according to government records. In addition to them, another major class of population belongs to small and medium income groups. These people cannot afford the rocketing price levels of consumer goods in the state. The financial condition of
poor and average income groups in the state worsened due to a number of other reasons also. In these circumstances, nobody can object to the need for government controlled institutions supplying essential commodities at low prices in the state.

Therefore, an effective retail system controlled by the government is imperative to supply essential consumer goods at reasonable prices to the public as well as to prevent unethical practices in food and grocery retailing.

The government controlled essential commodities retailing system consists of;

1) Public distribution system-Ration shops under the Directorate of Civil Supplies, Government of Kerala
2) Retail outlets owned by the Kerala State Civil Supplies Corporation Ltd., and
3) Retail outlets owned by Kerala State Co-operative Consumers’ Federation Limited and other co-operatives.

3.2.3 Public Distribution System

Public Distribution System is an arrangement of certain commodities for everyday use made available to consumers through a net work of government controlled outlets in all areas or specified areas of the country. The prime objective of PDS is to ensure the availability of certain essential commodities for consumption at subsidized prices fixed by the government to the people particularly the poor. It helps maintain the availability of essential commodities in the market at reasonable prices as well as prevents unfair trade practices like hoarding, undue profiteering and black marketing\(^\text{38}\) (Economic Review. 2009). The system caters to the needs of 70,55,531 families in the state by making available the specified ration articles through a net work of 14,250 ration shops.
Chapter -3

The specified commodities are distributed in accordance with the decision of the central government. This system is aimed at achieving growth and stability, social justice and improvement in the consumption standards of the poor sections of the people. It has been widely recognized that PDS is an Instrument of the Food Management Policy of a nation targeting the poor sections of the society. A well targeted, planned and functioning PDS is an important prerequisite to the strategy of poverty alleviation. Essential commodities like rice, wheat, sugar, kerosene and the like are distributed to the people under the PDS at subsidized prices. ‘With a network of more than 4,00,000 Fair Price Shops (FPS) the public distribution system in India is perhaps the largest machinery of its type in the world”39(Ahmed Tritap. 2003).

3.2.3.1 History, Evolution and Growth of Public Distribution System in India

The history of the introduction of PDS in India is closely related to famines and food scarcities during the British Colonial rule in India. Over ten million died in the Bengal famine of 1770 and millions of people died in the following twenty famines which occurred between 1860 and 1910 in India. Just after the Bengal famine in1943, The Food Policy Commission (1947) recommended the removal of control on the distribution of food grains. ‘The Control on food grains is removed by the government in early 1948 but as a result of excessive price rise they again imposed it towards the end of 1948’ 40(Ajithkumar Ghose.1999). The Food Grains Commission 1950, suggested rationing in all towns with a population exceeding 50,000, informal rationing in small towns and regulated supply of food grains to all rural areas.

After independence, the government of India has introduced many policies and programs to eradicate poverty from the country. It includes the introduction of PDS. During the first five year plan (1951-56), the government
introduced the distribution of food grains through Statutory Rationing System in all places where the population exceeds 50000 and in highly food deficit areas a non-statutory rationing system was introduced (Planning Commission, First Five Year Plan). In the second five year plan (1956-61), the government included more essential commodities in the list of food grains distributed through PDS. The emphasis in the third plan (1961-66) was both procurement and distribution of food grains through the establishment of the Food Corporation of India. During the plan period consumer co-operatives were also used by the Government as a mechanism of Public Distribution System.

It was in the fourth plan (1969-74), that the government extended the Public Distribution System to all rural areas. The participation of consumer co-operatives in the distribution of other consumer goods was also ensured by the central and state governments during the fourth plan. The fifth plan (1974-79) was significant for the PDS changed its focus to the poor sections of the society based on their income and wage. The Central Government considered and included PDS as ‘a Minimum Needs Programme’ (MNP) during the sixth (1980-85) and seventh (1985-90) plan periods. Many other essential items such as pulses, salt, oil, soap, etc. were also included in the PDS with the mandatory items during the eighth plan (1992-97). To make the PDS more meaningful, Targeted Public Distribution System (TPDS) was introduced during the ninth plan (1997-2002).

(Source: Five year plans of India).

From the ninth plan period onwards food grains were distributed through PDS based on the norms fixed by the Planning Commission which categorizes all ration card holders into Below Poverty Line (BPL) and Above Poverty Line (APL). All BPL families are given a Special Ration Card to obtain the specified ration items at a concessional rate declared by the government from
time to time. Presently, many states supply 25 to 35 kilograms of rice per month either free of cost or at a nominal value to all BPL card holders. Every month, the government supplies a particular quantity of ration items at concession rates to APL ration card holders also. But, the price of items is normally higher than that of BPLs. The success of PDS in India depends upon its ability to translate macro level self sufficiency to micro level, by ensuring availability of food grains to all needy households.

