

## An empirical study of the organised food retailing with reference to Bangalore city

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### Abstract

The Organised food retailing in India has gained a lot of momentum with the change in the consumerism in India. Traditional modes of retail in unorganised sector have been replaced by the organised sector. The institutional framework, corporatisation and integrated system are changing the landscape of the traditional mode of retailing. The organised retailing in the fruits, food items and vegetable has brought about the farmers, organised sellers together. The networking among retail market is getting the facelift. The interactive modes of promotion have made it more feasible to marketing of the goods. The present research is an analytical study of the respondents in the city of Bengaluru in the context of organised retailing of the fresh fruits, food items and vegetables.

**Keywords:** retail stores, integrated system, commercial space

### 1. Introduction

India's Retailing Boom has acquired further momentum, dynamism and vibrancy with international players experimenting in the Indian market and the country's existing giants taking bold innovative steps to woo the consumer. At the same time, the early entrants are redefining their strategies to stay competitive and suit the new market landscape. The next few years are liking to witness rapid growth in the organized retailing sector with several leading international players establishing their presence in India by adjusting their formats to suit local tastes and buying behavior while regional players have stepped up their defenses and are striving to gain

edge over global players by using their knowledge of local markets. Clearly the next wave of the retail boom is upon us. Retailing is one of the pillars of the economy in India. Over the past few years, the retail sale in India is hovering around 33-35% of GDP as compare to 20% in the US. The Indian retail industry is the fifth largest in the world. Comprising of organized and unorganized sectors, Indian retail industry is one of the fastest growing industries in India, especially over the last few years. Though initially, the retail industry in India was mostly unorganized, however with the tastes and preferences of the consumers, the industry is getting more popular these days and getting organized as well.

**Table 1:** Supermarket Chains in India 2014

Sl. No.	Company	Food and Grocery Formats	Number of Stores
1	Reliance Industries	Reliance Fresh	550
2	Future Group	Big Bazar, Food Bazar, Foodhall, KB's Fairprice	530
3	Aditya Birla Group	More	504
4	REI Agro Ltd	6Ten	344
5	Bharti Group	Easyday	210
6	RP-Sanjiv Goenka Group	Spencer's	135
7	Avenue Supermarkets	D-Mart	79
8	Godrej Group	Nature's Basket	32
9	Tata Sons	Star Bazar	11
Total			2395

(Source: The Economist 2014)

### 2. Review of Literature

**Table 2**

Sl. No.	Year	Description
1	2007	The Future of Organised Retailing in India
2	2012	Growth and Challenges of Retail Industry in India
3	2013	Foresight in Governments
4	2008	Competition and Regulation in Indian Retail Sector
5	2013	Organized Retail Sector: Future, Challenges and Opportunities in India

**1. Parag Pateria (2007)** <sup>[1]</sup> opines that the word 'retail' is extracted from the French word 'retailer' meaning 'to cut a piece off' or 'to break bulk'. In simple terms it involves activities whereby products or services are sold to final consumers in smaller quantities. Although retailing in its various formats has been around in India for many years, it has been confined for a long time to family owned corner shops or mom and pop shops popularly known as kirana shop.

**2. Sunita Sikri and Ms. Dipti Wadhwa (2012)** <sup>[2]</sup> contends that the Indian Retail Industry is the fifth largest in the world. Comprising of organized and unorganized sectors, Indian retail industry is one of the fastest growing industries in India, especially over the last few years. Though initially the retail industry in India was mostly unorganized, however with the change of taste and preferences of consumers, the Industry is getting more popular these days and getting organized as well. The Indian Retail Industry is expected to grow from US\$330 billion in 2007 to US\$640 billion by 2015.

**3. Iana Dreyer and Gerald Stang (2013)** <sup>[3]</sup> provides the initial results of a survey of foresight activities undertaken by a select group of governments around the world. The study was begun following the recent initiative by European Union (EU) institutions to build a joint foresight capacity (European Strategy and Policy Analysis System – ESPAS) that assesses long-term global trends to help them strengthen policy planning. In addition to contributing to the discussion about this new EU activity, the study is also intended to be of interest for the wider European policy planning community and to anyone interested in learning about how governments practise 'the art of the long view' (Schwartz, 1991).

