Retail Online Kirana Stores

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Abstract

Background of the Study: Internet has tremendously changed the face of business arena including e-commerce. Till recent times, ecommerce is confined to only few services like airline tickets, railway tickets, hotel bookings, online mobile recharge etc. Recently E-commerce is emerged into retail and moreover kirana sector also. Objectives of the Study: This paper tries to find the relationship between the age of a person and his or her convenience to buy online and whether there is a relationship between the sex of person and his or her preference to home delivery. This paper also observes the relationship between the perception of quality of products and the type of products they buy. Methods and Analysis: Various data tools are adopted to analyse the data such as Means of the parameters, One-way Anova and T-test etc appropriately. Sampling is Random Sampling: A sample of 100 is collected. Findings: Many people of the age 20 to 30 are comfortable with buying online. Most of the female customers prefer buying online because they are home delivered. The perception of quality of products effects the buying decision of the products whether it is vegetables, groceries or both. It is also found that the prices in the internet are much cheaper than the prices in local stores. Though we can bargain in the local stores but there are huge discounts and price gap between the stores and the online portals. Applications: E-commerce is trying to consolidate all the suppliers and buyers at a platform to make the market place more comprehensive. Even the big players like Flipkart and Snapdeal are also now encouraging the local kirana players to sell through their web portals. Scope for Further Research: This paper can be further researched on the concepts of mobile e-commerce, e-commerce in food sector, food chains etc.

Keywords: Electronic Commerce, Emerging Markets, Online Kirana Stores

1. Introduction

The rapid growth is highly contributed towards the customer choice and his convenience with a robust supply chain mix. Not only these the ever growing prices of real estate also compel the vendors to go for brick and click model with a little contribution towards the ‘brick’ part. The other key factors are high penetration of internet, busy life styles, lack of time, discounts offered by online retailers for the consumers’ point of view and for the vendors point of view it is lower inventory and lower real estate costs.

By definition e-commerce is production, distribution, marketing, sales or delivery of goods and services by electronic means\(^1\). When started in 1970’s it is confined only to three segments called business document exchange, logistics management and global networking\(^2\). The Internet’s World Wide Web has become the prime driver of contemporary E-commerce\(^3\). Michael Aldrich is credited for the developing a predecessor to online shopping. Now it has entered into every walk of life including kirana stores operating in major four segments namely business to business, business to consumer, consumer to consumer and consumer to business. Four factors are identified that created the model of online kirana stores as rapid penetration of technology, growing consumer preferences, growing adoption of online medium by stores and brands and growing real estate prices\(^4\).

The traditional retailing sector suffers with rise in real estate prices, lack of viable store locations, overhead costs, pilferage, lack of trained manpower and many more where as the new model can be operated through a handset and is devoid of all these hurdles of the conventional business. It is not only the metro segments that embraced the new model, but the two tier cities and even rural segments too play a major role here.

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Mckinsey report says that 370 millions use internet in India surpassing all developed countries in that matter and many more becoming tech savvy paving an easy way for the penetration of e-commerce into retailing sector. Discounts and promotional offers also play a major role here.

From 2007 to 2012 there was 223 percent of growth in non-store retail sector and 74 percent growth in store based sector. The high growth can be contributed to adequate merchandise mix, home delivery credit, and personalised services. Moreover e-commerce companies receive funds from many investors as it is most sought after segment to invest in recent times. More than 50 e-commerce companies received $700 million since 2010 whereas physical retailers find extremely difficult to raise funds in that amount.

The trend has become so big that the big physical retailers and even the government started worrying about the growing importance of the e-commerce kirana stores.

It is turning out to be beneficial to the small local grocery shops as well as they can cater to a long distances also on cash on delivery and home delivery system within 30 to 90 minutes. The small shop owners have many advantages such as the ability to adapt quickly to changes, small catchment areas to serve and enjoy goodwill among locals. It acts as another platform for them to increase their visibility. Some of the retailers offers discounts and give movie tickets also when you purchase more than certain amount, for example Delhisix.com.

