Consumer Preference Towards Retail Stores for Food and Grocery in Evolving Retail Market

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ABSTRACT. The study reveals that young and high income consumer preferences for grocery shopping are gradually shifting from local kirana stores to organized retail stores. The study was carried out in the market of Indore. Multivariate statistical techniques were used to analyze the data collected with the help of a structured questionnaire. The main objective of the study is to understand whether Indian consumers are likely to move from conventional kirana stores to organised retail grocery stores while shopping for groceries. The study found that the customer perceived to be more satisfied with organised retail store when compared with conventional kirana stores in relation with price and benefits in shopping.

1. INTRODUCTION

The Indian retail sector is experiencing a change and the evolving market is witnessing a noteworthy change in its growth pattern. Both existing and new players are working out with new retail formats. These emerging retail formats provide wide variety and offers an ideal shopping experience to customers with a variety of product, entertainment and service, all under a single roof. Changing tastes and preferences of consumers are leading to radical transformation in ways of life and spending patterns and this in turn is giving rise to new business opportunities. Consumer dynamics in India is also changing and the retailers need to comprehend the changing dynamics and its effect on shopping behavior and plan their strategies in a way to deliver the expected value to the consumers.

India is often known as the nation of shopkeepers with about 15 million retail outlets and small neighbourhood grocery stores called “kirana stores” forms the majority of this number. Food and grocery is the major segment of private consumption expenditure of the family. Food and grocery comprises of 69 % of the total retail market. This great potential market provides the opportunities for organized retail companies and at the same time local kirana stores having strong competitive advantage of proximity and excellent customer relation questions the success of organized retail in this category.[15]

Overview of Indian Retail Industry:
The Indian retail sector contributes over 14% of the country’s GDP and accounts for 8% to total employment. The current estimated value of the Indian Retail sector is about 500 billion USD and expected to reach 1.3 trillion USD by 2020. The contribution of modern retail is currently 8% is expected to increase from 37 billion USD to 220 billion USD by 2020 according to ibef report. The credit for this growth can be given to factors like higher income, evolving consumption pattern, new technology and lifestyle trends, increase in easy access to credit, rapid urbanization, increase in rural income, growth of modern trade format in Tier-I, Tier-II and Tier-III cities and towns etc. This scenario is expected to continue for some.[16]

The study will identify the consumers’ behaviour towards emerging organised retail grocery stores like malls, hyper/supermarkets, department stores, impact of demographic factors on consumers’ behaviour, and attributes influencing purchasing from these retail format and analyze factors that
are important for deciding what to shop, when to shop, how to shop, and more importantly where to shop. These factors are important for the marketer to decide upon strategies to develop the store and work specifically on the factor which directly impact the store choice of the customer. The focus of the study is to compare and see the prospect of organized and unorganized retail formats especially when grocery shopping is concerned. The other important question here to answer in the study is whether consumer are shifting and preferring organised retail formats for shopping of grocery items and if yes the kirana store need to prepare and work on the strategy to retain their customers and also to attract new customers to continue making their business profitable.

Food and grocery purchase behaviour of consumers in emerging economies like India is changing quickly as there is increase in income, communication and information technologies, urbanisation, education and health awareness, shifting of households towards higher income groups, changes in lifestyle and family structure (Rao, 2000; Shetty, 2002; Deshingkar et al., 2003; Vepa, 2004; KPMG, 2005; Kaushik, 2005; Kaur and Singh, 2007; Pingali, 2007). Consumer buying behaviour for food and grocery products has always been influenced by a number of economic, cultural, psychological and lifestyle factors (Shaw et al., 1993; Brokaw and Lakshman, 1995; Asp, 1999; Roux et al., 2000; Roslow et al., 2000; Roininen, 2001; Choo et al., 2004; Ling et al., 2004; Ahlgren et al., 2004; Goyal and Singh, 2007; Nagla, 2007).

