



MODERN AND TRADITIONAL RETAIL MARKET IN INDIA: WITH SPECIAL REFERENCE TO FMCG GOODS IN KARNATAKA STATE

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ABSTRACT

The FMCG sector in India is the fourth largest in the economy, with a market size of over Rs. 1,10,000 crore and is estimated to grow to over Rs.1,85,000 crore by 2017. Fast moving consumer goods (FMCG) are the goods which are basically non-durable in nature, sold instantly, bear a low price tag and offer low margin of profit to the manufacturer. These products are used daily and by everyone due to which they are sold in very large quantities. Huge sales with low profit margins thereby bring enormous profit for the manufactures of FMCG products. Bears a low price tag and are purchased frequently through widespread distribution networks in high volumes.

The essence of present study is to analyses the factors influencing the consumers to purchase in retail outlet are convenient location of the supermarket, range of products available, convenient for purchase, availability of quality products, reasonable prices, parking facility, payment methods, shopping is seen as enjoyable, attractive parking, schemes and offers, better service to customers and home deliver. The study also highlights some attributes are save time of shopping, attractive advertising, behaviour of employees, freshness of the products, labelling, product warranty and frequency of visits. Hence, the above stated attributes are very much important to measure perception of consumer to purchase retail market products and to reach rapid growth in modern and traditional in study areas.

KEYWORDS:

*Fast Moving Consumer
Goods, Advertising,
Labelling, Retail
Market.*

INTRODUCTION

Fast Moving Consumer Goods (FMCG) are the goods which are basically non-durable in nature, sold instantly, bear a low price tag and offer low margin of profit to the manufacturer. There are several examples of FMCG products which can be seen in day to day life such as cold drinks, chocolates, sauce, cake, detergent powder, face wash, toothbrush, perfumes, potato chips, butter, bread, soap, shampoo, hair conditioner, edible oil, biscuits etc. These products are used daily and by everyone due to which they are sold in very large quantities. Huge sales with low profit margins thereby bring enormous profit for the manufactures of FMCG products. Bears a low price tag and are purchased frequently through widespread distribution networks in high volumes. The FMCG sector in India is the fourth largest in the economy, with a market size of over Rs. 1,10,000 crore and is estimated to grow to over Rs.1,85,000 crore by 2017.

Retailing encompasses the business activities involving goods and services to their consumers for their

personal family / household use. Retailing is the largest private industry in the world with total sales of US \$ 6.6 trillion. The retail sectors play a significant role in the world economy because of the contribution that it makes to the economy of the country. The retail sector of India is one of the largest sectors, which accounts for over 13 per cent of the country's gross domestic product (GDP) and around 8 per cent of employment next only to agriculture. It has emerged as a dynamic and fast growing sector with international players eager to enter the market. The contemporary retail sector in India is reflected in sprawling shopping centers, multiplex-malls that offer shopping, entertainment and food all under one roof besides the unorganized individual retails. With significant growth of the economy of the country, the concept of retail market is now changing in terms of format and consumer buying behaviour. 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 historically 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.

REVIEW OF LITERATURE

Number of Research articles in journals and magazines were found while carrying out present research work on “*Modern and Traditional Retail Market in India: With Special Reference to FMCG Goods in Karnataka State*”. This Literature Review formed a base for completion of this study.

Vineet Singh (2016) the essence of present study is to analyse the profitability of two major FMCG companies in India i.e., Britannia and Marico Limited with the help of gross profit and net profit ratios from the year 2011-12 to 2015-16.

Santosh Uplaonkar & Surat Kumari (2016) rural marketing is now a two-way marketing process. There is inflow of products into rural markets for production or consumption and there is also outflow of products to urban areas. The FMCG sector in India is the fourth largest in the economy. This article focuses on marketing issues challenges and opportunities in rural area.