The main objectives of PDS are:

1) Maintaining price stability.
2) Raising the welfare of the poor.
3) Rationing during situations of scarcity and
4) Keeping a check on private traders

3.2.3.2 History and Growth of Public Distribution System in Kerala

Food rationing in Kerala was primarily the outcome of decades of struggle by workers and tenant farmers. During the Second World War, following the imposition of Japanese rule in the countries from which India was then importing rice, a crisis situation arose in all parts of Kerala leading to mass action by peasant organizations, trade unions and other people’s movements. In British Malabar, during the famine of 1942, almost one percent of the population died of hunger and epidemic diseases\(^4\) (EMS. Nampoothipad.1994). Ration shops were established in Malabar as a result of public pressure and struggle. In 1943, the governments of Princely states of Travancore and Cochin started distribution of food grains. After independence, the central government constituted a single southern food zone comprising the four states of Kerala, Tamil Nadu, Andhra Pradesh and Karnataka as a part of its efforts to streamline food supplies. Free trade was allowed within the zone, exports
from it were banned. The Central Government fixed a ceiling on the rates at which stocks could be sold. About 6000 fair price shops were set up in Kerala during 1957-60 to distribute rice to low income people.

The Southern Food Zone was abolished at a Chief Ministers’ meeting in New Delhi on October 26, 1964. It was decided to introduce a system of ‘informal rationing’ in Kerala from November1, 1964. This was to ensure an equitable distribution of available supplies at a specified price. The government of India undertook the supply of food grains to the Public Distribution System of Kerala and it was agreed that it would not be generally necessary for the state government to procure any quota directly from other states.

3.2.3.3 Present Status of Public Distribution System in Kerala.

Formal PDS in Kerala came into force on first July, 1966 with the implementation of Kerala Rationing Order 1966. The Kerala Rationing Order, 1966 confers the statutory right on every individual to possess a ration card to draw rations with it. The distribution system provides five items such as rice, sugar, wheat and kerosene to every ratio card holders. It was well accepted that Kerala was the only state in India which has a near 100 percentage coverage of food grains distribution in 1990s. It was reported that the annual intake of food grain was 69.6 kilograms per person in Kerala during 1991(Annual Report, Dept. of Civil Supplies, Government of Kerala 1992). But, after the introduction of TPDS in 1997, the off take of food grains per person had been reduced considerably in the state. In 1997, there were 14234 fair price shops in Kerala. Out of them, 12203 shops were in rural areas. Each retail outlet serves about 400 households. 24 lakh tones of food grains used to be provided under the PDS, the rest of the requirement being met from the open market⁴² (Frontline.1997).
Frontline reported (Oct.18, 1997) that The Public Distribution System is under threat as a result of inferior quality of food grains it supplies compared to the open market.

There were 63,44,119 ration cards and 14,232 ration retail outlets and 344 wholesale shops in Kerala in 2001 (Annual Report of Dept. of Civil supplies, Kerala 2002). Das Gupta reported that the TPDS in India is not working well as it creates black market and cause price rise higher (Das Gupta). Ration cards for families were 6611298 and ration cards for institutions were 17338 in Kerala during 2004-05. The number of ration cards for families increased to 7863698 and ration cards for institutions decreased to 6011 in 2011-12. Ration retail shops in cooperative sector were 595 in 2004-05 and the number is reduced to 413 in 2011-12. Whereas the number of other ration retail shops increased to 13853 in 2011-12 from 13600 in 2004-05.

Table 3.6. Profile of PDS in Kerala- an overview from 2004-05to-2009-10

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Ration Cards for Families</td>
<td>6611298</td>
<td>6777075</td>
<td>6896017</td>
<td>7025638</td>
<td>7034886</td>
<td>7055531</td>
<td>7863698</td>
</tr>
<tr>
<td>Ration Cards for Institutions</td>
<td>17338</td>
<td>14187</td>
<td>14101</td>
<td>13330</td>
<td>10952</td>
<td>8709</td>
<td>6311</td>
</tr>
<tr>
<td>Ration shops in co-operative sector</td>
<td>958</td>
<td>595</td>
<td>509</td>
<td>472</td>
<td>425</td>
<td>423</td>
<td>413</td>
</tr>
<tr>
<td>Ration Shops – others</td>
<td>13513</td>
<td>13600</td>
<td>13702</td>
<td>13776</td>
<td>13819</td>
<td>13816</td>
<td>13854</td>
</tr>
<tr>
<td>No.of wholesale shops in co-operative sector</td>
<td>35</td>
<td>35</td>
<td>34</td>
<td>36</td>
<td>35</td>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td>Other wholesale shops</td>
<td>297</td>
<td>298</td>
<td>302</td>
<td>302</td>
<td>301</td>
<td>290</td>
<td>297</td>
</tr>
<tr>
<td>No. of FCI depots</td>
<td>21</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>22</td>
<td>22</td>
<td>22</td>
</tr>
</tbody>
</table>

Source: Directorate of Civil Supplies, Government of Kerala
Even at the best times, Kerala could not produce more than 50 per cent of its food grain requirements. This has been recognized by authorities at the centre and supply food grains to meet the quantity required to supply through PDS. Human Development Report, Kerala, 2005\textsuperscript{44} reported that after the introduction of Targeted Public Distribution System, the number of beneficiaries has come down and the monthly off take has declined to almost one-third of that in earlier times.