Increase in income, particularly of the lower and middle-income households, is having a significant impact on the demand for food items, because these groups tend to spend a relatively larger share of their income on food consumption. Middle income and urban consumers also spend a greater part of their income on upgrading and diversifying their diet towards high value products like fruits and vegetables, eating out more often and eating more processed and convenience food items (Landes et al., 2004). With the emergence of the supermarket and hypermarket culture, consumer preference for packaged food products has increased significantly in the recent years (Stewart-Knox and Mitchell, 2003; Silayoi and Speece, 2004; Wells et al., 2007). The desire for convenience and an increase in the number of working women are some of the important factors driving a strong growth of packaged food products (Goyal and Singh, 2007). Besides, consumers have now started preferring quality food intake and are becoming more conscious in terms of nutritional diet, health and food safety issues (Ruth and Yeung, 2001; Rimal et al., 2001).

With the development of grocery retail modernization and quick changes in the buying behaviour of consumers, the retail market for grocery is growing rapidly. To capture the opportunities of a growing organized retail market in the country, big corporate organizations are entering into this segment are in the process of making huge investment for making retail chain stores. [5]

This paper covers food and grocery segment for the purpose of the research. Apart from the Kirana stores food and grocery is being sold in India through modern formats like supermarket, hypermarket, discount stores and convenience stores. The retail food industry is very competitive and challenging industry and it is experiencing significant change in the past few decades. As retailers have focused on creating successful retail formats, a common distinction has developed between conventional and other organised grocery retail format stores.

**Literature review**

The objective of this paper is to predict of the possibility of customers switching from traditional kirana stores to organized retailers while shopping for groceries, in this section, we first discern factors related to grocery store patronage; and secondly, identify the dimensions of customers’ needs and desires which are relevant for grocery store choice. As far as grocery store patronage is concerned, though early studies, (Enis and Paul, 1970; Dunn and Wrigley, 1984) found loyalty to be a characteristic of poorer shoppers [3], a recent study indicates significantly higher incomes and weekly expenditures of the loyal shoppers [9] (McGoldrick and Andre, 1997). Knox and Walker (2003) confirmed the existence of a weak but significant relationship between involvement and brand loyalty in grocery markets [8]. Overall satisfaction with a store does not significantly influence customers’ loyalty to that store and shoppers’ intention to remain loyal to...
their “primary store” is influenced by factors like frequent-buyer reward schemes, travel distance, preference for an in-store delicatessen, size of the average grocery bill, store signage and the level of sale assistance[10] (Miranda et al., 2005).

However, given that grocery shopping patterns vary with culture, Indian grocery shoppers are required to be investigated separately to determine, which grocery store attributes contribute to store patronage[14](Shanon and Mandhachitara, 2005). The store dimensions which are relevant for grocery store choice of customers may now be investigated. Grocery industry is strongly driven by price competitiveness.

Product selection, assortment and courtesy of personnel are also very important in determining format choice and cleanliness is the most important attribute regardless of the format of grocery store[2] (Carpenter and Moore, 2006; Teller et al., 2006). In an earlier study by Solgaard and Hansen (2003) assortment was found to be the single most important driver for the choice between store formats; price level and distance also being important drivers for consumers’ choice between store formats; although quality and service were not found to be differentiator between formats[17]. Fox et al. (2004) found that shopping and spending vary much more across than within formats, and expenditures.Consumer respond more to varying levels of assortment and promotion than price, although price sensitivity was most evident at grocers [4]. While supercenter primary shoppers of food identified low price and assortment more often as the reason for store choice, traditional supermarket primary shoppers were less willing to trade off locational convenience or, in some cases, quality and assortment[12] (Seiders et al., 2000).

Chinese supermarket shoppers found store location, price and product variety as the most important store attributes influencing satisfaction. Hence, there is difference in the result of the studies of different authors as far as relative importance of attributes are concerned, which might be attributed to either changes in consumers over a period of time or to the place of study as grocery shopping patterns vary with culture[13] (Shanon and Mandhachitara, 2005). Customers attach considerable importance to store location and private labeling is found to be a store selection criterion of low importance for grocery shoppers.[1] (Baltas and Papastathopoulou, 2003).

