

Do the Cash and Carry stores can break the affinity of traditional Retailers and Wholesalers?

A study in Coastal Andhra Pradesh, India

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Abstract

Retailing is the oldest phenomenon in India. Centuries together the Indian retailers have been depending on the traditional wholesalers, those who will act as the mediators between the manufacturers, importers and suppliers to the retailers. In this phenomenon the wholesalers provide the goods to the retailers and through them they will reach to the end users. But the recent changes in the Indian economy and the decisions taken by the Government of India changed this scenario. Foreign Direct Investments (FDI) allow the various multinational companies like Wall Mart, Tesco, Metro AG, Carrefour and so on to enter into the Indian retail market. This paper will analyze the impact of the Cash and Carry stores on traditional wholesalers and the unorganized retailers. This study has been carried out in Guntur, Vijayawada and Vizag, the coastal cities of Andhra Pradesh. This work brings about the information of the Cash and Carry store's degree of impact on Kirana stores, benefits and detriments of doing business with the MNCs and as well as the traditional wholesalers and how the traditional wholesalers are competing with the MNCs.

Keywords: *Traditional wholesalers, Foreign Direct Investment, Multi National Company, Cash and Carry stores, Kirana stores, Local Vendors, Stock Keeping Units, Retailing*

INTRODUCTION:

According to the ASSOCHAM India, in the financial year of 2011 the Indian retail industry is obtaining 9.4% employment and 22% of the country's GDP. Over 15 million retail outlets India has the highest retail outlet density in the world i.e one shop for every 20 to 25 families or 11 retail shops for every 1000 persons where as in USA it is 4 shops per every 1000 persons. A.T Kearney developed the Global Retail Development Index, in view of that India has been ranked first among the 30 emerging markets in the world. In the past decade it has been observed the significant development of transformation from small unorganized family owned retail to organized retailing. Due to the liberalization of the economy, increasing per capita income and developing consumerism encouraging larger domestic business firms and manufacturers to invest in the retail business and retail infrastructure in India. Many foreign retailers have also entered the market through different routes such as Wholesales, Cash and Carry, Local manufacturing, Franchising etc. With the growth in organized retailing, unorganized retailers are fast changing their business models and implementing new technological and modern accounting practices to face competition. Because of all these factors India is being portrayed as an attractive

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destination for the foreign direct investment (FDI) in retailing. According to the BMI India retail report, while the industry is expected to be worth of \$175 – 200 billion by 2016, the food retailing in India dominates the shopping basket. The mobile phone retail industry in India is already a \$16.7 billion business, growing at over 20% per year. This is projecting the future of the Indian retail industry which looks promising with growth in the market. The number of malls and multiplexes that mushroomed across the country is only a dipstick to what the actual potential might be. The following table explains the status of the various International players' establishments over India.

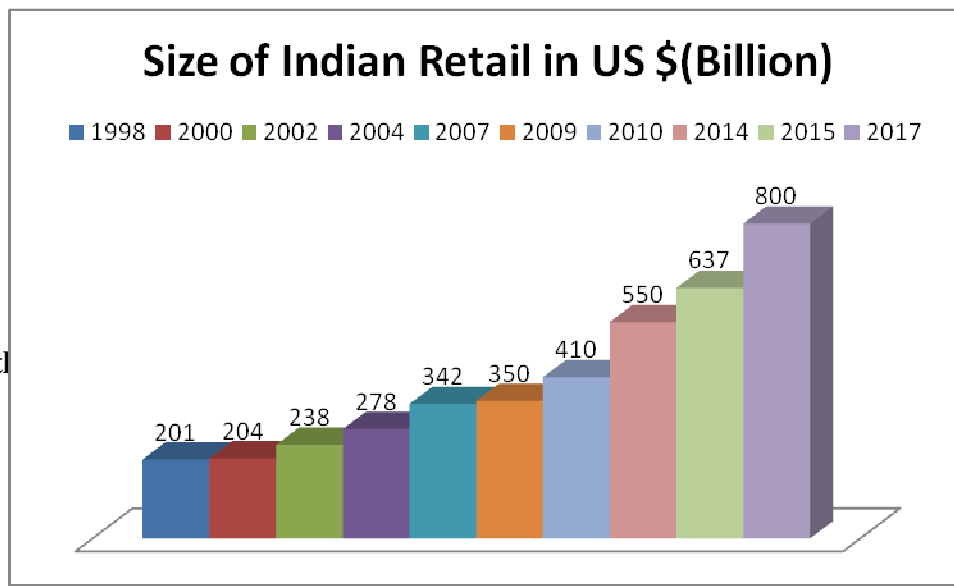
Table 1

Cash and Carry India		
Company	Out lets opened till May - 2012	Total Outlets
Booker17	2	4
Bharati – Walmart	2	17
Metro	2	11
Carrefour	0	2