**4. Mohan Guruswamy, Kamal Sharma, Jeevan Prakash Mohanty and Thomas J. Korah (2008)** <sup>[4]</sup> feels that the retail sector has witnessed unprecedented growth in recent times and is currently one of the fastest growing sectors in India. Given the large size of this sector, its expansion is both a cause as well as a consequence of rapid economic growth. However, it is largely unregulated - a fact which implies that efforts to block competition or cartelise can be effective and threaten the growth and welfare generation potential of this sector. It is for this reason that competition and regulation scenario in the retail sector needs to be reviewed.

**5. Dr. Pawan kumar (2013)** <sup>[5]</sup> intends the emergence of organized retailing in India. In the era of globalization economy changes rapidly in which retail sector also transforming from traditional to organized retailing. Due to changing in the scenario of world's economy retail sector attracts the attention of scholars make some efforts relating to study of opportunities and challenges. Since efforts have been made in this paper to highlights the present status, challenges

and opportunities of retail sector in India.

### **3. Hypothesis**

1. There exists no correlation between Rise of non-metro cities and towns and Retail growth
2. There is no relationship between the incentives from Organised food retailing and consumer benefits

### **4. Operational definition of concepts retail**

In 2004, The High Court of Delhi <sup>[1]</sup> defined the term 'retail' as a sale for final consumption in contrast to a sale for further sale or processing (i.e. wholesale). A sale to the ultimate consumer.

### **Retail food**

Retail food is all food, other than restaurant food, that is purchased by consumers and consumed off-premise. Retail food comes in all shapes and sizes and is protected by numerous government agencies

### **Merchandising**

Merchandising is part of retail industry specific terminology that describes an aspect of retailing that is much larger than a mere definition of the term can explain.

### **Loss Leader**

Merchandise sold below cost by a retailer in an effort to attract new customers or stimulate other profitable sales.

### **5. Methodology**

The research methodology for the current study involved multiple methods, such as descriptive, analytical, empirical and survey.

### **Sampling**

All retailers -large, small and tiny, consumers operating/living in Bangalore city from Universe/population. A sample respondents of 438 have been contacted for the data collection.

### **6. Methodology**

The present study will be analytical type, involving collection of Data by conducting field survey using techniques such as administering comprehensive questionnaires, interviews, personal interaction with respondents to elicit the views of all stakeholders in retailing. The secondary data will be collected from Books, journals, Magazines periodicals, and articles, Bulletins, Brochures and reports of economic think- tank- NCAER, CMIE, CII and the like; Published Research Works and paper, Newspapers and the like. The collected data will be analyzed.

### **7. Data Collection and Data Processing**

For the purpose of primary data collection, the study relied on well-structured questionnaire, schedule, personal interviews, and e-mail survey. The secondary data on the topic were collected from globally renowned retailing management text books, empirical research papers, sample firms, organised retailing and Retail manual, annual reports, internet information, published theses, dissertations, internationally

<sup>1</sup> The Future Of Organized Retailing in India: A Curtain Raiser

<sup>2</sup> Asia Pacific Journal of Marketing and Management Review Vol.1 Issue 1, September 2012, ISSN 2319-2836

<sup>3</sup> Yearbook of European Security YES 2013

<sup>4</sup> Competition and Regulation in Indian Retail Sector

<sup>5</sup> International Journal of Computing and Business Research (IJCBR) ISSN (Online) : 2229-6166 Volume 4 Issue 1 January 2013

acclaimed management journals, Magazines, and New bulletins, Newspapers, micro-films on the topic. The collected data have been edited, coded, transcribed,

classified, and tabulated. The study used SPSS package for inferential statistical treatment.