Generally, national food brands were perceived as superior to own labels in terms of quality, packaging, consistency and good image[11] (Omar, 1996). Written shopping lists significantly reduce average expenditure and the presence of children accompanying the shopper significantly increases expenditure and time spent in store[18] (Thomas and Garland, 1993). The major drivers for choosing a grocery store in India seem to be nearness to place of residence and the comfort level that the respondents has in dealing with the store owner measured in terms of personal relationship with the shopkeeper [14] (Sinha and Banerjee, 2004).

From the above discussion, we may conclude that the dimensions that are relevant for grocery store choice are: price-consciousness, assortment, behavior of the store personnel, cleanliness, quality, deals/specials/promotions, ease of shopping, time/day of shopping, no of outlets visited, location/distance, home order/delivery, shopping list/ unplanned, recreational/time spent at store, frequent buyer schemes, payment/credit facility, shopping companions, in-store specialty, store signage/ambience, parking, expenditure/no of times shopping, apathy/stress, refund/exchange.

2. OBJECTIVES OF THE STUDY

1. To study the customer satisfaction and preference of the customer towards conventional Kirana stores as compared to organised retail grocery store.
2. To understand whether Indian consumers are likely to move from conventional kirana stores to organised retail grocery stores while shopping for groceries

Hypothesis of the study:

H01: Perceived level of customer satisfaction is positively related to Perceived lower price of products at organized retail store.

The above hypothesis is based on the assumption that customers perceive to get satisfaction when they get products at low price. As price is important factor for customer in shopping.
Customer perception of organized retail is considered in the study. The variable s such as better discounts and offers, better value for money and lower price is taken into account in the hypothesis.

The variable Perceived lower price of the product was tested by sub variable like better discounts and offers, Lower prices and Better value for money which was taken from literature review of eminent scholars.

3. CUSTOMER SATISFACTION

The real or perceived value that a customer experiences or believes he is receiving through interaction with a company. Benefits may include resolution of a problem, achievement of a desired outcome or fulfilment of a need through a purchase; a feeling of confidence following purchase; or satisfaction with post-purchase service. Giese and Cate (1999, p. 2) conducted an exhaustive review of the extant literature on customer satisfaction and defined the construct as follows: “satisfaction is comprised of three basic components, a response pertaining to a particular focus determined at a particular time”. Thus, customer satisfaction is a response (cognitive or affective) that pertains to a particular focus (i.e. a purchase experience and/or the associated product) and occurs at a certain time (i.e. post-purchase, post-consumption). Thus based on the above benefits list comparative test was tried to make and effort was made to find whether customers were satisfied at benefits provided by organized retail stores.

4. DISCOUNTS AND OFFERS

Discount and allowances are reductions to a basic price of goods or services. It is becoming important tool for the retailer for attracting customers as means of sales promotion. It is the mentality of the customer to save while shopping and organised retailers are using this strategy extensively. There are many purposes for discounting, including: to increase short-term sales, to move out-of-date stock, to reward valuable customers, some discounts and allowances are forms of sales promotion.

Lowering the overall over prices in the market

With the help of the above hypothesis the effort was made to find out whether overall price in the market of the commodity is reduced and actually customers are benefitted by lower price in the market

Better value for money

Value for money is based not only on the minimum purchase price (economy) but also on the maximum efficiency and effectiveness of the purchase, here it was studied that whether customer are getting Better value for money with the help of organised retail. The principal value elements used in value studies, according to Kaufman (1998), are classified as: esteem value or “want”, exchange value or “worth”, and utility value or “need”. Kaufman asserts that each decision to acquire goods or services includes one or a combination of all the above value elements, where the sum of the elements results in a buy decision. Kaufman (1998, p. 5) defines these elements as follows: “Esteem value or “want” invokes the buyer's desire to own for the sake of ownership. Exchange value or “worth” explains why the product interests the buyer and how and when the buyer will use the product. Utility value or “need is the primary value element describes the performance and physical characteristics of the product.” Zeithaml (1988) noted four types of consumer definitions of value: low price (focus on sacrifice); whatever the consumer wanted in a product or service (focus on benefits); the quality obtained for the price paid (trade-off between one sacrifice component and one benefit component); and total benefits obtained for total sacrifice incurred (all relevant components considered)

H0: Perceived level of customer satisfaction is positively related to perceived benefits in shopping at organized retail store.