Today, the public distribution system of Kerala consists of 14267 ration retail shops, 333 wholesale ration dealers and 295 kerosene wholesale dealers (As on 31 December 2012). PDS in Kerala is considerably well managed with the fairest distribution system in India. The coverage of Public Distribution System in Kerala is nearly 100 percentage and the state average of ration cards per ration shop is 400. The net work of the system is evenly spread over the whole state for the retailing of specified commodities determined and supplied by government of India from time to time. In addition to the specified ration articles, the ration shops distribute packed wheat flour supplied by Kerala State Civil Supplies Corporation and other specified essential commodities as per the direction of government of Kerala.

3.2.3.4 Problems of PDS in Kerala.

Even though PDS in Kerala is considered to be the best in the country, it is not free from defects and failures. The following are some of the main problems of PDS in Kerala as reported by the Justice Wardhan Committee;

1) Supply of inferior quality food grains through ration retail outlets resulting in under/low purchase.

2) Retail dealers are not functioning as per the objectives of PDS.

3) Most of the ration dealers follow black marketing practices which makes the system a failure.
4) Most of the ration dealers do not open their shops regularly and they do not follow the working hours fixed by the Civil Supplies Department of Kerala.

5) Only five essential goods are distributed through the shops and so customers have to resort to other private retailers for buying other essential consumer goods.

6) The idea TPDS in Kerala is the best in the country is nothing better than a myth. About 75-80 per cent of the APL Card holders do not go to the ARDs for purchasing ration items.

7) Redressel of complaints against PDS do not usually work or work at a low level.

8) Denial of ration cards to the needy people.

9) The inclusion of undeserved families in the BPL list and the exclusion of deserved families in it.

10) Low level of consumer satisfaction in respect of service, cleanliness, location of stores, etc. does not attract people to the ration retailers in the state.

(Source: Report on Central Vigilance Committee on Public distribution system of Kerala Feb.2010.)

Leakage of PDS is one of the major problems that should be eliminated immediately. It was estimated to be at a horrifying high of 40 per cent in India, while in Kerala it was 46.4 per cent.

3.2.4 Essential Commodities Retailing by Kerala State Civil Supplies Corporation

Kerala Civil Supplies Corporation was setup in 1974 as a fully owned government company with the aim of realizing ‘Food Security for Kerala’ and
Government Controlled Essential Commodities Retailing System in Kerala, an Overview

acts as second line of PDS in the state by distributing essential commodities like rice, pulses, etc, at reduced prices. It has a net work of 1300 outlets spreading all over the state to distribute essential commodities. The corporation claims that the prices of essential commodities are very low at their outlets. They argue that they supply commodities at 30 to 35 per cent less than the average market prices. The market share of Supply co was estimated at around 16 per cent in 2007-08 and in 2009-10, the share increased to 33 per cent46 (Economic Review. 2009). The most important motto behind its incorporation was to regulate the rise in prices of essential commodities in the open market. As a part of market intervention, pulses and spices are purchased and sold to the consumers at subsidized prices. The government of Kerala aids in this operation by giving grants every year. The plan outlay during 2011-12 to the corporation for market intervention was ₹ 80 crore and non-plan outlay was ₹1 crore during the period. Supply co operates Maveli stores, Supermarkets, Peoples’ Bazaars and Mobile Maveli stores.

They organize special markets for arresting the undue rise in prices in the open markets during festival seasons like Onam, Bakrid, Ramsan, Vishu, Christmas, etc.

Table 3.7. Details of outlets of SUPPLYCO (as on 31-03-2012)

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Type of outlets</th>
<th>Number of shops</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Maveli stores/Labham/ Sabari supermarkets</td>
<td>1130</td>
</tr>
<tr>
<td>2</td>
<td>SUPPLYCO supermarkets</td>
<td>347</td>
</tr>
<tr>
<td>3</td>
<td>SUPPLYCO peoples’ bazaars</td>
<td>13</td>
</tr>
<tr>
<td>4</td>
<td>Maveli medical stores</td>
<td>92</td>
</tr>
<tr>
<td>5</td>
<td>SUPPLYCO petrol bunk</td>
<td>13</td>
</tr>
<tr>
<td>6</td>
<td>LPG outlets</td>
<td>3</td>
</tr>
<tr>
<td>7</td>
<td>Mobile Maveli stores</td>
<td>16</td>
</tr>
<tr>
<td>8</td>
<td>Aparna bazaar</td>
<td>1</td>
</tr>
<tr>
<td>9</td>
<td>SUPPLYCO Premium store</td>
<td>1</td>
</tr>
<tr>
<td>10</td>
<td>Hypermarket</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>1619</td>
</tr>
</tbody>
</table>

Source: www.supplyco.gov.in
Thus, as the largest organized food and grocery retailer in Kerala, the SUPPLYCO has 1511 stores at different parts of Kerala. It has supermarkets at all important centers with an average size of 2000 sq.ft area and offers 400-500 categories of goods.