Sources: Websites of the various Cash and Carry stores

Modern Retail has seen a significant growth in the past few years with the investments made by the Indian corporate houses primarily in food and grocery retailing. The retail industry in India is estimated up to \$800 billion by 2017. The organized retail today contributes 5% of the total retail business in India and the growth in the sector over the last five years has been over 30%. This means a tripling of the current size and scale of organized retail in the next five year i.e from 2010 – 2015. According to the CII, 2010 report the development scenario of the Indian retail business will be as follows:

Figure 1



Source: CII and Technopak Analysis, Nov 2010

OBJECTIVES:

The prime objective of this paper is to know the impact of the Cash and Carry stores on the unorganized retail business formats like Kirana stores and other local vendors. Apart from this study wants to know the effectiveness of the Cash and Carry players on traditional domestic wholesalers. More over its intention is to reveal the benefits and detriment to the small retail vendors with the Cash and Carry stores. More over it will suggest the necessary precautions to be taken by the traditional wholesalers to prevent the damage from the Cash and Carry big players.

RESEARCH METHODOLOGY:

This study is purely based upon the primary data and necessary secondary data was used to reinforce the study. In the Cluster sampling method, sample size of 200 respondents was tested for this study in Guntur, Vijayawada and Vizag the potential cities of Coastal cities of Andhra Pradesh.

DATA ANALYSIS AND INTERPRETATION:

The structured questionnaire was administered on 200 retail outlets in the above mentioned geographical area. Elevated precautions were taken to yield the exact results. The data analysis is as follows.

Profile of the Retail outlets:

The year of establishment helps us to know the permanence of the stores. Table 2 and Figure 2 reveal the year of establishment of the retail outlets. From the table 2 we conclude that majority of the retail outlets were started after 1995 only. We can assume that all these stores are started by the younger generations and this may be the witness for the burgeoning of the

retail sector in the country.
Year of Establishment:
Table 2

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and

Year of establishment	No of Stores	Percentage of stores
Before 1990	15	7.5
1991 - 1995	17	8.5
1996 - 2000	76	38
2001 - 2005	57	28.5
2006 - 2010	20	10
2011 - 2013	15	7.5
Total	200	100

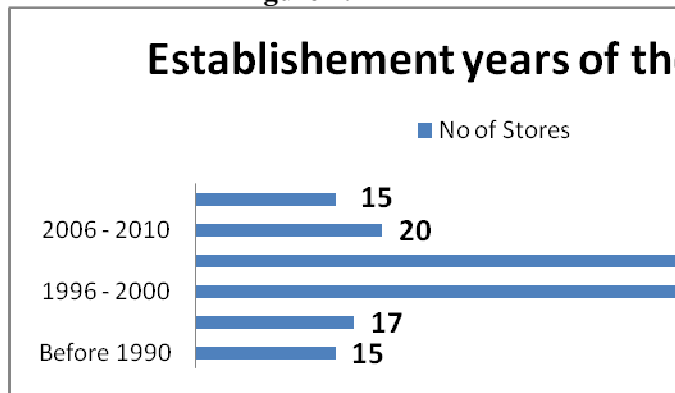
Sources: Field Survey

601 - 700	50	25
701 - 800	20	10
801 - 900	4	2
901 - 1000	5	3
Total	200	100

Sources: Field Survey

Year of Establishment of Stores:

Figure 2:



Sources: Field Survey

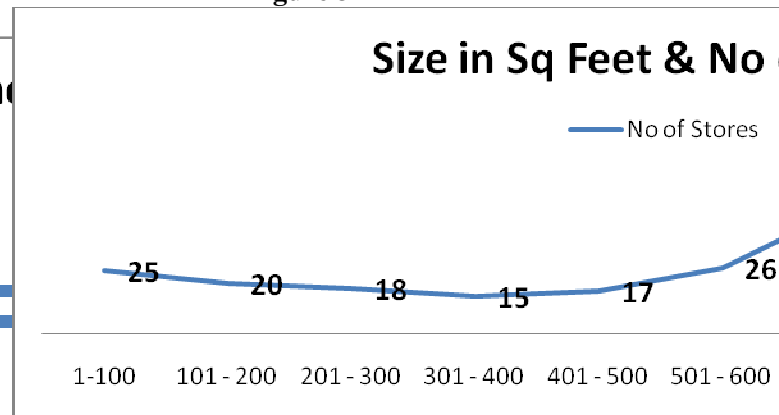
Size of Stores:

Size of the retail store is an important factor to grab the customer attention. Psychologically it may show its impact on the customer buying behavior. Table 3 and Figure 3 reveals that majority of the outlets i.e 60% is between 100 Sq Feet to 700 Sq Feet.

Table 3:

Size of the Store (Sq Feet)	No of Stores	Percentage of	
		Food stores	Non Food
1-100	25	12	
101 - 200	20	√ 10	√
201 - 300	18	√ 9	√
301 - 400	15	√ 8	√
401 - 500	17	√ 8	√
501 - 600	26	√ 13	√

Figure 3



Assortment of Stock Keeping Units:

Maintaining the product assortment is the vital part in the retailing. Customers now a day's want to get all sort of products under one roof. More over the product range in the particular outlets will laid the positive impact over the customers to take the effective buying decisions. Table 4, Table 5, Table 6 and Figure 4 will give the details about the product assortment.

Table 4

General Merchandise	Dairy Products	Fruits & Vegetables	Household Electronics	Other
√	√	√	√	√
√	√	√		
√		√		
√				
√	√			

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√	√				51-60	5211	10	10	0
				√	61-70	76	13	12	0
					71-80	44	0	6	0
					81-90	2003	0	0	0
Sources: Field Survey					91-100	3	0	0	0
						100	100	100	100

Sources: Field Survey

No of SKU's Maintained by the Retail Stores:
Table 5

No of Retail Stores					
Food	Non Food	General Merchandise	Dairy Products	Fruits & Vegetables	Household
10	7	15	20	46	
16	14	16	12	28	
35	32	25	0	16	
38	50	47	0	0	
46	40	38	0	0	
23	18	19	0	0	
11	25	24	0	0	
8	0	12	0	0	
7	0	0	0	0	
6	0	0	0	0	
200	186	196	32	90	

Sources: Field Survey

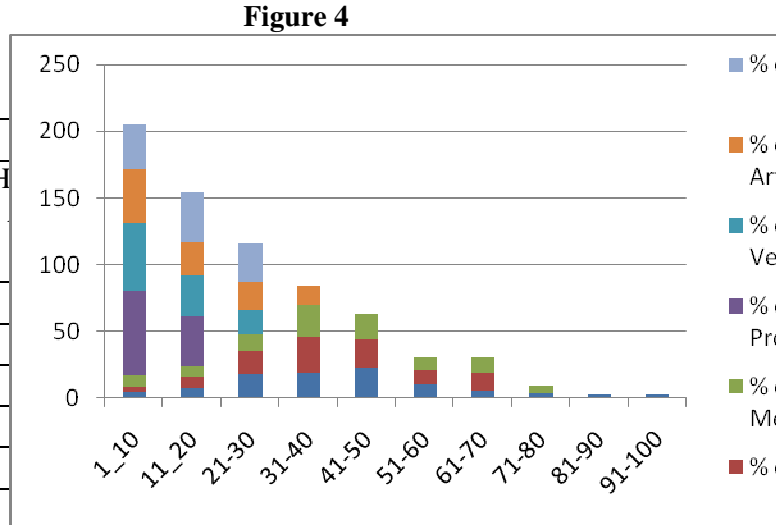


Figure 4

Stock held in days:

Inventory management is the crucial part in the store management. In order to avoid the damage of the certain products, the outlets have to maintain the effective inventory management. More over this inventory management will reduce the various costs like storage, handling and other variable costs in maintaining the stock. Table 7 and Figure 5 revealed that majority if the outlets 65% are maintain the stock only for 4