The above hypothesis is based on the assumption that customers perceive to get satisfaction when they get more benefit in shopping. For the purpose of the study benefit like better location, one stop shopping convenience, time saving, money saving, better environment, security, parking
space, adequate dressing, variety of brands and better display, entertainment and recreation facility is considered. Sub variables taken of perceived benefits in shopping at organized retail store for retail customers were better location, one stop shopping convenience, save more time, save more money, better environment and experience, better facilities, variety of brands, entertainment and recreation facility.

**H03: Perceived level of customer satisfaction is positively related to perceived improvement in services at organized retail store.**

The assumption is base on the perception of the customers about satisfaction related to service provided by the retail stores like better service in shopping, replacement and warranty for the products, after sales services, payment and home delivery services. Sub variable for perceived improvement in services at organized retail store for retail customers were better service in shopping, replacement and warranty, after sales services and payment and home delivery services.

**Research methodology**

The cross-sectional descriptive research design is used for conducting this research work because this design enables the researcher to study the problem at given point of time of the population of interest. To identify the problem, to develop and approach to the problem & to formulate an appropriate research design, primary & secondary data has been used. Multivariate statistical techniques were used to analyze the data collected with the help of a structured questionnaire.

**Data collection**

The study is a combination of exploratory and descriptive research. The proposed research study is based on primary and secondary data both. The main sources for procuring secondary data is published literature including books; journals, annual reports etc. and they will be referred from libraries of some universities and research institutes. The customer survey is done to find out how they are affected by the growth in organised retail. They were interviewed personally as well as the questionnaire was send to them. The total of 160 responses was collected out of which 30 were rejected due to missing of information required majorly.

**Data summary**

So finally 130 responses were analyzed for the purpose of study. 94 were male customers and 36 were female customers. 112 were in the age group 18-30 years of age, 15 were 31-45 years and 03 were above 45. 77 were post graduate as far as education is concerned, 50 were graduates and 3 were undergraduate. 36 were in service 30 customers were in business and 64 were students enquired. 26 customers were earning less than 3 lacks per annum, 64 were having income between 3-10 lacks, 33 customer’s income was between 10-25 lacks and 6 customer’s income was more than 25 lacks on yearly basis. The broader finding was customer is benefitted by growth in organised retail in relation to price quality and service. Major focus was on grocery retail customers for the need of the study.

**Sample area**

Retail grocery market of Indore region was taken for the study.

**Data Analysis**

For testing hypothesis parametric test and regression analysis have been used in this research. Data was analyzed with the help of SPSS v 20 (Statistical Package for Social Sciences). Statistical tools like reliability, multi co-linearity, normality and linear regression analysis have been applied to the data to test the hypotheses.

**Cronbach’s Alpha Coefficient for Internal Consistency**

The statements related to the mentioned variable were asked to participate and fill their response on seven point likert scale ranging from strongly agree to strongly disagree. Cronbach’s alpha reliability coefficient normally ranges between 0 and 1. However there is actually no lower limit to the coefficient. The closer Cronbach’s alpha coefficient is to 1.0 the greater the internal consistency of the items in the scale.

**Regression Analysis**

Regression analysis is used for the purpose of testing hypothesis. The study is to find the relation of satisfaction and various variable of the study and thus test the hypothesis of the study.
Table: 1 Reliability statistics for variables of customers

<table>
<thead>
<tr>
<th>S.No</th>
<th>Construct</th>
<th>No of items</th>
<th>Reliability (Cronbach’s alpha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Perceived lower price of products</td>
<td>03</td>
<td>.665</td>
</tr>
<tr>
<td>2</td>
<td>Perceived benefits in shopping</td>
<td>09</td>
<td>.840</td>
</tr>
<tr>
<td>3</td>
<td>Perceived improvement in services</td>
<td>04</td>
<td>.806</td>
</tr>
</tbody>
</table>

Thus Cronbach’s alpha value for these variable is greater than .5 the internal consistency of the data is good and accepted.