**8. Analysis and Interpretation**

**Table 3:** Factors contributing to the phenomenal growth of organized retailing (N=438)

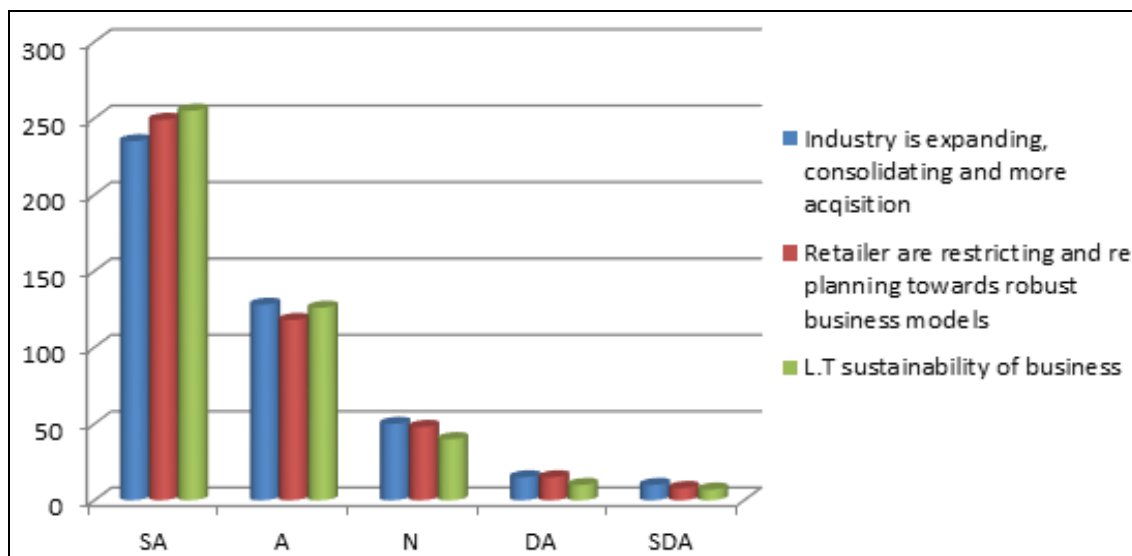
Factors	SA	A	N	DA	SDA
Industry is expanding, consolidating and more acquisition	235 (53.65)	128 (29.22)	50 (11.42)	15 (3.42)	10 (2.28)
Retailer are restricting and re-planning towards robust business models	249 (56.85)	118 (26.94)	48 (10.96)	15 (3.42)	8 (1.83)
Long-Term sustainability of business	255 (58.22)	126 (28.77)	40 (9.13)	10 (2.28)	7 (1.60)

(Figures in the Parenthesis represent Percentages)

**Analysis**

Factors contributing to the phenomenal growth of organized retailing were intended to be understood. Industry as expanding, consolidating and more acquisition was strongly agreed upon by 53.65% of the respondents. 11.42% of the respondents expressed a neutral opinion while 2.28% of the respondents strongly denied the same. The retailer as

restricting and re-planning towards the robust business models was agreed upon by 83.79% of the respondents. The statement was completely declined by 1.83% of the respondents. Long-Term sustainability of business was upheld by 86.99% of the respondents while 9.13% of the respondents expressed a neutral opinion.



**Fig 1:** Factors contributing to the phenomenal growth of organized retailing

**Interpretation**

Indian retail is dominated by a large number of small retailers consisting of the local kirana stores, general stores, apparel shops, chemists, footwear shops, and pavement vendors etc. which together make up the so called unorganized retail segment. But Indian retail scenario is definitely headed for a major e years to come. The next few years are likely to witness rapid growth in the organized retailing sector with several leading international players establishing their presence in India by adjusting their formats to suit local tastes

and buying behaviour. Retail is the most growing sector in India. Share of retail industry in current GDP stands for 30%. Total retail market in India is of 300 bn \$ out of which organized retail contribute 6.5%. Average growth of organized retail in India is 17.39% yearly. Major categories in organized retails are food and grocery (12.5%), Apparel and clothing (35%), Consumer Electronics (9.2) and other categories. (India Retail Report 2011, published by Images Group).

**Table 4:** Factors leading to Retail Revolution through organized retailing (N=438)

Factors	SA	A	N	DA	SDA
Growth of middle class consumers	238 (54.34)	121 (27.63)	50 (11.42)	20 (4.57)	9 (2.05)
Increase in the number of working women	222 (50.68)	141 (32.19)	48 (10.96)	15 (3.42)	12 (2.74)
Organized retail deals leading to high volume and economies of scale	226 (51.60)	130 (29.68)	60 (13.70)	12 (2.74)	10 (2.28)
Emerging rural market	230 (52.51)	145 (33.11)	40 (9.13)	13 (2.97)	10 (2.28)
Entry of corporate sector	257 (58.68)	130 (29.68)	30 (6.85)	11 (2.51)	10 (2.28)