In addition to this, the small shop owners are opening another shop in the preferred locality also to meet the demand. The presence of physical store or ware house enhances the credibility of the owner also.

According to estimates, the grocery segment is Rs 21 lakh crore market majorly dominated by 12-14 million small kirana shops. By 2020, online grocery is expected to grow at 25–30 percent a year. There are several small online retailers are there who make huge gains serving large customer base in addition to big retailers like Big Basket, Local Banya etc. They offer several options like Cash on delivery, swiping machine for credit and debit cards, and online payment to suit their customers’ needs and choices. Some non serious small retailers are eager to be merged with a big player to reap the situation.

Gone are the days, where you need to pay maximum retail price to small kirana shop owner who has small stock. These kirana owners operate like a wholesaler stocking everything from packaged food items to personal care and home care products, offering good discounts ranging from Rs 1 to Rs 100, and drawing both smaller shopkeepers and individual buyers to his store. These people can pick up their stock directly from the companies unlike from their competitors who can draw only from a big wholesaler or a distributor. Another new breed is being created as company-wholesaler-retailer route (where wholesalers are those like Metro, Walmart, and Reliance) in the place of traditional manufacturer-distributor-wholesaler-retailer route. These people can earn 2 percent as their margins. They are super or micro distributors.

We can find these types of stores mostly in metros, that too in the localities of middle class and upper middle class people. They serve not only the individuals, but the small retailers as well. The companies get the larger reach and the store owners get the inventory at a lower price. But it is not that easy to maintain that 2 percent margin. Only big operators who meet up the scale can only do that. But 92 per cent of FMCG sales come from general trade and the rest from modern market. In case of individual categories like personal care or packaged foods, it is 25 percent of sales. Even the multi nationals like Amazon should operate only through local kirana stores only. For that matter, Flipkart is tying up with dabbawalas in Mumbai only to get larger reach. The online players and the local shop owners are not competitors now, but partners.

According to FICCI-PwC, in 2012 it is US$ 27 billion and is expected to grow at 15 to 20 percent. In fact it grew at a rate of 67 per cent and is expected to grow at 50 percent in next five years. Retail business in India is estimated at US$ 450 billion a year and it is attracting huge investments year on year. Now the whole market is internet-connected and brick and click.

The key factors that the brick and mortar companies always score over are first touch-point, product experience, availability of expert staff, and good customer service. To benefit the situation, the e-commerce players need to collaborate with the brick and mortar shop owners for store pick up or fulfill their order with their own staff. They can connect all the local kirana shops through cloud computing, there by the cost of delivery is reduced quite a lot. Customers also feel happy as they need not wait till the goods are delivered. Apple executes this model successfully.

Establishing a physical outlet would serve several purposes like a showroom, a location to place orders, collect
deliveries and process returns. It can be treated as a node in the fulfilment network. Shoppers Stop and Future Group are adopting this omni channel strategy.

Consulting firm Technopak estimates by 2020, the annual market would be $70-billion. By 2011, India e-commerce market reached Rs 50,000 crores by 2012. The internet users are also increasing tremendously. Up to 60 percent of the sales may come from tier II cities in addition to the metros. Despite the less internet penetration compared to other nations, the e-commerce is growing in leaps and bounds. Internet penetration in India is only 10 percent against 81% in US and 36% in China. The companies are also offering cash on delivery option, free deliveries and no questions asked return policy ranging from 7 to 30 days to woo the customers. First Data Corporation and ICICI Merchant Services, currently 10 million are doing online transactions and 150 million more are ready for e-commerce. The consumers are confident about the online transactions up to US$ 500 as against US$ 40-100 in recent past.

- In the near future, around 12 to 18 months, a consolidation of the whole industry would take place.
- The venture capitalists are becoming choosy while investing into these businesses. According to report, US$ 829 million was invested in the first ten months of 2011, but later it is decreased to US$ 16 million by December that year. By January 2012, it has marginally increased to US$ 24 million.

Flipkart which is just four years old has a valuation of US$ 500 million targeting US$ 1 billion in next two to three years. It is also planning to sell groceries and vegetables in near future. Amazon also started expanding to compete its rivals. India has more than 3,311 running e-commerce sites including all e-commerce models like B2B etc.

Women are more organised while and before doing shopping. 45 percent of women shop with list as compared to 27 percent of men. Women spend more time in shopping than that of men. Women spend 29 percent of their time and men spend 23 percent.

The Boston Consulting Group and Retailers Association of India says that the online retail market would become double from $500 billion to $1 trillion by 2020. It is expected by 2019, the modern trade would decrease to 13 percent and e-commerce would jump to 11 percent growth from 2 percent growth.

It is believed that foreign investment in retail sector would mar the Indian industry, but it proved wrong as the multinationals too need to depend or collaborate on the local retail shops to reach a longer reach. Flipkart and Snapdeal are already in the process and moreover Flipkart is pulling the logistics owners or sellers into the line to collaborate with them to market their products for a longer reach without incurring much extra costs. Flipkart has tied up with great Indian postal system and can reach up to 10,000 to 15,000 pin codes. So far, e-commerce is confined to books, stationery etc but, by 2020 it will account for 6 percent of the revenue of consumer packaged goods.

Store pick ups are the store where you can get your products delivered after buying online. Amazon would pay an amount to kirana store for their physical presence in the omni model. Showroom has effects on the pricing incentives of the offline and the online store. Additionally, the multi-channel environment influences customers to change retail channels during the shopping process.

Retailing industry employs about 40 million people. This omni model would employ more people to deliver their products across the nation and within the stipulated time.

1.1 FDI in Retail Sector

Many people fear that FDI in retail sector would damage the local market, hence should not be encouraged. But it is proved that the international or multinational players like Amazon also need to depend on the local network to fulfil the network. Without the support of local kirana shops their fulfilment cycle is not completed. Even local brick mortar companies worry about the boosting of the e-commerce as a substitute for them. There all even complain to the government to intervene. But actually they tie up with the e-commerce companies to sell their products online. Future Group tied up with Snapdeal in the similar lines. Ratan Tata is an investor for the same Snapdeal and Skhil Gupta, vice-chairman of Bharti Enterprise who runs Easy Day retail chain is a board member for Snapdeal. The white goods or electronic companies all recently announced that for the products that are bought online would not come under the warranty and guarantee outlines thereby would not benefit the company’s after sales service. They are all talking with the e-commerce companies not to give unfair discounts that may hit physical stores.
In the e-commerce sector the main categories that are in top demand are accessories and fashion, textiles etc. According to estimates, recently Flipkart had acquired Myntra and now they both do a business of around Rs 3,500 crore and may touch Rs 20,000 crore in three years. They both contribute towards 50 per cent and are aiming to meet 70-80 per cent in next four to five years.

2. Research Methodology

2.1 Problem of the Study

Now-a-days e-commerce has emerged into in every walks of life of a person. Whoever little comfortable with computer and internet, is purchasing the products from internet. It is not only in the metros but in the two tier cities as well. In the last few years the ecommerce sector has emerged in such a way that it became a serious threat to kirana stores. Even political parties and opposition severely opposed the move of FDI (Foreign Direct Investment) in retail sector fearing that the situation would become worse. Large retail companies that are traditional brick and mortar companies even complained to government for a level field play in the business.

But in turn, the e-commerce has become a boon to local kirana stores who has tied up with the e-commerce companies for the supply chain management. Now even the same large retail companies of traditional brick and mortar are also following the suit.

This paper explores all these factors and offers suggestions to improve the service of the companies thereby increase the customer satisfaction.