Table: 2 Descriptive Statistics for variable of retail customers

<table>
<thead>
<tr>
<th>Construct</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Variance</th>
<th>Skewness</th>
<th>Kurtosis</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Statistic</td>
<td>Statistic</td>
<td>Statistic</td>
<td>Statistic</td>
<td>Statistic</td>
<td>Std. Error</td>
</tr>
<tr>
<td>CS</td>
<td>130</td>
<td>3.12</td>
<td>1.441</td>
<td>2.078</td>
<td>.538</td>
<td>.212</td>
</tr>
<tr>
<td>CS P1</td>
<td>130</td>
<td>3.20</td>
<td>1.654</td>
<td>2.735</td>
<td>.719</td>
<td>.212</td>
</tr>
<tr>
<td>CS P2</td>
<td>130</td>
<td>3.56</td>
<td>1.525</td>
<td>2.326</td>
<td>.507</td>
<td>.212</td>
</tr>
<tr>
<td>CS P3</td>
<td>130</td>
<td>3.35</td>
<td>1.467</td>
<td>2.153</td>
<td>.592</td>
<td>.212</td>
</tr>
<tr>
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<td>130</td>
<td>3.47</td>
<td>1.448</td>
<td>2.096</td>
<td>.381</td>
<td>.212</td>
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<tr>
<td>BN 2</td>
<td>130</td>
<td>3.26</td>
<td>1.837</td>
<td>3.373</td>
<td>.392</td>
<td>.212</td>
</tr>
<tr>
<td>BN 3</td>
<td>130</td>
<td>2.48</td>
<td>1.771</td>
<td>3.135</td>
<td>1.451</td>
<td>.212</td>
</tr>
<tr>
<td>BN 4</td>
<td>130</td>
<td>3.27</td>
<td>1.742</td>
<td>3.035</td>
<td>.649</td>
<td>.212</td>
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<td>BN 5</td>
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<td>3.75</td>
<td>1.545</td>
<td>2.389</td>
<td>.242</td>
<td>.212</td>
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<tr>
<td>BN 6</td>
<td>130</td>
<td>2.63</td>
<td>1.615</td>
<td>2.607</td>
<td>1.237</td>
<td>.212</td>
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<td>2.41</td>
<td>1.728</td>
<td>2.988</td>
<td>1.279</td>
<td>.212</td>
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<tr>
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<td>1.634</td>
<td>2.670</td>
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<td>.212</td>
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<tr>
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<td>3.05</td>
<td>1.451</td>
<td>2.106</td>
<td>.660</td>
<td>.212</td>
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<td>SR 1</td>
<td>130</td>
<td>3.11</td>
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<td>.568</td>
<td>.212</td>
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<tr>
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<td>3.35</td>
<td>1.483</td>
<td>2.199</td>
<td>.297</td>
<td>.212</td>
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<tr>
<td>SR 3</td>
<td>130</td>
<td>3.45</td>
<td>1.330</td>
<td>1.769</td>
<td>.101</td>
<td>.212</td>
</tr>
<tr>
<td>SR 4</td>
<td>130</td>
<td>3.37</td>
<td>1.515</td>
<td>2.297</td>
<td>.478</td>
<td>.212</td>
</tr>
</tbody>
</table>

Valid N (listwise) 130
Table: 3 Mean, Std. Deviation and Variance of major variables of retail customers.

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statistic</td>
<td>Statistic</td>
<td>Statistic</td>
<td></td>
</tr>
<tr>
<td>CS</td>
<td>3.12</td>
<td>1.441</td>
<td>2.078</td>
</tr>
<tr>
<td>CSP</td>
<td>3.3718</td>
<td>1.1998</td>
<td>1.440</td>
</tr>
<tr>
<td>BN</td>
<td>2.9733</td>
<td>1.09271</td>
<td>1.194</td>
</tr>
<tr>
<td>SR</td>
<td>3.3192</td>
<td>1.16265</td>
<td>1.352</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Regression analysis was performed where customer satisfaction was taken as dependent variable and Perceived lower price of products, Perceived benefits in shopping and Perceived improvement in services were taken as independent variable and the result shows that customers were satisfied by the Perceived lower price of products and Perceived benefits in shopping from organised retail stores but do not found much satisfied by the service of organised retailers.