% of SKUs Maintained by the Stores:
Table 6

No of SKUs	% of Retail Stores																		
	Food	No of Non Food		General Merchandise		Dairy Products		Fruits & Vegetables		Household		Others							
		Days	Food	Non Food	Merchandise	Non Food	Merchandise	Non Food	Merchandise	Non Food	Articles		Articles						
1_10	5	4	No of Stores	8	No of Stores	65	No of Stores	5	No of Stores	40	No of Stores	34	No of Stores						
11_20	8	8	8	8	8	37	37	31	31	23	23	37	37						
21-30	18	1-2	17	78	39	13	35	20	75	38	18	85	53	21	88	54	29	5	4
31-40	19	3-4	27	49	25	24	48	27	45	23	0	55	34	14	45	28	0	4	3
41-50	23	4-5	21	35	17	19	56	32	35	18	0	20	13	0	30	18	0	10	9

Table 7

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1	29	17	22	11	0	0	0	0	39
8	7	4	20	10	0	0	0	0	55
00	175	100	197	100	160	100	163	100	113

Sources: Field Survey

Purchasing Transactions

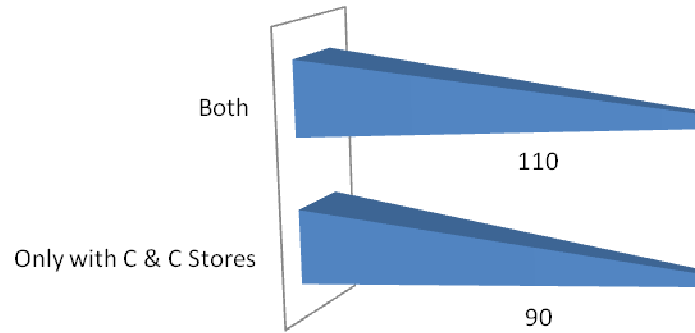
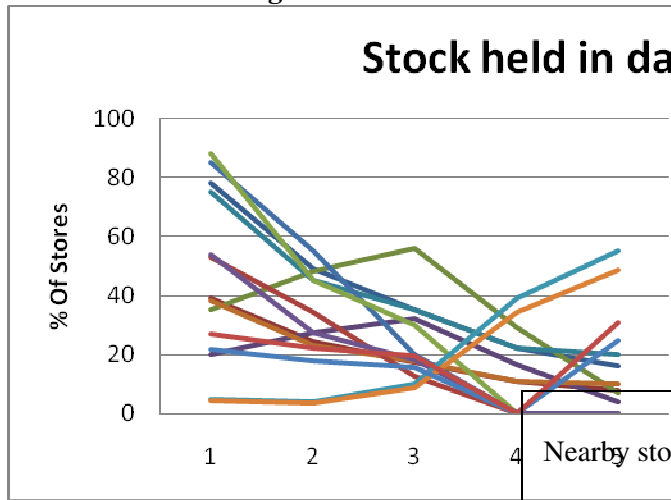


Figure 5

Stock held in days



Why do you prefer Cash and Carry stores?

Different factors were critically analyzed under this question. Majority of the respondents stated that the Prices of the commodities are low and the Quality is high in the Cash and Carry stores. Table 9 and Figure 7 are illuminating these facts.

Table 9

	Product range is more	Quality of Products	Prices of the products	Others
Food %	3	19	40	130
Non Food %	3	19	40	8

Sources: Field Survey

Figure 7

Purchasing Transactions:

Table 8 and Figure 6 are indicating the purchasing transactions of the various retail outlets. The ratio is almost same with minimum deviations. This is the good example, how the cash and carry stores have been grabbing the market share.

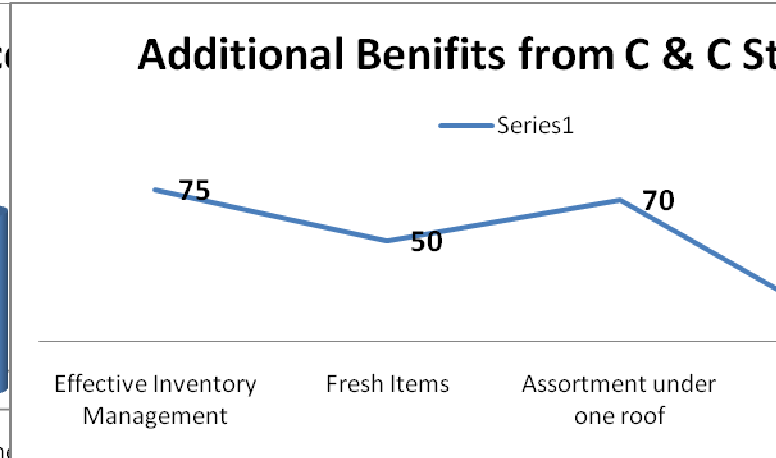
Table 8

Only with Cash and Carry Stores	Both with C & C Stores and Traditional Wholesalers
90	110

Sources: Field Survey

Figure 6

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Additional benefits from the Cash and Carry stores:

Table 10 and Figure 8 are disclosing the various additional benefits which will be avail from the cash and carry stores to the retailers. Preponderance of the respondents felt that they can do the effective Inventory management i.e avoid the damaging of the non perishable goods, storage cost, handling cost and other variable costs. Furthermore the respondents felt that they will attain all the fresh items under one roof.

Whom do you support in the Quality aspect?

In the quality aspect also the respondents supported both the Cash and carry stores and as well as the traditional wholesalers equally, but majority of the respondents affirmed that there is no difference in the quality with the both the parties. Table 11 and Figure 9 are revealing these findings.

Table 11

Cash and Carry Stores	Wholesalers	No difference
40	37	123

Sources: Field Survey

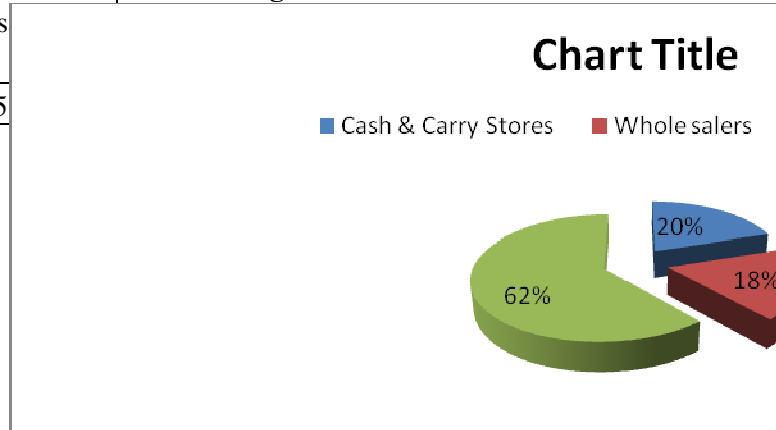
Table 10

Effective Inventory Management	Fresh Items	Assortment under one roof	Time savings
75	50	70	50

Sources: Field Survey

Figure 8

Figure 9



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With whom do you feel ease to do the business?

Out of 200 respondents, 78 respondents felt so comfort in handling the activities with the C & C stores where as 69 respondents felt that they are comfortable with the traditional wholesalers furthermore 53 respondents confirmed that they didn't discrepancy in both of them. Table 12 and Figure 10 are the witness for this.

Table 12

C & C Stores	Traditional Wholesalers	Both are same
78	69	53

Sources: Field Survey

Figure 10

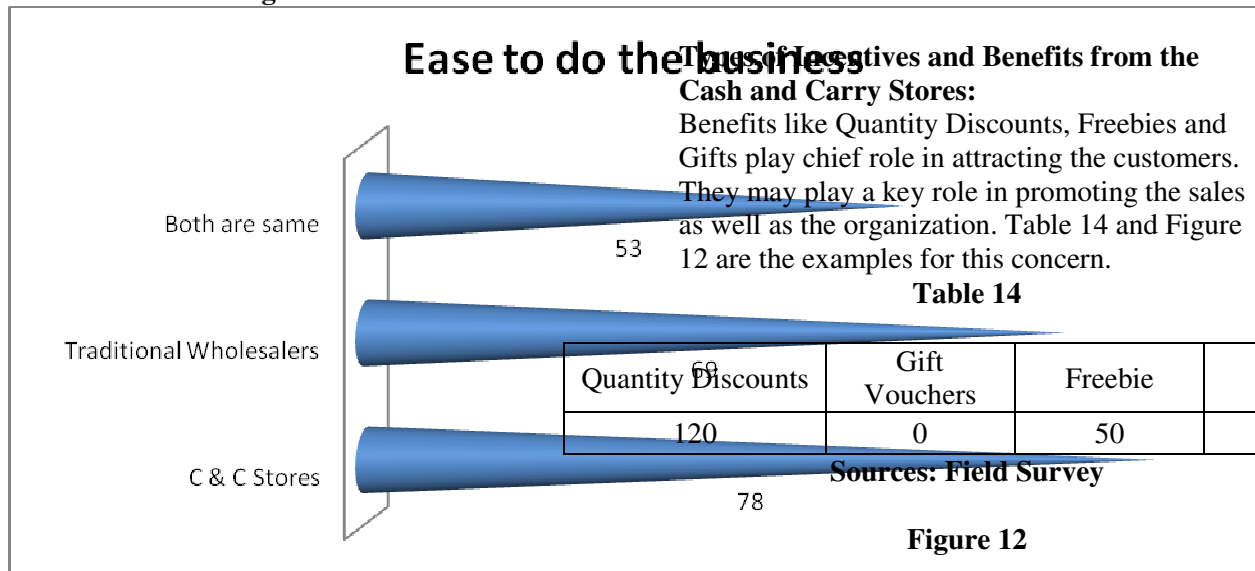
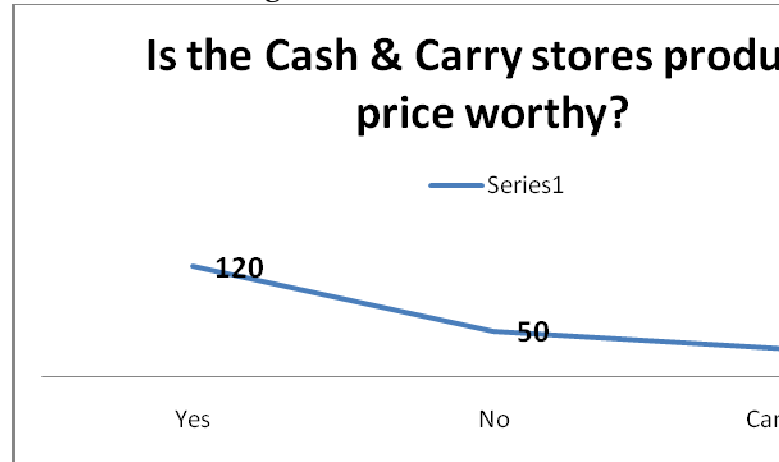


Figure 11



Price worthy of the Products:

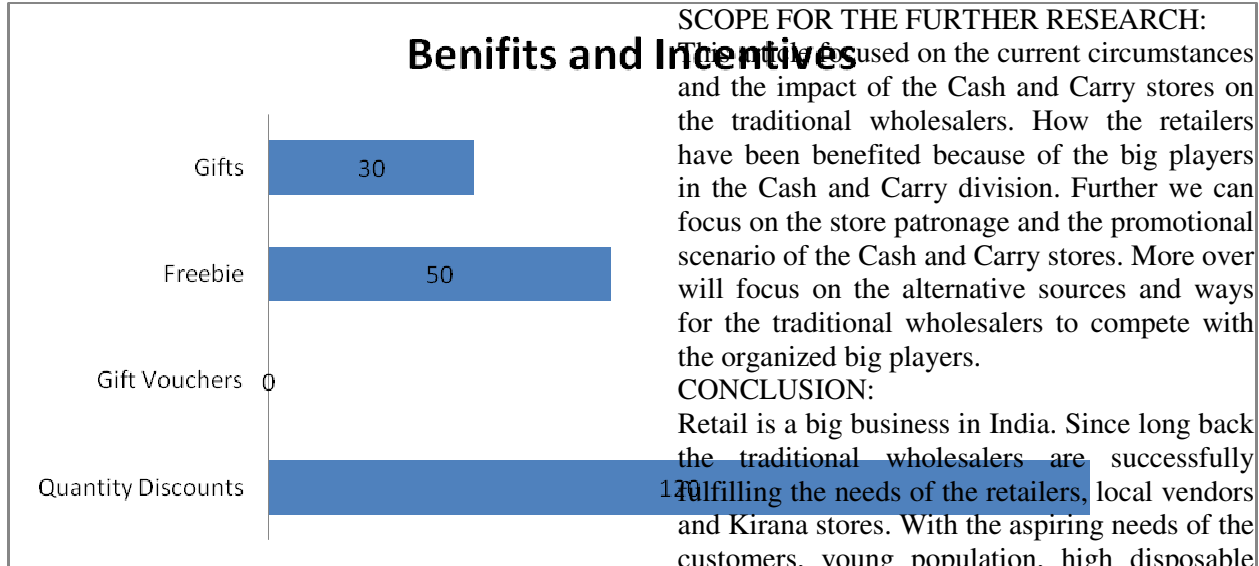
According to the Table 13 and Figure 11, the respondents are more confident towards the Cash and Carry stores rather than the other wholesalers. We can conclude that Cash and Carry stores are getting the price advantage over the competitors.