2.2 Scope of the Study

This study concentrates only on buying vegetables and groceries online. This studies in detail about the various causes for buying apart from their advantages and disadvantages. This also examines the FDI in retail factor and its effects on the local kirana stores. Basing on all these, this paper suggests and offers various techniques to improve the service and thereby customer satisfaction.

2.3 Objectives of the Study

- To study whether there is relationship between the age of a person and his or her convenience to buy online.
- To understand the relationship between the sex of person and his or her preference to home delivery.
- To observe the relationship between the perception of quality of products and the type of products they buy.

2.4 Collection of Data

The data collected both from primary and secondary sources. The primary data is collected from a questionnaire. The secondary data is collected from various sources like research papers, journal papers, news papers, and websites.

2.5 Research Tools

To analyse the data various tests like Comparison of Means, t-Test, OnewayAnova are done depending on the problem and case.

2.6 Hypotheses of the Study

- Ho1: There is no significant relationship between the age group and their convenience to buy online.
- Ho2: There is no significant relationship to the sex of a person and his preference to home delivery.
- Ho3: There is no significant relationship between the perception of quality of products online and the type of products they buy.

2.7 Sampling

Sample Size: 100
Sampling technique: Random Sampling

2.8 Limitations of the Study

The findings of the study cannot be generalised to whole nation as the parameters may vary from city to city.

Buying groceries, vegetables and both are only covered in this study. Other FMCG (Fast Moving Consumer Goods) products, stationery, books, apparel, fashion and accessories etc are not considered in this study.

3. Data Analysis

The following tests are done to analyse the data.
Ho: There is no significant relationship between the age group and their convenience to buy online.

Interpretation
There is no body in the data that is above 60. The mean for age group 20–30 is higher. That means people of that age group buy online because of their convenience to buy online. Please refer to Table 3.1.

Many people of age group 20 to 30 buy online groceries. The above table also shows the same results. Most of the people of that age are more tech savvy and they prefer buy online. Please refer Table 3.2.

Ho: There is no significant relationship to the sex of a person and his preference for home delivery.

Interpretation
It shows that mean for female group is higher than that of the male group. That means most of the women prefer to buy online because they are home delivered. Mostly women buy online as it is convenient for them as they are home delivered. And may be buying groceries is their part of job as a homemaker. The home delivery part can save their money, time, and energy for shopping. Please refer Table 3.3.

Again this test also supports the previous one. Here also mostly women prefer buy online because they are home delivered. As the groceries and vegetables are home delivered, the main part of the females job at home is done. Thereby they can utilise that time for some other useful purpose.

Interpretation
The P value (0.003 < 0.05) is very much lower. That means there is significant relationship between the sex of the person and his preference for home delivery to buy online.

This test also supports the previous one. The previous test states that mostly women buy online for the sake of convenience. And may be this is their part of their duty.
also as home makers whether they are employees are housewives. Please refer Table 3.4.2.

**Table 3.2.2 Report**

| Home_Delivery | Sex  | Mean | N  | Std. Deviation |
|----------------|------|------|----|----------------|
| Male           | 3.750| 40   |    | 1.1036         |
| Female         | 3.833| 60   |    | 0.6930         |
| Total          | 3.800| 100  |    | 0.8762         |

**Table 3.4 T-Test Sex and Home Delivery**

**Table 3.4.1 Group Statistics**

| Home_Delivery | Sex     | N  | Mean | Std. Deviation | Std. Error Mean |
|----------------|---------|----|------|----------------|-----------------|
| Male           | 3.750   | 40 | 1.1036| 0.1745         |
| Female         | 3.833   | 60 | 0.6930| 0.0895         |
| Total          | 3.800   | 100| 0.8762|               |

**Ho: There is no significant relationship between the perception of quality of products online and the type of products they buy.**

**Interpretation**

The mean value for the both category is high. That means many people buy both vegetables and groceries online.

People look for quality products while buying online and most of them buy both groceries and vegetables online. Please refer Table 3.5.

**Interpretation**

The P value (0.000 < 0.05) is very much lower. That means there is significant relationship between the perception of quality of products online and the type of products they buy.

**Table 3.4.2 Independent Samples Test**

| Levene's Test for Equality of Variances | t-test for Equality of Means |
|----------------------------------------|-----------------------------|
|                                         | F    | Sig. | t    | df  | Sig. (2-tailed) | Mean Difference | Std. Error Difference | 95% Confidence Interval of the Difference |
|                                         |     |      |     |     |                |                |                     |                                |
|                                         |     |      |     |     |                |                |                     | Lower | Upper |
| Home Delivery                          |     |      |     |     |                |                |                     |       |       |
| Equal variances assumes                | 8.993 | 0.003 | -0.464 | 98 | 0.644 | -0.0833 | 0.1796 | -0.4397 | 0.2730 |
| Equal variances not assumes            | -0.425 | 59.481 | 0.672 | 0.0833 | 0.1961 | -0.4756 | 0.3090 |

They prefer quality products while buying online and depending on their quality, they buy both groceries and vegetables. Please refer Table 3.6.

**4. Findings, Suggestions, and Conclusion**

**4.1 Findings**

This paper found that many people of the age 20 to 30 are comfortable with buying online. Most of the female customers prefer buying online because they are home delivered. The perception of quality of products effects the buying decision of the products whether it is vegetables, groceries or both. It is also found that the prices in the internet are much cheaper than the prices in local stores. Though we can bargain in the local stores but there are huge discounts and price gap between the stores and the online portals.

**4.2 Suggestions**

It is required that the quality of the products, that too which are highly perishable should be high while selling online. The delivery system also should be good to meet the time deadlines. The packaging should be improved so that the products are delivered intact.

**4.3 Conclusion**

The e-commerce tie up with the local kirana stores is highly welcome. That is beneficial to both the e-commerce companies and the local kirana stores also. Many
local kirana stores which were not doing well are performing fairly due to this boom. They even welcome the FDI in retail sector contrary to as expected.

The objectives of the study are

- To study whether there is relationship between the age of a person and his or her convenience to buy online.
- To understand the relationship between the sex of person and his or her preference to home delivery.
- To observe the relationship between the perception of quality of products and the type of products they buy.
- The hypotheses are formed accordingly as
  - Ho1: There is no significant relationship between the age group and their convenience to buy online.
  - Ho2: There is no significant relationship to the sex of a person and his preference to home delivery.
  - Ho3: There is no significant relationship between the perception of quality of products online and the type of products they buy.

All these hypotheses are tested using suitable and appropriate tests and the interpretations are also discussed in detail.

### Table 3.5 Means of Quality and Buy_What

| Cases |  |  |
|-------|---|---|
|       | Included | Excluded | Total |
|       | N   | Percent | N   | Percent | N   | Percent |
| Quality * Buy_What | 100 | 100.0% | 0 | 0.0% | 100 | 100.0% |

### Table 3.5.1 Case Processing Summary

| Case Processing Summary | N | Percent |
|-------------------------|---|---------|
| Included                | N   | Percent |
| Excluded                | N   | Percent |
| Total                   | N   | Percent |

### Table 3.5.2 Report

#### Quality

| Buy_What | Mean | N   | Std. Deviation |
|---------|------|-----|----------------|
| Vegetables | 2.000 | 40  | 1.2403 |
| Groceries | 2.000 | 30  | 0.8305 |
| Both     | 2.333 | 30  | 0.4795 |
| Total    | 2.100 | 100 | 0.9482 |

### Table 3.6 OnewayAnova Quality and Buy_What

#### ANOVA

| Sum of Squares | df | Mean Square | F     | Sig  |
|----------------|----|-------------|-------|------|
| Between Groups | 29.833 | 3 | 9.944 | 24.374 | 0.000 |
| Within Groups  | 39.167 | 96 | 0.408 |
| Total          | 69.000 | 99  |      |

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