Retailing of Fresh Fruits and Vegetables in Bangalore – A Study on Consumers' Experience in Modern vis-a-vis Traditional Retail Formats

KEYWORDS: Fresh Fruits and Vegetables, Organised Retailing, unorganized retailing and 7 P's Framework

Dr K Ramachandra
Professor and Head, Department of Commerce and Management, Maharani's Arts, Commerce and Management College for Women, Bangalore-1

N Meena Rani
Research Scholar (Ph.D in Management), Jawaharlal Nehru Technological University, Hyderabad-82

ABSTRACT *The food retail industry in India has traditionally been highly fragmented and is often described as being unorganized. The total market size for fresh fruits and vegetables in India is Rs145,000 crores and organised retail in this segment is a miniscule 300 crores. This equation is bound to change with the entry of Reliance, Bharti and other corporate houses in a big way. The present research is taken up to study the consumers' experience in organized and unorganized settings in 7P's Framework in Bangalore city with sample size of 500 respondents. Most of the respondents rate their experience to be excellent or very good particularly with respect to product range, quality of goods and visual merchandise at organized retail outlets. However on the parameters of product freshness, availability of seasonal fruits and handling returns and exchanges, unorganized traders score better. Some respondents feel that grievance reddresal procedures and systems are not quite customer friendly, and need to be redesigned in the larger formats. With the changing lifestyle, modernization and urbanisation there exists a huge scope for the growth of wet retailing in both the formats. While the the large retailers could flourish by providing large varieties of FFVs to the urban consumers with utmost economy, conveneience and ambience, and inclusive policies towards all the stakeholders, the small traders and hawkers continue to cater to the cross sections of consumers in the market with the possible automation, better service and innovative marketing and customer relationship management strategies. Timely market information, entrepreneurial drive and business acumen will ensure success of all stakeholders in the fray, and it turns out to be a positive sum game in the ever growing market rather than zero sum game as it is apprehended.*

INTRODUCTION

The retailer is the end link in the chain through which goods produced by the manufacturer reach the consumer destiny in the most convenient and cost effective manner. Retailing is one of the pillars of economy in India and accounts for 35% of the GDP. According to a study by McKinsey Global Institute, India is likely to join the premier league of the world's consumer markets by 2025, leading to improvements on its current 12th position to 5th position. Retailers not only contribute to the general economy, but they are also part of the fabric of society itself.

The food retail industry in India has traditionally been highly fragmented and is often described as being unorganized. There are an estimated 12-15 million outlets, including push carts, wet market and kirana stores, selling food and related items. Retailing Fresh Fruits and Vegetables, and Food Products in organized sector began way back in 80's by Mother Dairy in Delhi. It has grown at steady pace over the years, but has really taken off in the post liberalization era. The emergence of larger chains and stores began around 2005 and the sector has since grown to nearly 3000 modern retail outlets across India. However, rising urbanization (380 million Indians now live in cities), more working women, and an increase in the number of nuclear families are all trends that point to a greater emphasis on food convenience and healthy foods.

India is the second largest producer of fruits and vegetables, next only to China and the total cultivated area of fruits and vegetables is around 12 million hectares, which is close to 7% of the total cultivated area. This accounts for 13.7% of global production in vegetables and around 10% in global production of fruits. The total market size for fresh fruits and vegetables in India is Rs 145000 crore and organised retail in this segment is a miniscule 300 crores.

Organised retailing of FFVs

India's Planning Commission, in its Approach Paper for the Eleventh Five Year Plan, (2006, pp. 27-8) has noted: "Organized retailing brings many advantages to producers and also to urban consumers, while also providing employment of a higher quality. Organized retailing in agricultural produce can set up supply chains, give better prices to farmers for their produce and facilitate agro-processing industries. Modern retailing can bring in new technology and reduce consumer prices, thus stimulating demand and thereby providing more employment in production."

Concerns about Organised Retailing of FFVs

Concerns are being voiced that large retailers would create artificial shortages and price volatility. Large retailers can also obtain favorable terms from manufacturers and other suppliers that smaller retailers cannot. It is also necessary to consider the possibility of implicit collusion among organized retailers, who might carve up and share parts of a larger market and use tactics such as predatory pricing to drive out small retailers (Joseph et al. 2008, Parliamentary Standing Committee on Commerce 2009).

Consumer Decision-making

The model of the consumer purchase decision-making process assumes that the consumer is a rational and economic person, whose evaluation is strictly geared to physical benefits of the product bought. Customers exist within a society, and are subject to a whole host of influencing factors that shape the way they shop. It is vital for retailers getting to know their customers, both as a group of people within a population, and as individuals. Having an in-depth knowledge about customers' product and store preferences allows retailers to gear their businesses towards the customer and make their product and service offerings more attractive than those of competitors.

Need for the study

Corporate foraying into retailing has been much debated in the recent past, and even turning out to be most controversial issue in view of its pros and cons. The campaigners of organized retailing propound that it yields benefits like generation of employment, squeezed supply chain-leading to increase in efficiency and reduced wastage, development

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of support services like packaging, processing, construction and hardware, increased crop production and more income to farmers. However, the contenders believe that it leads to shirking employment, ecological imbalance by increased carbon emissions with refrigerated containers, air-conditioned stores; and loss of natural flavor of farm products with indiscriminate use of chemicals and fertilizers, jeopardized food security, growing consumerism and imminent monopolies by large players.

The claims and counter claims of the advocates and contenders of organized retailing warrant rigorous study and thorough analysis for understanding the dynamics of organized retailing and its implications on stakeholders. Hence the present study.

Design of study

The study primarily intends to examine paradigms of retailing fresh fruits and vegetables, to study the customer experience and level of customer satisfaction while buying FFVs in both organized and unorganized formats and to offer constructive suggestions for better customer satisfaction and inclusive growth or retail industry in organised sector. It specifically covers the views and experiences of a sample group of 500 respondents picked from north, south, east and west zones of in Bangalore city while buying fruits and vegetables, in modern vis a vis traditional retail outlets in 7 Ps Framework. The study is confined to specific product category that is Fresh Fruits & Vegetables in Bangalore city at select locations, and thus the findings can be generalized with caution. Sampling errors and respondents' bias can't be ruled out, however best efforts have been made to capture the mindset of the respondents on the subject.

Review of literature

Ruchi Malik (2012) found from the study that though there are multitudinous opportunities that are untapped by the retailers, they can be successful by paying more attention towards their customer needs and desires. Manju Malik (2012), attempts to determine the perception of service quality of organized retail stores and their satisfaction among 500 respondents from organized retail outlets selected from Haryana, and across various dimensions such as Product aspects, Price aspect, Physical aspect, Promotional schemes, and Personnel Interaction and After Sales Services. Across the sub-dimensions of service quality of organized retail stores, the respondents' level of perception and satisfaction in terms of Product aspects, Price aspect, Physical aspect, Promotional schemes, Personnel Interaction and after sales services was "good". In terms of dimensions of service quality of organized retail outlets, significant differences were also noted between physical aspects, promotional schemes and personnel interaction and after sales services, when respondents were grouped by age and annual income.

Óscar González-Benito, Mercedes Martos-Partal, (2012) find that the relationship between store brand purchase and store loyalty as non-monotonic relationship (inverted U) - positive up to a certain store brand consumption level, after which it becomes negative. On the one hand, the more price oriented the retailer's positioning, the more favorable is the relationship between store brand consumption and store loyalty. Ramanathan and K. Hari, (2011) studies the perception of consumers about both unorganized and organized retailers and finds it keep on changing. Nityanand Singh and Prachee Javadekar (2011) observe that the supply-chain management of perishable food products is a very typical issue and supply chain integration is the only way left, which not only provides satisfaction to consumers in terms of price and quality, but leads to decline in cost of the product by minimizing wastage and also offers reasonable price to the farmer for their produce. Gopal Das (2011) contends that the Indian market is currently witnessing a retail boom with organized retailers offering a whole assortment of goods and services to consumers under one roof with congenial shopping ambience. Shailesh K.Kaushal and Sanjay Medhavi (2011) found that the quality of service perceived by the customers, irrespective of the brand is what ultimately results in a repeat visit of the customer to the malls. Twenty four factors affecting shopping mall consumer behaviour were identified. The three most prominent factors are quality, time saving and price.

Discussion of results

Majority of the respondents (77%) are females, nearly half of the respondents are in the age group of 31 years to 45 years, 40% of them buy products worth Rs 100-200 each time, followed by 25% buying between Rs 200-300 worth of products, about 42% prefer to buy products from organized outlets, which 34% do not prefer, while 21% remain neutral. Nearly half of the respondents are graduates, followed by 40% who studied up to Inter/ PU/ Dip and the rest are post graduates and others. Occupation-wise, majority are employees (45%) followed by homemakers (30%). About 40% of respondents earn between Rs 20000 to Rs 50000 per month and 33% get less than 20000 per month.