The main objective of Supply co is to provide good quality essential goods to everyone in Kerala at a reasonable price. Apart from consumer goods distribution, it undertakes a paddy procurement scheme and it purchases paddy from the farmers at rates fixed by the Government of Kerala. The major activities of Supply co are:

1) Retails Fast Moving Consumer Goods at prices less than the open market price.
2) Intervenes in the market on behalf of the government for stabilizing the prices of essential items including rice.
3) Retails medicines by opening medical stores.
4) Establishes special markets for arresting the undue rise in prices in the open market during festival seasons like Onam, Bakrid, Ramzan, Vishu, Christmas, etc.
5) Issues essential items at subsidized rates to authorized ration dealers, sabari stores, etc.
6) Acts as nodal agency for the paddy procurement scheme of Kerala.
7) Arranges the processing of wheat and the distribution of fortified atta through ration shops for the government.
8) Acts as a dealer of petroleum products through its 13 bunks and sells LPG through 3 outlets
9) Retails own branded product ‘Sabari’ coconut oil, curry powder, tea powder, etc.
10) Bulk sale of items to institutions.
Table 3.8 Sales and profits of Kerala State Civil Supplies Corporation

<table>
<thead>
<tr>
<th>Year</th>
<th>Turnover (₹ in crore)</th>
<th>Profit earned (₹ in crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>575</td>
<td>18.20</td>
</tr>
<tr>
<td>2005-06</td>
<td>701</td>
<td>36.15</td>
</tr>
<tr>
<td>2006-07</td>
<td>992</td>
<td>18.44</td>
</tr>
<tr>
<td>2007-08</td>
<td>1257</td>
<td>18.25</td>
</tr>
<tr>
<td>2008-09</td>
<td>1817</td>
<td>17.04</td>
</tr>
<tr>
<td>2009-10</td>
<td>2284</td>
<td>16.68</td>
</tr>
<tr>
<td>2010-11</td>
<td>2328</td>
<td>27.27</td>
</tr>
</tbody>
</table>

Source: www.supplyco.gov.in

Figure 3.10. Growth of turnover of SUPPLYCO (2004-05 to 2010-11)

Figure 3.11: Trend of net working results of SUPPLYCO (2004-05 to 2010-11)
3.2.5 Essential Goods Distribution System through Co-operatives in Kerala

The consumer co-operative movement in England is the oldest, largest and, in some respects, strongest in the world. On December 24, 1844, Rochdale Society of Equitable Pioneers started a retail store in Toad Lane, England which was the first step in the history of co-operative distribution. Today, Cooperative Wholesale Societies (CWS) and retail co-operatives together form a well-established system in England with 7000 stores, a turnover of 6900 pounds and 100000 employees. In 1860, more than 250 retail societies were formed in Norway with 32000 members. Between 1850 and 1900, about 1000 consumer co-operatives were formed in Sweden but many of them failed. In Russia, rural consumer co-operatives appeared in the village of Oshta. By 1962, their number reached 17500. By 2008, about 35000 retail stores controlled 35 per cent of consumer goods market in Russia. In 1845, ‘Workers Savings and Consumers’ Association’ was formed in Germany for supplying potatoes, fuel, etc. Danish Co-operative Wholesale Society and Union (FDP) was founded in 1896 and by the end of 1990, there were about 1550 consumer co-operatives with 1700 shops registered under them and the FDP had 200 stores. The Danish consumer co-operative movement had 915,000 members, comprising 50 per cent households in 2011-12.

The consumer co-operative movement in India has crossed more than a century of its existence (the first consumer co-operative society- Triplicane Urban Consumers’ in 1904). ‘About 21000 Primary consumer co-operative societies, 720 district wholesale stores and 30 state co-operative Federations and NCCF at the central level were working in India’47 in 2010 (Hajeels .2009).

Kerala is well known for its co-operatives. There are 12,818 co-operative institutions working in the state. A significant contribution has been
made by these co-operatives in the growth of all sectors in the state. The performance of credit co-operatives in the state has been considered as a landmark in the country. The sector contributes employment to more than two lakh people in the state and satisfies more than 30 agriculture credit needs of the state. Co-operatives successfully spread its activities to all sectors including agriculture credit, industrial and business credit, marketing, group farming, consumer goods distribution, health sector, education, transportation, etc. The growth of co-operatives is certainly the story of peoples’ participation, involvement and success. The first consumer co-operative store was registered in the state in 1917 at Cochin. The number of consumer co-operatives increased to 124 in 1947, 459 in 1988-90 and 981 in 1994-95. Then, the number decreased to 708 by 2009-10.