Table 13

Yes	No	Can't say
120	50	30

Sources: Field Survey

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SCOPE FOR THE FURTHER RESEARCH:

This study is based on the current circumstances and the impact of the Cash and Carry stores on the traditional wholesalers. How the retailers have been benefited because of the big players in the Cash and Carry division. Further we can focus on the store patronage and the promotional scenario of the Cash and Carry stores. More over will focus on the alternative sources and ways for the traditional wholesalers to compete with the organized big players.

CONCLUSION:

Retail is a big business in India. Since long back the traditional wholesalers are successfully fulfilling the needs of the retailers, local vendors and Kirana stores. With the aspiring needs of the customers, young population, high disposable income and informed customers, gradually the organized retailing is gaining momentum. The high market potentiality of the Indian retail industry, it has been attracting the various international players like Wal – Mart, Carrefour, Metro etc. In this context, there will be shift in buying pattern of the retailer’s i.e from traditional wholesalers to the Cash and Carry stores. But at the same time, retailers are not going to choose completely the Cash and Carry stores, the qualities like emotional bonding with the customers, credit facilities and the flexible systems of the traditional wholesalers are really useful for them to retain the Kirana merchants and other local vendors. Being India is a country of contradictions and there is enough space for any business to survive and grow the traditional wholesalers is not an exception.

Mode of Payment:

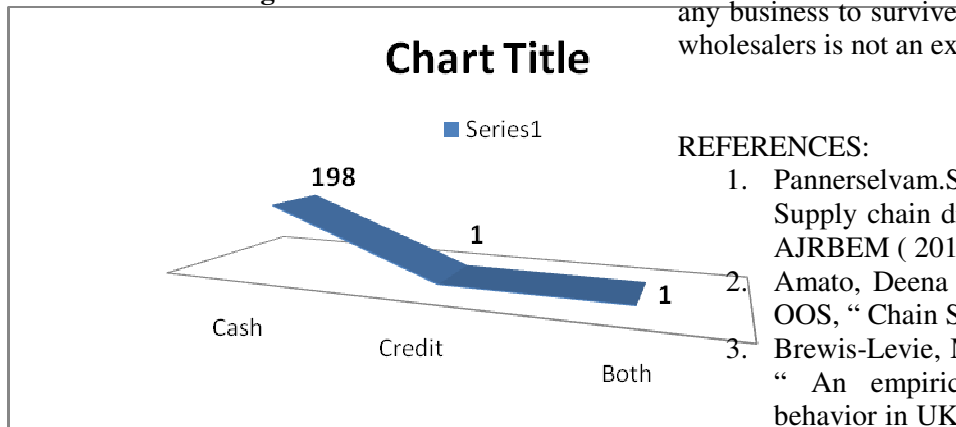
As like the traditional wholesalers the Cash and Carry stores are also providing the credit facility for the elite and selected organizations like hotels and industries. This strategy may be useful for them to survive in the cut throat competition. Table 15 and Figure 13 is illustrating this point. Cash and carry stores are offering credit facility to the organization case by case.

Table 15

Cash	Credit	Both
198	1	1

Sources: Field Survey

Figure 13



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