Narayana Reddy (2004) in his study reported that most (61%) of the retailers get their requirements from wholesalers, 15 per cent from the large and other retailers. Over 17 per cent of the selected retailers get their goods from more than one source, but a small percentage of retailers get some of their requirements from producers. Apart from this, the study also shows that the organized retailers/hyper malls and super marketers get wholesales' margin plus concession as they buy in bulk from the producers.

Kumari et al. (2003) in examined the Indian research efforts in vegetable crops, new niches for vegetable production, and the impact of pest management research. It was indicated that the on-going research programmes on vegetables addressing many emerging challenges, there is a wide scope for innovative improvements and a sharper focus on vegetable processing, value addition and quality control.

Lehtinen et al. (2002) in their study on contract manufacturing in Finnish food industry, found that in the future, direct deliveries from the contract manufacturer to retail stores will increase, the delivery times will shorten and thus, more flexibility is needed from the contract manufacturer.

Hugar and Vijay Kumar (1996) carried out a study in Dharwad city to identify various factors that influence the consumption of vegetables. A sample of 90 consumers was chosen at random. It was observed that the personal attributes such as educational level and sex had significant influence on the quantity and frequency of purchase. Price had a high influence on quantity purchased among the lower income group but the effect was not pronounced for high income groups.

Muralidharan (1981) compared the establishment costs of three processing units namely sugar, gur and khandasari units in Mandya district of Karnataka. He found that establishment cost of the three units to be in the order of Rs. 4, 40, 28, 322.03 lakhs for sugar units, Rs. 46, 329.83 lakhs for gur unit and Rs. 9, 16, 722.38 lakhs for khandasari unit.

OBJECTIVES OF THE RESEARCH STUDY

The main objectives of this study is to examine customers preference of modern and traditional outlets, with a view to make the study more meaningful, certain specific

aspect have also been studied and they are as under:

1. To know the theoretical background of Modern and Traditional Retail Market outlet in Indian Context.
2. To study the factors influencing the efficiency of the retail outlets and consumers to purchase in retail outlets.
3. To offer some valuable suggestions based on the findings of the study area.

RESEARCH METHODOLOGY

i. Sources of Data:

Bangalore, the capital city of Karnataka is one of the fastest growing metropolitan and is highly cosmopolitan in nature. People of different religions, castes, occupations, cultures, speaking diverse languages and of different food preferences reside here. It is the Information Technology and Bio-Technology hub of India, with industrial estates and numerous financial and educational institutions. Hence, the city was purposively selected for the study.

ii. Sample Size:

A sample of 250 respondents was selected for this study. A structured questionnaire was developed to record the response of the consumers' about the modern and traditional retail market. Consumers/owners, executives was easy to approach and get data by using personal sources to fill the questionnaires as a responsibility and send back to the researcher. Therefore; data was collected through personally contact approach from the consumers and owners randomly.

a) Primary Data:

The primary data on procurement aspects like from whom they procure, quantity procured, costs of procurement were collected to understand the procurement management. The information on stages involved in processing, cost incurred in processing and the value addition per unit of each selected products in different categories such as food grains, pulses, oil seeds, oils and dry fruits. Hence, sample respondents were collected from the randomly selected consumers from each outlet using the pre-tested schedule through the personal interview method.

b) Secondary Data:

The study is basically descriptive in nature. For the purpose of the study, secondary information has been gathered from the existing literature such as relevant research based on books, articles, and some relevant website have been visited for the appreciation of the conceptual issues involved.

TOOLS AND TECHNIQUES OF THE STUDY

In the present study, the researchers has applicable suitable statistical tool such as percentage for analysis of data and to draw meaningful conclusion therefrom. An analytical tables and charts have been constructed for the effective presentation of the results of analysis.

LIMITATIONS OF THE STUDY

The study has the following limitations:

1. The study is based on sample selected retail market in India, belonging to Karnataka only.
2. The study is based on Secondary data. So, the limitations of secondary data may also creep in and have an impact on the present study.

THE STUDY

- *To know the theoretical background of Modern and Traditional Retail Market in Indian Context.*

IN INDIA

- Retailing is one of the largest industry in India and second largest employer after agriculture. The retailing industry provides employment to over 18 million people. One out of every 25 families in India is engaged in the business of retailing. Ownership and management are predominantly family controlled.
- However, in sharp contrast to developed countries, unit average size of retail outlet in India is very small. It is the Tenth largest economy in the world based on GDP. The Indian retail sector is growing at compound average growth rate (CAGR) of 30 per cent over the next five years. However, the share of modern organized retail sector is likely to grow from its current Three percent to 15-20 per cent over the next decade. More than Eight per cent of the population is engaged in this activity.
- The Indian retail industry is valued at US \$300 billion and is expected to grow to US \$427 billion by 2010 and to US \$637 billion by the end of 2015. The retail sector is expected to generate employment in excess of 20 lakhs by 2010 of which 5-6 lakhs will be in the organized sector. The country is rated as Fifth most attractive emerging retail sector and ranked second in a Global Retail Development Index of 30 developing countries as drawn up by A.T. Kearney.
- Food retailing is one of the important parts of the present organized retail industry in the world. Growing at a rate of 30 per cent, the Indian food retail is going to be a major driving force for the retail industry. The changing life styles, tastes and higher disposable income, growing need for convenience, etc. has revolutionized the food retail scenario of the country and now it has become the largest segment of the retail sector of India.

IN KARNATAKA

- The study conducted by the Rabo India Finance Pvt. Ltd. says that south Indian states of Tamil Nadu, Andhra Pradesh and Karnataka have taken a lead role in establishing modern food outlets. The growth of organized retailing has shown particular vigour in Chennai and Bangalore, where an estimated 40 per cent of their grocery requirements are met through modern retail formats.
- The study pointed out that media exposure, nuclear families and emancipation of women are some of the important demographic reasons for the shift in the decision-making variables from price. The study

also estimated that organized food retail sector is set to expand over Ten folds in the next five years to approximately Rs. 75 billion (US \$1.6 billion).

- The estimate was based on the assumption that 6 million households would spend Rs. 1000 per month through organized retail. Karnataka is one of the leading states in organized retailing in India as there are more than Ten organized retailers (firms) with more than 100 outlets including Metro AG operating in Bangalore city alone. Due to increasing urbanization and expanding service sectors like software, banking, insurance and business process outsourcing (BPO) in Bangalore, which has taken into a metropolitan city status more recently has led to increase in income of the consumers.
- Apart from Bangalore, cities such as Mysore, Mangalore and Hubli, Dharwad in Karnataka are also growing rapidly in terms of urbanization, income and organized retailing with local food marketers as they are converting unorganized retail outlets into organized form because of strong demand for convenience products; and better educated consumers concerned about health, nutrition, food safety, and the environment.
- The entry of Food World in 1996, there has been a rapid expansion of organized food retail chains in Bangalore with many new players like Fab Mall, Subiksha, Trinethra, Namdhari Fresh, Reliance Fresh, etc. entering the market and opening up their outlets in the city.

The rapid rise in the super market chains can also be attributed to many international and national players showing interest in Bangalore to start their retail outlets. Food and grocery items account for a significant 74 per cent of total retail sales across both the organized and unorganized sectors. The increasing competition and rising scale of organized retail distribution network are forcing the players to focus on restructuring of the supply chain to improve productivity and provide a better deal to customers.

ANALYSIS AND INTERPRETATION OF STUDY

- ❖ *To study the factors influencing the efficiency of the retail outlets and consumers to purchase in retail outlets.*

Apart from these, to study the factors influencing the efficiency of the retail outlets are collected, and also to study the factors influencing the consumers to purchase in retail outlets, the information regarding the socio-economic factors like age, education, occupation, income, family size, family type, religion etc; product factors like price, quality, packaging, labeling; and other factors like range of products, convenience, location, credit, home delivery, parking facility, service quality and schemes and offers etc.,

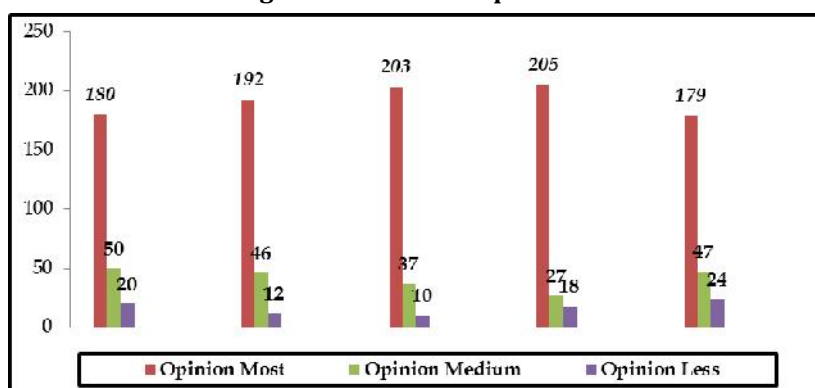
Table No - 1:**Factors influencing the consumers to purchase in Retail outlet**

Factors	Opinion			Total
	Most	Medium	Less	
Convenient location of the supermarket	180 (72%)	50 (20%)	20 (8%)	250 (100)
Range of products available	192 (76.8%)	46 (18.4%)	12 (4.8%)	250 (100)
Convenient for purchase	203 (81.2%)	37 (14.8%)	10 (4%)	250 (100)
Availability of quality products	205 (82%)	27 (10.8%)	18 (7.2%)	250 (100)
Reasonable prices	179 (71.6%)	47 (18.8%)	24 (9.6%)	250 (100)

Source: Field Investigation.

Table 1 and chart 1 represents factors influencing the consumers to purchase in retail outlet in study area. The consumer respondents' on factors are convenient location of the supermarket, range of products available, convenient for purchase, availability of quality products and reasonable prices in study region. The above table evident that more number that is 180 (72%) of consumer respondents are most agreed with factor of convenient location of the supermarket

requirement, 50 and 20 it is 20% and 8% are mixed respondents from consumer regarding above study factor. It also depicts that range of products available, convenient for purchase, availability of quality products and reasonable prices; it is 192, 203, 205 and 179 its percentage is 76.8%, 81.2%, 82% and 71.6% are agreed opinions by consumers to purchase in retail outlet in study areas. The same results are also shown in chart no.1 respectively.

Chart No - 1:**Factors influencing the consumers to purchase in Retail outlet****Table No - 2:****Aspects influencing the consumers to purchase in Retail outlet**

Aspects	Most	Medium	Less	Total
Parking facility	197 (78.8%)	27 (10.8%)	26 (10.4%)	250 (100)
Payment Methods (cash, cheque and credit card)	210 (84%)	30 (12%)	10 (4%)	250 (100)
Shopping is seen as enjoyable	225 (90%)	15 (6%)	10 (4%)	250 (100)
Attractive parking	200 (80%)	30 (12%)	20 (8%)	250 (100)
Schemes and Offers	220 (88%)	20 (8%)	10 (4%)	250 (100)
Better service to customers	230 (92%)	10 (4%)	10 (4%)	250 (100)
Home Delivery	201 (80.4%)	29 (11.6%)	20 (8%)	250 (100)

Source: Field Investigation.

Table no.2 and chart no.2 demonstrates aspects influencing the consumer to purchase retail outlet in study area. The table through some light on aspects which are influencing consumer to purchase retail outlet are as parking

facility, payment methods (cash, cheque and credit card), shopping is seen as enjoyable, attractive parking and schemes and offers, better service to customers and finally, home delivery. The consumer respondents on parking facility is

most it is evident that 197 (78.8%) are required good parking facility in outside of supermarket and only 27(10.8%) are medium to required parking facilities. The above table also denotes that payment mode method like cash, cheque and credit card is most and should needed with internet transfers with the evident is 210 (84%) of the consumer most required payment method systematically. The consumer respondents are respond on the aspect of shopping is seen as enjoyable,

attractive parking, schemes and offers are strongly agreed with more number of consumer respondents are opinion that most it is 225, 200 and 220 respectively. This table also highlights aspects like better service to customers and home delivery it also a positive responds from consumer who are purchased goods in retail outlets. Hence, below chart no.2 gives the details regarding above explanation of table no.2 respectively.

Chart No - 2:

Aspects influencing the consumers to purchase in Retail outlet

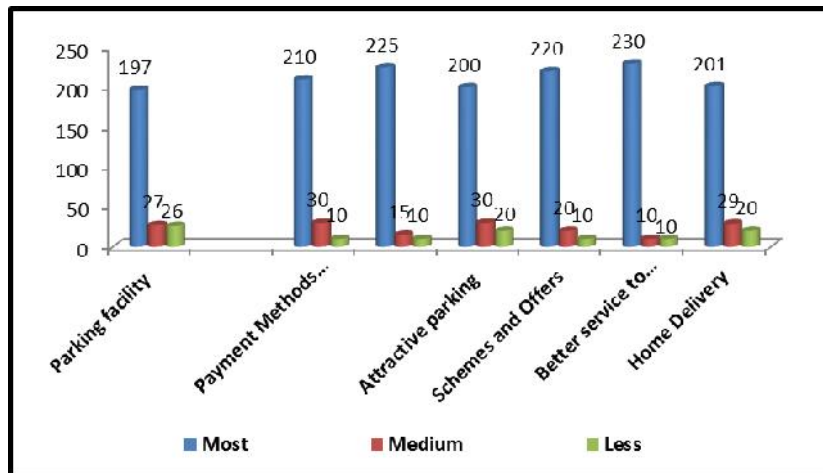


Table No.3:

Attributes influencing the consumers to purchase in Retail outlet

Attributes	Most	Medium	Less	Total
Save time of shopping	113 (45.2%)	93 (37.2%)	44 (17.6%)	250 (100)
Attractive Advertising	217 (86.8%)	29 (11.6%)	4 (1.6%)	250 (100)
Behaviour of Employees	210 (84%)	27 (10.8%)	13 (5.2%)	250 (100)
Freshness of the products	220 (88%)	15 (6%)	5 (2%)	250 (100)
Labeling	207 (82.8%)	33 (13.2%)	10 (4%)	250 (100)
Product Warranty	219 (87.6%)	20 (8%)	11 (4.4%)	250 (100)
Frequency of visits	231 (92.4%)	11 (4.4%)	8 (3.2%)	250 (100)

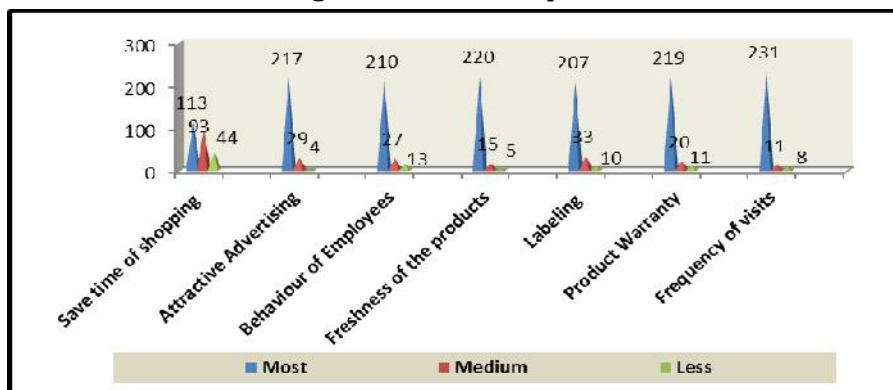
Source: Field Investigation.