3.2.5.1 Aims and Objects of the Co-operative Distribution System.

The chief aim of consumers’ co-operation is to protect the consumers from adulteration, artificial scarcity and consequent high and unreasonable prices, malpractices in distribution at times of real scarcity, and the unavoidable high prices as a result of having too many intermediaries in between the production and consumption level. The organization of consumers’ co-operatives is the most reliable and well-tried method to bring down and maintain prices at a fair level. Robert Owen, father of consumers’ co-operation, believed that with voluntary association among the individuals certain social and economic problems, such as unjust distribution can be solved. He believed in the equitable distribution of poverty, association rather than socialism.

A well developed system of consumers’ co-operatives functions in the state. As on 31-03-2011, there were 692 primary consumer co-operative societies having more than 967 outlets, 15 wholesale stores at the district level
having more than 82 outlets and Kerala State Cooperative Consumers Federation having 230 retail outlets are functioning in Kerala. In addition to this, there were about 1300 ‘Neethi Stores’ managed by Primary Agriculture Credit Societies and employees co-operatives distributing consumer goods to the public at reasonable prices in the state. The Kerala State Co-operative Consumers Federation conducts thousands of seasonal as well as festival outlets as per the directions of the Government to distribute consumer goods at reasonable prices to arrest price rise during festival seasons in Kerala. Recently, it started about 1000 ‘Nanma stores’ as a permanent arrangement for the retailing of specified essential commodities at rates subsidized by the government of Kerala.

People have the right to get food and other essentials at reasonable prices. Since the chunk of our population has low income, they cannot afford high prices for essentials. Since PDS in the country has been proved ineffective, other ways and means are necessary to supply essential goods. Consumer co-operatives themselves have been proved to be one of the alternative systems that the government and local bodies can resort to for the supply of essentials to the public. A powerful consumer co-operative system protects the economy from artificial inflationary tendency especially in the food sector. It can act against hoarding and unethical profiteering practices of private traders. The government promoted consumer co-operatives as an alternative channel to exercise a healthy influence on individual distributors. It was proved that co-operatives would reduce the price spread between manufactures and consumers.

India’s rural market is powerful in respect of providing immense opportunities and also negotiating challenges. Rural markets of India are fast changing as they experience an increasing demand for consumer goods. With
the increased spread of rural income, the demand for fast moving consumer goods including essential goods increased exorbitantly in the present decade. All private enterprises follow a high end pricing strategy in order to get high profit. As intermediaries, they neither follow a socially or economically reasonable pricing strategy nor stand against social evils such as artificial inflation, hoarding, etc.

The need of consumer co-operatives arose in India to retail essential consumer goods at a reasonable price to the general public. These peoples’ organizations tackle inflation and check the hike in the price of essential goods in the places where they operate. In this respect, ‘Organizing consumer stores as chain system by wholesale stores or the Federation is the most cost advantageous decision in the distribution of consumer goods in various places of a district or a state’ 48(Aneja.1996). ‘The cooperative way of retailing is one of the good and proved methods to satisfy the customer needs especially at the village level’ 49(Dean Martin). Over the years consumer cooperatives in India have developed a credible network of four –tier structure with more than 23000 primary stores along with a number of branches at the grass root level, 676 wholesale stores with 6331 branches, 30 consumer Federations and the National Cooperative Consumer Federation at the national apex. The total retail turnover of these cooperatives put together during 1995 was ₹ 4306.34 crore and it increased to ₹ 8050 crore in 2006-0750(NCCI Report. 2009). As nearly 50 per cent of consumer stores operating at different levels are working in loss and there is a need for studying the cause of their poor performance. But the performance of co-operatives like Apna Bazar, Mumbai, Super Bazaar ,New Delhi, Sahakari Bhandir Mumbai, Janatha Bazaar, Bangalore, etc. are inspiring as they are number one in the respective states both in turn over and the number of supermarkets. Apna Bazaar has a turnover of more
than ₹ 1000 crore and have more than 80 supermarkets in different parts of Mumbai. Super Bazaar, New Delhi has now 180 retail outlets including 17 mobile van shops for the distribution of essential commodities. Its turnover was ₹ 136 crore in 1995-96 and it increased to ₹ 990 crore in 2010-11.

The consumer co-operatives have four tier structures in the country.

```
National Cooperative Consumers’ Federation of India

State Cooperative Consumers’ Federations

Central/ District Wholesale Consumers’ cooperative

Primary Consumers’ Stores
```

The following table gives out the details of consumer co-operatives and their importance in the country.

### Table 3.9 Details of Consumer Co-operatives in India- 2009-10

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Primary consu.coop</th>
<th>Wholesale cooperatives</th>
<th>State cons. Federations</th>
<th>NCCF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of societies</td>
<td>21014</td>
<td>718</td>
<td>30</td>
<td>1</td>
</tr>
<tr>
<td>Number of branches</td>
<td>8622</td>
<td>5154</td>
<td>533</td>
<td>34</td>
</tr>
<tr>
<td>Membership (individuals and societies)</td>
<td>6.454 million</td>
<td>0.21*, 1.994 million</td>
<td>5708*, 10284</td>
<td>136</td>
</tr>
<tr>
<td>Share capital (₹ in crore)</td>
<td>212.6</td>
<td>95.8</td>
<td>134.9</td>
<td>126.1</td>
</tr>
<tr>
<td>Working Capital (₹ in crore)</td>
<td>694</td>
<td>508.7</td>
<td>509.2</td>
<td>322.9</td>
</tr>
<tr>
<td>Govt. participation in capital (%)</td>
<td>30.72</td>
<td>59.16</td>
<td>93.01</td>
<td>94.8</td>
</tr>
<tr>
<td>Sales (₹ in crore)</td>
<td>2632.94</td>
<td>1979.99</td>
<td>2979.99</td>
<td>1464.5</td>
</tr>
<tr>
<td>Societies in profit</td>
<td>41.8</td>
<td>46.4</td>
<td>40</td>
<td>1</td>
</tr>
<tr>
<td>Employment</td>
<td>44188</td>
<td>14017</td>
<td>4167</td>
<td>1240</td>
</tr>
</tbody>
</table>

**Source:** Indian Cooperative movement- a statistical Profile-2012  
* = Member cooperative stores
3.2.5.2 Primary Consumer Co-operative Stores in Kerala.

The structure of consumer co-operatives in the state is a three-tier system, primary consumer cooperatives at the grass root level, wholesale stores at the middle or district level and state Federations at the highest level. On 31 March 2012, there were 692 primary consumer co-operatives having 967 retail outlets functioning in Kerala. Out of the primary consumer co-operatives, 220 were working well, 318 were at no profit no loss stage and 154 were under liquidation process. All these primary consumer co-operatives, wholesale stores and outlets of the Federation together fulfill a responsible role in the retailing of essential commodities to a mass of people at low prices. But the performance of the primary consumer co-operatives is found to be not satisfactory in Kerala as the progress in turnover and profitability has not been up to the mark.

Table 3.10. Primary Co-operative Consumer Stores in Kerala 2009-10 in Kerala

<table>
<thead>
<tr>
<th>Districts</th>
<th>No.of societies</th>
<th>No.of Branches</th>
<th>Membership</th>
<th>Share capital (₹ in '000s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thiruvananthapuram</td>
<td>140</td>
<td>1</td>
<td>32120</td>
<td>9155</td>
</tr>
<tr>
<td>Kollam</td>
<td>88</td>
<td>29</td>
<td>16894</td>
<td>3976</td>
</tr>
<tr>
<td>Pathanamthitta</td>
<td>9</td>
<td>3</td>
<td>1873</td>
<td>195</td>
</tr>
<tr>
<td>Alappuzha</td>
<td>31</td>
<td>3</td>
<td>6728</td>
<td>6323</td>
</tr>
<tr>
<td>Kottayam</td>
<td>35</td>
<td>17</td>
<td>10281</td>
<td>1960</td>
</tr>
<tr>
<td>Idukki</td>
<td>75</td>
<td>3</td>
<td>2773</td>
<td>790</td>
</tr>
<tr>
<td>Ernakulam</td>
<td>54</td>
<td>3</td>
<td>28575</td>
<td>15725</td>
</tr>
<tr>
<td>Thrissur</td>
<td>58</td>
<td>13</td>
<td>18758</td>
<td>67431</td>
</tr>
<tr>
<td>Palakkad</td>
<td>32</td>
<td>6</td>
<td>17476</td>
<td>28391</td>
</tr>
<tr>
<td>Malappuram</td>
<td>35</td>
<td>19</td>
<td>8597</td>
<td>6585</td>
</tr>
<tr>
<td>Kozhikode</td>
<td>26</td>
<td>23</td>
<td>16922</td>
<td>3043</td>
</tr>
<tr>
<td>Wayanad</td>
<td>19</td>
<td>19</td>
<td>5862</td>
<td>4337</td>
</tr>
<tr>
<td>Kannur</td>
<td>92</td>
<td>68</td>
<td>31430</td>
<td>4614</td>
</tr>
<tr>
<td>Kazargod</td>
<td>14</td>
<td>52</td>
<td>3319</td>
<td>2630</td>
</tr>
<tr>
<td>Total</td>
<td>708</td>
<td>259</td>
<td>201609</td>
<td>155155</td>
</tr>
</tbody>
</table>

Source: Registrar of Co-operative Societies, Government of Kerala (loose pamlet).
Table 3.11. Progress of Primary Consumer Co-operative Stores in Kerala 2002-03 to 2009-10

<table>
<thead>
<tr>
<th>Particulars</th>
<th>2002-03</th>
<th>2004-05</th>
<th>2006-07</th>
<th>2009-10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of societies</td>
<td>682</td>
<td>765</td>
<td>751</td>
<td>708</td>
</tr>
<tr>
<td>Membership in( thousand)</td>
<td>206</td>
<td>200</td>
<td>202</td>
<td>201</td>
</tr>
<tr>
<td>Share capital(₹ in Lakh)</td>
<td>719</td>
<td>900</td>
<td>1449</td>
<td>1551</td>
</tr>
<tr>
<td>Sales (₹ in lakh)</td>
<td>5208</td>
<td>3796</td>
<td>6396</td>
<td>9870</td>
</tr>
<tr>
<td>Number of societies in profit</td>
<td>182</td>
<td>169</td>
<td>137</td>
<td>158</td>
</tr>
</tbody>
</table>


Table 3.11 shows the progress of primary consumer co-operatives in the state from 2002-03 to 2009-10. During 1994-95, the number of primary consumer co-operatives was 981, but it came down to 708 in 2009-10. Two hundred and seventy three societies at the primary level were liquidated due to heavy losses. But membership remained somewhere around 2 lakh during the period. The sales of the societies have increased from ₹52.08 crore in 2002-03 to ₹98.70 crore in 2009-10, recording a growth of 90 per cent during the period. It was observed that the percentage of profit making societies declined from 27 per cent in 2002-03 to 22 per cent in 2009-10. All this shows the poor performance of primary consumer co-operatives in the state.

3.2.5.3 Consumer Stores Run by Service Co-operatives Banks and Employees’ Co-operatives- Neethi Stores

With the objective of distributing essential goods at reasonable prices to the public, 1200 service co-operative banks operate ‘Neethi Stores’ in the state. In addition to this, more than 100 consumer stores are also run by employee co-operatives. Most of these stores buy commodities from CONSUMERFED at low prices and so they can distribute goods at rates less than market prices.
3.2.5.4 Wholesale Co-operative Consumer Stores in Kerala

In India, we have 718 Wholesale Co-operative stores with more than 14000 employees and sales of about ₹ 200 crore (2009-10). At district level, 15 Wholesale Co-operative Consumer Stores work in Kerala with a total membership of 29 thousand. They sold consumer goods worth more than ₹ 50 crore in the year 2010-11. These central level consumer co-operatives have their own retail outlets as well as wholesale outlets. They buy consumer products in large quantities and sell them to primary consumer co-operatives and co-operative consumer stores owned by credit co-operatives in the state. As on 31-03-2011, 82 consumer stores were functioning in the state under 15 Wholesale Co-operative Consumers Stores. Eight of these central co-operatives stores function well (3 in profit and 5 at no profit no loss basis), while seven made huge losses during the last few years. Wholesale Co-operative Consumer Stores working in Palakkad, Wayanad and Kasargod districts were at profit. The functioning of central consumer stores are not satisfactory in some of the districts such as Kollam, Alappuzha, Malappuram and Kozhikode as the turnover of these societies is comparatively low and they have been making loss during the last few years51 (Statistical Abstract.2011).

Table 3.12. Details of Wholesale Co-operative Consumer Societies in Kerala (2009-10)

<table>
<thead>
<tr>
<th>Particulars</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>No.of societies including central stores</td>
<td>15</td>
</tr>
<tr>
<td>Membership (in thousand)</td>
<td>30</td>
</tr>
<tr>
<td>Value of consumer goods sold(₹ in crore)</td>
<td>52.81</td>
</tr>
<tr>
<td>Share capital (₹ in lakh)</td>
<td>594</td>
</tr>
<tr>
<td>No.of societies in profit</td>
<td>3</td>
</tr>
</tbody>
</table>

Source: Kerala State Co-operative Union.
3.2.5.5 Consumer Stores of CONSUMERFED.

Thirty consumers’ co-operative federations function in the country. These are the apex bodies of Consumer co-operatives in the states and union territories. Strengthening co-operative retailing was the sole aim behind the establishment of these Federations. They provide assistance to primary co-operative consumer stores and district level wholesale consumer stores in all states. They help in training the staff, bulk buying and provide other needed services to help these consumer co-operatives. More than 1100 retail outlets (supermarkets and hypermarkets) have been working under consumer Federations in India and the sales were estimated at ₹5000 crore in 2010-11. Total sales during 2007-08 was ₹2037.8 crore and 13 Federations were in profit52 (NCCF Report. 2011). State Co-operative Consumer Federations and National Co-operative Consumer Federation together perform a major role in organized retailing especially essential goods retailing in India. It is estimated that organized food retailing in India will go up to ₹32696 billion in 2020 and Federations as organized retail chains have good prospects both at urban and rural areas in the country. Small retail formats- of about 2500-3500 square feet have many opportunities in rural areas and with floor space above 5000 square feet have ample opportunity in urban areas in the country. Most of the retail stores of the Federation are small in size which is considered to be the suitable form in rural markets.

Among the state consumer federations, Kerala State Co-operative Consumers’ Federation has prominence both in the distribution of consumer goods and turnover. In 2001, the Federation had 17 retail outlets for the retailing of essential consumer goods in the state and the number increased to 246 in 2012-13. It acts as an agency for the wholesale distribution of medicines to 1000 ‘Neethi medicals’ in the state. It has nine coffee houses and
one restaurant. Recently it started 756 ‘Nanma Stores’ for the subsidized distribution of 20 to 30 essential commodities at subsidized prices in many panchayats and municipalities in Kerala. Sales of the Federation also increased considerably, to ₹1312.4 crore during 2010-11. The Federation conducts special markets during festival seasons to supply commodities at subsidized rates. It supplies products at rates 10-30 per cent less than the average market prices to the public. To supply essentials at low rates and to control their price levels, as an agency of the government, it opened 5990 outlets in 2009, 5255 outlets in 2010, 5530 outlets in 2011 and 5330 outlets in 2012.

A detailed discussion about the working of the Federation is given in the next chapter.

3.2.6 Strategies Needed to Equip Consumer Co-operatives in Kerala.

The major question that remains to be answered is whether the consumer co-operatives including the state Federation can acquire the required competitive ability to face the new challenges in the retail trade. Non-availability of sufficient capital in order to expand its activities, backwardness in the introduction of new technologies in retailing, lack of motivated work force, declining membership, poor ambience and outlook of consumer stores, lack of professionalism in management and poor initiative in the introduction of e-buying, ineffective door delivery system, inefficient customer management, absence of promotional parameters, etc. are some of the ills faced by consumer co-operatives. It would be better if primary consumer co-operatives merge with CONSUMERFED or other successful co-operatives.
Professionalism must be incorporated by consumer co-operatives in all administrative and functional means and methods. Enhancing physical attraction at stores, they must address the situation by continuing delivery of quality consumer goods and providing services at reasonable costs. Injecting quality young blood at the sales counters along with pecuniary benefits linked with performance, the sales would definitely boost up. It was found that unethical practices of employees contributed to the failure of consumer co-operatives in the country. A social audit is needed in this respect. High cost of borrowings and rising interest liabilities curtail the profitability of consumer co-operatives in India. To tackle this most important problem, the government must raise the amount of grants and an interest free deposit scheme should be implemented by national bodies such as NCCF and NABARD. Effective sales promotion programmes such as Membership Cards, special discount linked with the quantity and frequency of buying, etc may help to attract more buyers to the stores. An unscientific purchase policy and ineffective and delayed delivery system to the retail stores are the two major problems to be resolved immediately by CONSUMERFED. Loss of stock of goods due to inefficient handling, storage and issue methods at the outlets also seem to be major problems that make losses.

**Conclusion**

Summarizing, it was realized that a number of institutional arrangements function in Kerala state for the distribution of essential commodities under the government mechanism. They are briefly given in the following table:
Table 3.13. State controlled institutional set up for the distribution of essential commodities in Kerala (as on 31-3-2012)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Number of outlets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail outlets under TPDS</td>
<td>14250</td>
</tr>
<tr>
<td>SUPPLYCO consumer stores, and supermarkets</td>
<td>1511</td>
</tr>
<tr>
<td>CONSUMERFED outlets- including NANMA stores, supermarkets mobile and floating Trivenis.</td>
<td>1132</td>
</tr>
<tr>
<td>Primary co-operative consumer stores (including branches)</td>
<td>967</td>
</tr>
<tr>
<td>Wholesale Consumer co-operative stores including branches</td>
<td>82</td>
</tr>
<tr>
<td>Neethi stores run by credit and employees co-operatives</td>
<td>1300</td>
</tr>
<tr>
<td><strong>Total stores</strong></td>
<td><strong>19242</strong></td>
</tr>
</tbody>
</table>

This shows that about 4992 (excluding ration shops) retail consumer outlets function under the control of the state government for the distribution of essential goods. Considering the state’s population, the average number of people to be served by a store is around 6670. But, a medium sized store of CONSUMERFED/ SUPPLYCO may cater to the needs of only 1000-1500 individuals. Therefore, the government measures for the distribution of essentials will only be partly effective with the existing arrangements. Nevertheless, by strengthening the existing system of essential goods distribution and with seasonal arrangements, the government can intervene to an extent in the essential goods market with the aim of stabilizing the price system.
References


[23] Kotler, Philip. op. cit., p.40


[44] Gupta, Das. A. K. op.cit, p.34