The comparative experience and perceptions of respondents in both organized and unorganized retail formats reveal contrasts as to several variables, which are shown in terms of mean values out of 5 point score. Organised formats score over small vendors in terms of product quality and grading, prices, access to store, courtesy and approach of trader/ employee towards the consumers, while no significant difference is found between the store formats as to promotional initiatives. Among various product attributes, product availability and variety in organized stores top the list with mean scores of 3.52 and 3.49 respectively.

Discounts and offers score least with 2.95. Timings or working hours of large outlets are perceived to be most convenient with 3.94 mean against 3.22 with small outlets. Special day low price offers at large stores are considered to be most effective while schemes like lucky draws are least effective in satisfying the consumer. Among people related factors, employees' knowledge about product, price and the like scores highest, whereas the check-in/ check-out process is termed as least convenient. Machines and equipment are most appealing with score of 3.92, but parking area is found to most wanting with least score of 3.29. Small retailer is perceived little better as to environment friendly trading practices.

Among various factors in unorganized retail format, freshness is found to be most satisfactory with 3.81 (against 3.41 in organized counterparts), procurement efficiency is perceived to be least (2.79 against 3.84 in large retail sector), followed by cleanliness and hygiene, and ambience with mean scores of 2.82 and 2.91 respectively as compared to 3.63 and 3.62 respectively in the large format.

Table 1: Paired Sample Test
Attribute Scores – Mean and t-test

Attributes		N	Mean	Std. Dev.	t-test	Sig.
Product Variety	Organised	500	3.50	0.89	2.83	0.00*
	Unorganised	500	3.32	1.06		
Freshness	Organised	500	3.41	1.04	-6.17	0.00*
	Unorganised	500	3.81	0.89		

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Availability of seasonal FFVs	Organised	500	3.52	1.01	0.38	0.70
	Unorganised	500	3.49	1.14		
Satisfaction towards Price	Organised	500	3.26	1.15	-1.05	0.30
	Unorganised	500	3.34	1.06		
Store Location/Access to Market	Organised	500	3.77	1.21	4.28	0.00*
	Unorganised	500	3.47	1.01		
Shelves/Arrangement of Goods	Organised	500	3.92	1.06	11.60	0.00*
	Unorganised	500	3.22	0.99		
Procurement Efficiency	Organised	500	3.84	0.82	16.45	0.00*
	Unorganised	500	2.79	1.00		
Environment friendly practices	Organised	500	2.97	0.96	-0.66	0.51
	Unorganised	500	3.01	1.06		
Cleanliness and hygiene	Organised	500	3.63	0.96	13.38	0.00*
	Unorganised	500	2.82	1.00		
Politeness and Courtesy	Organised	500	3.28	0.89	3.83	0.00*
	Unorganised	500	3.05	1.00		
Ambience	Organised	500	3.62	1.16	10.11	0.00*
	Unorganised	500	2.91	1.00		
Payment Facility	Organised	500	4.02	0.91	11.18	0.00*
	Unorganised	500	3.16	1.23		
Timings	Organised	500	3.95	0.87	9.75	0.00*
	Unorganised	500	3.37	1.04		
Ad Effectiveness/Informal methods of promotion	Organised	500	3.36	1.08	-0.83	0.40
	Unorganised	500	3.41	0.99		

*Significant at 0.05 level Source: Primary data

Table 1 shows the difference of consumers' experience compared between organized and unorganized retail formats, on select parameters. The difference is found to be significant with respect to product variety, freshness, access to market, arrangement of goods, procurement efficiency, cleanliness and hygiene, politeness and courtesy towards customer, ambience, payment facility and timings.

Table 2 Comparative mean scores and t-test results of Level of importance accorded and level of satisfaction derived by the consumers in organised retail stores

Attributes		N	Mean	Std. Dev.	t-test	Sig.
Product Variety	Perceived	500	3.50	0.89	-8.99	0.00*
	Importance	500	4.10	1.02		
Prices of FFVs	Perceived	500	3.28	1.15	-9.85	0.00*
	Importance	500	4.01	1.01		
Offers/ Discounts	Perceived	500	2.95	1.00	-5.66	0.00*
	Importance	500	3.31	1.08		
Accessibility	Perceived	500	3.77	1.21	-0.81	0.42
	Importance	500	3.82	0.99		
Environment Friendly Practices	Perceived	500	2.99	0.96	-15.94	0.00*
	Importance	500	3.95	1.04		
Hygiene and Cleanliness	Perceived	500	3.65	0.95	-7.76	0.00*
	Importance	500	4.10	1.10		
Politeness/ Courtesy	Perceived	500	3.28	0.89	-8.22	0.00*
	Importance	500	3.74	0.94		
Ambience	Perceived	500	3.61	1.16	1.85	0.06
	Importance	500	3.51	1.04		
Ad Effectiveness	Perceived	500	3.36	1.08	-0.90	0.37
	Importance	500	3.43	1.19		

***Significant at 0.05 level Source: Primary data**

Table 2 shows the level of importance attached to various attributes and the level of satisfaction derived by the consumer in the organized retail stores. It clearly reflects the consumers' perception of being underserved across the attributes except in the case of accessibility and effectiveness of promotional campaign.

Table 3 Comparative mean scores and t-test results of Level of importance accorded and level of satisfaction derived by the consumers in unorganised retail stores

Attributes	Unorganised	N	Mean	Std. Dev.	t-test	Sig.
Product Variety	Perceived	500	3.33	1.07	-12.187	0.00*
	Importance	500	4.10	1.02		
Prices of FFVs	Perceived	500	3.34	1.06	-11.235	0.00*
	Importance	500	4.01	1.01		
Accessibility	Perceived	500	3.47	1.01	-6.872	0.00*
	Importance	500	3.82	0.99		
Environment Friendly Practices	Perceived	500	3.02	1.07	-13.198	0.00*
	Importance	500	3.95	1.04		
Hygiene and Cleanliness	Perceived	500	3.65	0.95	-7.762	0.00*
	Importance	500	4.10	1.10		
Politeness/ Courtesy	Perceived	500	2.82	1.00	-15.940	0.00*
	Importance	500	3.74	0.95		
Ambience	Perceived	500	2.91	1.00	-9.378	0.00*
	Importance	500	3.50	1.04		
Ad Effectiveness	Perceived	500	3.42	0.99	-0.063	0.95
	Importance	500	3.43	1.19		

***Significant at 0.05 level Source: Primary data**

Table 3 shows that there exists huge gap between expected level of service quality and percieved quality derived by the consumer with respect to product variety, prices, accessibility, environment friendliness, hygiene and cleanliness, politeness and courtesy, and ambience, while the difference is marginal in the case of effectiveness of advertisements.

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Table 4: Result of Chronbach Alpha reliability test

Attributes	Cronbach's Alpha	N of Items
Product	0.82	6
Price	0.58	5
Placement	0.59	5
Promotion	0.76	8
People	0.63	4
Process	0.76	5
Physical evidence	0.85	10
Perceived ethical practices followed by large retailers	0.59	4
Retail attributes in unorganized sector	0.90	20
Importance accorded to various attributes while buying FFVs	0.90	20

Source: Primary data

As shown in table 4, the data shows good level of internal consistency with reliability scores of .9 for 40 items classified in to 2 categories, between .76 and .85 for 29 items classified in to 4 groups and between .58 and .63 for 18 items categorized in to 4 groups.

Conclusion and Suggestions

With the changing lifestyle, modernization and urbanisation there exists a huge scope for the growth of wet retailing in both the formats. Both large and small retailers can and should coexist to serve different consumer segments and needs, and to contribute in complementary ways to the economic development of the country. While the the large retailers could flourish by providing large varieties of FFVs to the urban consumers with utmost economy, conveneience and ambience, and inclusive policies towards all the stakeholders, the small traders and hawkers continue to cater to the cross sections of consumers in the market with the possible automation, better service and innovative marketing and customer relationship management strategies. Better store management practices, and taining and sensitisation of employees in the modern formats could further rise the footprints and build loyal customer base. Large players should explore all possible means to develop and make use of alternative sources of energy as growth in fresh produce availability should not lead to deepened energy crisis. Similarly, more foot prints into large stores should not mean more carbon footprints on the mother earth. Timely market information, entrepreneurial drive and business acumen will ensure success of all stakeholders in the fray, and it turns out to be a positive sum game in the ever growing market rather than zero sum game as it is apprehended.

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