Table no.3 and chart no.3 shows the attributes which are influencing on consumer to purchase in retail markets are as save time of shopping , attractive advertising, behaviour of employees, freshness of the products, labelling, product warranty and Frequency of visits. The table denotes consumer responds on save time of shopping it is 113 (45.2%) most, 93 (37.2%) medium are positive approach from the purchase consumers in study area, attractive advertising is also very much important that is 217 (86.8%) most, it is 210(84%) of

the consumer respondents are agreed and they need good quality of advertising related to saleable goods in retail market. The table also highlight on behaviour of employees and freshness of the products it is 210 (84%) and 220 (88%) is most opinion by the consumers of study area. Finally, labelling, product warranty and frequency of visits of attributes responds of consumer are strongly most opinion for all the above stated attributes influencing the consumers to purchase in retail outlet.

Chart No.3:

Attributes influencing the consumers to purchase in Retail outlet



FINDINGS OF THE RESEARCH STUDY

The major findings of the research study are as under -

- The study found that majority of respondents that is 180 (72%) of consumer respondents are most agreed with factor of convenient location of the supermarket requirement, 50 and 20 it is 20% and 8% are mixed respondents from consumer regarding above study factor.
- The study reveals that range of products available, convenient for purchase, availability of quality products and reasonable prices; it is 192, 203, 205 and 179 its percentage is 76.8%, 81.2%, 82% and 71.6% are agreed opinions by consumers to purchase in retail outlet in study areas.
- The study highlights that consumer respondents on parking facility is most it is evident that 197 (78.8%) are required good parking facility in outside of supermarket and only 27 (10.8%) are medium to required parking facilities. The above table also denotes that payment mode method like cash, cheque and credit card is most and should needed with internet transfers with the evident is 210 (84%) of the consumer most required payment method systematically.
- The consumer respondents are respond on the aspect of shopping is seen as enjoyable, attractive parking, schemes and offers are strongly agreed with more number of consumer respondents are opinion that most it is 225(90%), 200 (80%) and 220(88%) respectively.
- The study noticed that the consumer responds on save time of shopping it is 113 (45.2%) most, 93 (37.2%) medium are positive approach from the purchase consumers in study area, attractive advertising is also very much important that is 217 (86.8%) most, it is 210(84%) of the consumer respondents are agreed and they need good quality of advertising related to saleable goods in retail market.
- The study also highlight on behaviour of employees and freshness of the products it is 210 (84%) and 220 (88%) is most opinion by the consumers of study area. Finally, labelling, product warranty and frequency of visits of attributes responds of consumer are strongly most opinion for all the above stated attributes influencing the consumers to purchase in retail outlet.

SUGGESTIONS OF THE RESEARCH STUDY

The major suggestions of research study are as follows. These research suggestions which are seriously implemented in upcoming days, it is sure that traditional and modern retail marketing is uplifting its focus to abroad.

- It was noticed from the study that all the retailers or supermarkets purchased grocery items from the Agricultural Produce Market Committee only. Hence, there is no threat to traditional retail outlets from modern retail outlets.
- It is suggested that the price due to processing was high in modern outlets as compared to traditional outlets which results in high profits and the modern retail outlets are performing better than the traditional retail outlets.
- The study highlights the highest packaging cost which was the major cost component in cost of packaging is attributed to the use of costly material in packaging, which is durable, attractive and printed information on it to attract the customers.
- It was observed from the study that the modern were performing better than the traditional and most of the existing supermarkets in the state are traditional.
- The outcome of the study, there is a lot of scope for the supermarket business to shift from traditional to modern form of retailing to cater the changing needs of the modern customers.

CONCLUSION

Indian organized retailing is under transition today, bringing a lot of changes in the formats of retailing. The shoppers enjoy the privilege of shopping the goods and services required by them in a variety of formats. These products are used daily and by everyone due to which they are sold in very large quantities. Huge sales with low profit margins thereby bring enormous profit for the manufactures of FMCG products.

The essence of present study is to analyses the factors influencing the consumers to purchase in retail outlet are convenient location of the supermarket, range of products available, convenient for purchase, availability of quality products, reasonable prices, parking facility, payment methods, shopping is seen as enjoyable, attractive parking, schemes and offers, better service to customers and home deliver. The study also highlights some attributes are save time of shopping, attractive advertising, behaviour of

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