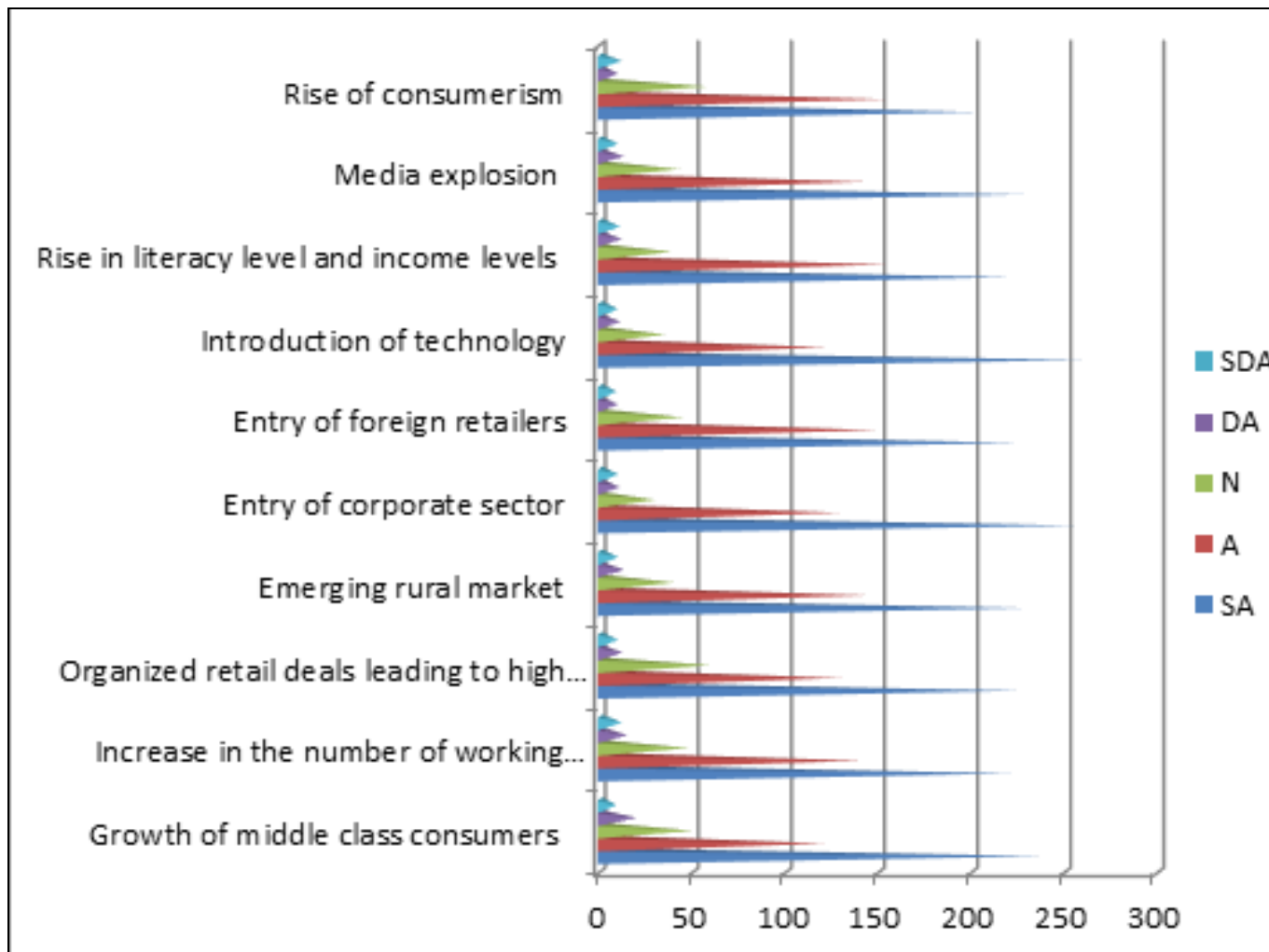
Entry of foreign retailers	225 (51.37)	149 (34.02)	45 (10.27)	10 (2.28)	9 (2.05)
Introduction of technology	260 (59.36)	122 (27.85)	35 (7.99)	11 (2.51)	10 (2.28)
Rise in literacy level and income levels	221 (50.46)	155 (35.39)	39 (8.90)	12 (2.74)	11 (2.51)
Media explosion	228 (52.05)	144 (32.88)	43 (9.82)	13 (2.97)	10 (2.28)
Rise of consumerism	204 (46.58)	154 (35.16)	58 (13.24)	10 (2.28)	12 (2.74)

(Figures in the Parenthesis represent Percentages)

**Analysis**

A question was posed to the respondents to know the opinion on the factors leading to Retail Revolution through Organized Retailing. Ten variables have been identified for the same. For the factor, Growth of middle class consumers, 81.97% of the respondents expressed positive opinion. 2.05% of the

respondents were on a strong denial. Emerging rural market was strongly agreed upon by 52.51% of the respondents. Entry of Foreign retailers was declined by 2.05% of the respondents. Rise of consumerism was strongly agreed upon by 46.58% of the respondents. 9.82% of the respondents expressed neutrality in opinion regarding Media explosion.



**Fig 2:** Factors leading to Retail Revolution through Organized Retailing

**Interpretation**

Retail Industry, one of the fastest changing and vibrant industries that, has contributed to the economic growth of our country. Within a very short span of time, Indian retail industry has become the most attractive, emerging retail market in the world. Healthy economic growth, changing demographic profile, increasing disposable incomes, changing consumer tastes and preferences are some of the key factors that are driving growth in the organised retail market in India. Rural retailing is another area of prime focus for many

retailers. Rural India accounts for 2/5th of the total consumption in India. Thus, the industry players do not want to be left out and are devising strategies especially for the rural consumer. However, players should be ready to face some imminent challenges in rural area. For instance, competition from local mom and pop stores as they sell on credit, logistics hurdles due to bad infrastructure in rural areas, higher inventory expenses and different buying preferences amongst rural population.

**Table 5:** Opportunities and Factors Critical To the Success of Retail Industry in India (N=438)

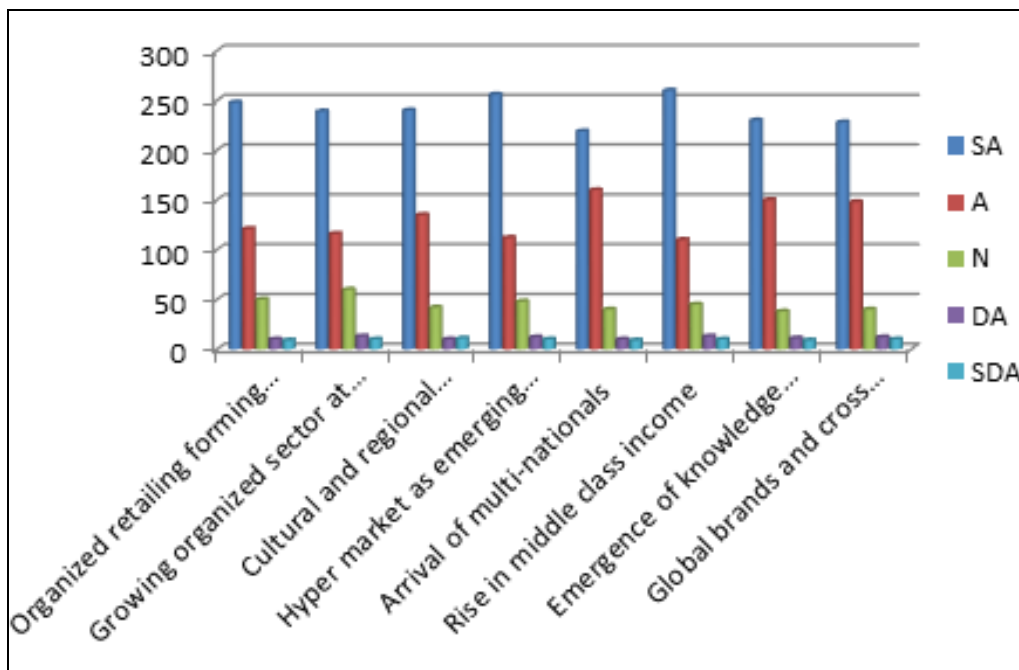
Factors	SA	A	N	DA	SDA
Organized retailing forming a major percent of total retailing	248 (56.62)	121 (27.63)	50 (11.42)	10 (2.28)	9 (2.05)
Growing organized sector at the CAGR	239 (54.57)	116 (26.48)	60 (13.70)	13 (2.97)	10 (2.28)
Cultural and regional differences	240 (54.79)	135 (30.82)	42 (9.59)	10 (2.28)	11 (2.51)
Hyper market as Emerging Format	256 (58.45)	112 (25.57)	48 (10.96)	12 (2.74)	10 (2.28)
Arrival of multi-nationals	219 (50)	160 (36.53)	40 (9.13)	10 (2.28)	9 (2.05)
Rise in middle class income	260 (59.36)	110 (25.11)	45 (10.27)	13 (2.97)	10 (2.28)
Emergence of knowledge sector trade	230 (52.51)	150 (34.25)	38 (8.68)	11 (2.51)	9 (2.05)
Global Brands and Cross Border Trade	228 (52.05)	148 (33.79)	40 (9.13)	12 (2.74)	10 (2.28)

(Figures in the Parenthesis represent Percentages)

**Analysis**

Opportunities and Factors Critical to the Success of Retail Industry in India were identified. Eight variables have been taken for the opinion to be sought from the respondents. Organized retailing forming a major percent of total retailing, 56.62% of the respondents strongly agreed while 2.05% of the respondents were on strong denial. Growing organized sector

at the CAGR was agreed upon by 81.05% of the respondents while 5.25% of the respondents completely denied the same. 10.27% of the respondents have shown neutral opinion with respect to Rise in middle class income. Global Brands and Cross Border Trade is turned down by 5.02% of the respondents.



**Fig 3:** Opportunities and Factors Critical To the Success of Retail Industry in India

**Interpretation**

In the past few years, Indian Retail sector has seen tremendous growth in the organised segment. Major domestic players have stepped into the retail arena with long term, ambitious plans to expand their business across verticals, cities and formats.

Companies like Tata, Reliance, Adani Enterprise and Bharti have been investing considerably in the booming Indian Retail market. Along with these giant retailers, a number of transnational brands have also entered into the market to set up retail chains in close association with bigger Indian companies.

High consumer spending over the years by the young population (more than 31% of the country is below 14 years) and sharp rise in disposable income are driving the Indian organised retail sector’s growth. Even Tier I & Tier II cities and towns are witnessing a major shift in consumer

preferences and lifestyles, the result of which, they have emerged as attractive markets for retailers to expand their presence.

The Indian retail sector is highly fragmented and the unorganised sector has around 13 million retail outlets that account for around 95-96% of the total Indian retail industry. However, going forward, the organised sector’s growth potential is expected to increase due to globalisation, high economic growth, and improved lifestyle.

**Hypothesis Testing**

**Hypothesis-1**

1. Trends of Rise of non-metro cities and towns in the retailing scenario has complemented the tremendous growth of retailing

**H<sub>0</sub>:** There is no relationship between the Rise of non-metro cities

and towns and Retail growth  
**H1:** There is a relationship between the Rise of non-metro cities and towns and Retail growth

**X- Rise of non-metro cities and towns**

**Y- Retail growth**

**Key to Variables**

X1 The trends in consumption patterns and marketing spends in small town

- X2 Consumption patterns in key urban towns and that are rest of urban India similar to those in the metros
- X3 Increase in the consumption of premium brands and services
- X4 Significant increase in leisure and lifestyle spends of consumers
- X5 Utilization of wellness services more than ever before
- X6 Willings to pay among women in small towns for age correction body sculpting and removing skin imperfections

**Correlations**

**Table 6**

		X1	X2	X3	X4	X5	X6
<b>X1</b>	Pearson Correlation	1	.906**	.941**	.910**	.921**	.923**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	438	438	438	438	438	438
<b>X2</b>	Pearson Correlation	.906**	1	.909**	.901**	.892**	.914**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	438	438	438	438	438	438
<b>X3</b>	Pearson Correlation	.941**	.909**	1	.890**	.898**	.932**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	438	438	438	438	438	438
<b>X4</b>	Pearson Correlation	.910**	.901**	.890**	1	.913**	.874**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	438	438	438	438	438	438
<b>X5</b>	Pearson Correlation	.921**	.892**	.898**	.913**	1	.919**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	438	438	438	438	438	438
<b>X6</b>	Pearson Correlation	.923**	.914**	.932**	.874**	.919**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	438	438	438	438	438	438
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000
	N	438	438	438	438	438	438

\*\* . Correlation is significant at the 0.01 level (2-tailed).

There were significant inter-correlations among independent variables with eight items. There is high degree of positive correlation between X1 and X3 with r= 0.941. The next is the variables X1 and X6 with r= 0.921.

**9. Conclusion**

The organised retailing with reference to the food products is growing at a very fast pace. The demand for the food products is evidenced by the growing food consciousness, entry of the big players into the organised retailing and so on so forth. The sector has not only contributed to the GDP, it has seen structural changes. The structural changes have been because of the changing food habits, increase in the number of working women, online ordering of the food items and the like. The future holds good prospects for the organised food retailing as this would be a one roof shopping for the shoppers.

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