Table: 4 Coefficients for hypothesis related to retail customers

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td>t</td>
<td>Sig.</td>
</tr>
<tr>
<td>Constant)</td>
<td>0.081</td>
<td>0.335</td>
<td></td>
<td>.241</td>
<td>.810</td>
</tr>
<tr>
<td>CSP</td>
<td>0.462</td>
<td>0.098</td>
<td>.385</td>
<td>4.710</td>
<td>.000</td>
</tr>
<tr>
<td>BN</td>
<td>0.540</td>
<td>0.127</td>
<td>.408</td>
<td>4.250</td>
<td>.000</td>
</tr>
<tr>
<td>SR</td>
<td>-0.038</td>
<td>0.099</td>
<td>-.031</td>
<td>-.388</td>
<td>.699</td>
</tr>
</tbody>
</table>

a. Dependent Variable: CS

Thus we can see that \( H_{01} \): Perceived level of customer satisfaction is positively related to Perceived lower price of products at organized retail store and \( H_{02} \): Perceived level of customer satisfaction is positively related to perceived benefits in shopping at organized retail store is proved and \( H_{03} \): Perceived level of customer satisfaction is positively related to perceived improvement in services at organized retail store is not accepted as the significance value in the regression result is higher.

5. FINDINGS

1. Customer perceived the price of grocery to be lower at organised retail store.
2. They also feel that organised retail store are providing more benefit in shopping as compared to conventional kirana stores.
3. The study reveals that as far as service is concerned they do not found to be much satisfied with organised grocery retail store.
4. Consumer found to be more satisfied with modern organised grocery as compared to conventional kirana shops.
5. Customer still prefers kirana shops for their nearby location and better relation of the shopkeepers.
6. Customer found to prefer modern organised retail grocery stores for one stop shopping convenience.
7. Customer now see shopping as recreational activity and that is why prefer modern organised retail stores.
8. They perceived to get more discounts and variety in organised retail stores.
9. They can now compare the features and price through display of products at organised retail store.
10. The study indicates that if kirana stores are not upgraded to the expectations of the customer then they might face serious threat of losing the business and employment.

6. CONCLUSIONS

The study reveals that young and high income consumer preferences for grocery shopping are gradually shifting from local kirana stores to organized retail stores. Customers get better satisfaction as they believe that they get more value for money as they purchase at lower price and get more discounts and offers, variety and service at organized retail outlet. The present study suggests that consumers aspiring for entertainment with shopping visit malls and hyper/supermarkets as these formats provide entertainment facilities to consumers like multiplexes, food courts and background music etc. The study also found that traditional kirana stores have their own set of customers; they prefer them because of nearby location, small quantity and loose product availability, convenient credit facility and more personalized approach. Consumers taste and preference are changing rapidly. Now the consumers want the best in quality products at better price. Now they don’t have time so prefer one stop shopping with entertainment. Consumer age, gender and education also play a major role in their buying decision. Globalization and liberalization enabled to get world class products at their convenient location and time.

Customer perceived the price of grocery to be lower at organised retail store. They also feel that organised retail store are providing more benefit in shopping as compared to conventional kirana stores but as far as service is concerned they do not found to be that much satisfied with organised grocery retail store. The change in consumer behaviour has led to their shifting from Kirana to modern organised grocery retail store.

Suggestions

1. Kirana store need to upgrade their facilities so that they can compete with the organized retailers.
2. They should focus on quality and variety of the products in their store
3. Cleanliness and store environment is another factor which is to be improved as customers are more concerned for these factors.
4. There is a need for strategic co-operation and coming together of small retailers in the competitive environment that can help in competing with larger chains of organized retailers.
5. Small kirana shops should work more on their strength of good personal relations with the customer.
6. Small kirana shops should now involve more technology like credit and debit card machines and better inventory management system for increasing efficiency of their business.
7. Kirana stores now upgrade to self service format for the convenience of the customer.
References:
