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Indigenous marketing practices and theories in emerging economies: Consumer behavior and retail transformations in India

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ABSTRACT

Large emerging economies like India present major challenges to international marketers as well as to academic theorists. The retail sector in India is particularly challenging because, numerically, it is the world's largest and most heterogeneous, with millions of tiny small traditional outlets competing with thousands of rapidly growing and expanding modern retail chain outlets. Based on extensive fieldwork in India entailing observation, interviews and secondary research, this paper presents a multifaceted view of how consumer patronage of small traditional stores provide competitive advantages to these small competitors. The empirical results suggest historical patterns do not apply in this context. Managerial and theoretical implications follow. The working conclusion is that retail developments in India and other major emerging economies would require not just innovations in practice but strong, ongoing efforts for theoretical renewal so that better explanatory frameworks are available for understanding marketing strategies and consumer behaviors in emerging settings.

1. Introduction

The existing theories of retail evolution have developed from experiences in the economically advanced countries, particularly the UK and the United States. Several theories exist including the “wheel of retailing” (McNair, 1958), “accordion theory” (Hollander, 1960), “lifecycle” (Davidson, Bates, & Bass, 1976) and “big middle” (Levy, Grewal, Peterson, & Connolly, 2005). Even for the current environment in economically advanced countries – where the intensity of competition in recent years has made any innovation short-lived – there are difficulties sustaining the traditional theories of retail evolution. Today, retailers have to provide value (low price and quality) as well as a hedonic experience, convenience and brand value. Interviews with practitioners seem to suggest that retail changes in the UK do not happen in the clearly defined stages or strategies described by various theories of retail development; instead, “retail formats are evolutionary and incremental rather than holistic creations” (Reynolds, Howard, Cuthbertson, & Hristov, 2007, p. 652).

In terms of retail evolution theories, emerging economies pose a wider range of challenges. Because of their rapid growth, emerging markets constitute the next frontier for expansion of modern, large-scale organized retailing (KPMG, 2014). It is well accepted that

retailing structures undergo major transformations in periods of rapid economic development (Reardon & Berdegué, 2002). If history is a reliable guide, we should expect major transformation in retailing structures in emerging markets as well. While there are several studies describing the retail transformations in terms of case studies and macro level explanations (Ali & Faroque, 2017; Humphrey, 2007; Reardon & Berdegué, 2002), there is very little academic understanding of micro level behaviors that fuel or hinder retail evolution in emerging markets. This paper takes a step toward improving the conceptual understanding of retail evolution in emerging economies. It does so by drawing theoretical insights as well as some empirical evidence from work done over several years in India's burgeoning retail sector.

A high number of large format, modern retail stores have been introduced in India and this sector is growing fast (Atrole & Wahi, 2014). While modern retail institutions have entered later in India than in countries such as Mexico or China (Reardon & Gulati, 2008), the pace of change has been very fast. A variety of newer retail formats – modified-traditional, modern format and electronic stores – have emerged as competitors in a much shorter period of time. The continued transformation of the retail environment in India will entail a complex and constantly evolving dialectic between consumer behavior and the development of the competitive retail formats. There is minimal evidence

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on consumer adoption of these new retail systems vis-à-vis small traditional stores, and this paper seeks to address this lack.

The focus of this paper is on consumer behavior at neighborhood shops – commonly known as kirana stores – to understand the extent of retail transformations in India. These traditional retail formats have historically held sway over the economy and the consumer. They are frequented by nearly every Indian consumer, rich or poor and represent the major form of competition to organized, large-scale retail formats. The long supply chain to serve these small retail outlets has attracted attention of large format stores who believe they can capitalize on their economies of scale in procurement and distribution and provide a viable alternative for the consumers (Halepete, Iyer, & Park, 2008). The primary contribution of this paper is the development conceptual insights into likely acceptance of new retail formats and the retail evolution in India based on the study of buyer behavior at kirana stores. A secondary and tentative contribution is to propose building blocks for newer theories of retail evolution, based on emerging economy contexts.

There are also empirical contributions. The paper presents research evidence on Indian buyer behavior with respect to daily necessities. As Srivastava (2008) noted, “household groceries and apparel are the drivers in organized retail industry. Food retail in particular is the sunrise sector” (p.714). Our research differs from the line of inquiry followed by Varman and Belk (2012) who studied consumers in Indian shopping malls. Based on the mundane daily performance of the Indian shopper – and not as a consumer participant in a spectacle, a theater where consumers go to see and be seen (Miller, 1997) – the empirical evidence in this paper provides insights about retail activities that cumulatively shape the rhythms of daily life.

While past retail transformations have been explained in terms of changing retail formats (Hollander, 1960; McNair, 1958), this is the first study to expand the investigation in terms of two other major components of historical transformation in the retail structure – spatial diffusion and gender of the buyer. Based on primary data generated from four Indian cities with differing socioeconomic profiles, and on secondary evidence, the results suggest that the domination of traditional outlets will continue for the foreseeable future in India. Such “small store resilience” needs to be built into theories of retail evolution geared toward emerging economies. Not only does the spatial diffusion of organized retail in India differ significantly from past experiences in the western economies, the relationships between the shopkeeper-shopper are influenced by the Indian sociocultural context more than the shopper's gender. Organized retail's positioning as ‘modern, large, clean, convenient, efficient’ spaces to shop has not yet convinced enough Indian consumers in urban India to threaten the traditional ways of shopping or retailing. The results are consistent with findings from both consulting companies and academic papers which have focused on the success or failure of the organized retail format in India (Halepete et al., 2008; *The Economist*, 2014). These findings indicate the need to reformulate theories of retail evolution. Such total ‘theory reformulation’ is a large project and beyond the scope of this paper; however, we do suggest some concepts and building blocks for such reformulation.

The paper is organized as follows. After a brief review of the literature on retail transformations and retail evolution theories, and a brief review of the Indian retailing context, the research questions and methodology are introduced and the research findings – in terms of consumer interactions with traditional retail stores – are presented. Differences from retail patterns in developed markets are highlighted. Implications for managerial practice and theories of retail evolution are discussed in the concluding section.

2. Historical patterns in retail transformation

Supermarkets and shopping malls are so ubiquitous in the affluent western countries, it is easy to forget how – over the decades – these institutions radically altered the nature of the economy and society

(Beem & Oxenfeld, 1966). The advent of the automobile and growth of suburbia hastened the growth of newer retail formats; and once-vibrant “downtowns” of yonder years lost their 19th and early 20th century significance (Ritzer, 1999). Furthermore, single stores declined in number while numbers of chain stores doubled between 1963 (when the first Wal-Mart opened) and 2002. In 2017, e-commerce and m-commerce are once again transforming the retail landscape. Employment in physical stores has declined steadily as retail stores such as Macy's and JC Penney disappear, and leave many U.S. suburban malls as skeletal remnants of their past (Schwartz & Wingfield, 2017). According to Beem and Oxenfeld (1966) the wheel of retailing will turn again and competition from non-store retailing will pitch “warehouse against warehouse” (p. 91).

In the following subsections, we review briefly the past retail (western) transformations in terms of spatial diffusion, changes in retail formats and the role of the shopper's gender in order to understand retail evolution in emerging economies (India, in this instance).

2.1. Spatial diffusion

Urbanization and city size have been important drivers of economic growth, particularly retail growth. In the U.S., there have been differences in how cities of different sizes attracted retail transformations. A & P, the pioneer in American organized retailing, created its ‘Economy Store’ model based on “severe cost-cutting, standardization of layout, and the elimination of credit accounts and delivery”; and located such stores on secondary city streets rather than in expensive central locations (Groceria.com, 2008). A & P's main competitors – King Kullen and Big Bear stores, known as the harbingers of the supermarket era – located in the urban markets in New York and New Jersey. With this strategy, A & P clearly prospered for decades. Wal-Mart, a more recent example comparable to A & P, followed a somewhat different spatial strategy. It concentrated in small towns, often in low-cost outlier locations, but later expanded to larger and more metropolitan areas (Graff & Ashton, 1994). Overall, the spatial diffusion of organized retail has been similar – “the trend was from large cities and economic boom areas to second- and third-tier cities and second-tier areas and to suburban areas when those developed in the 1950s. Wal-Mart's development in the opposite direction was a clear exception” (Reardon & Gulati, 2008, p. 4–5).

2.2. Format differences

In tracing the evolution of the supermarket in the U.S., Ellickson (2015) notes that before A & P's invention of the chain store format around 1912, American consumers purchased their daily necessities from specialized food stores such as butchers, bakers and others – where ‘counter service’ was common. These specialized stores were small and ubiquitous. Such stores offered credit and delivery services and – because of their small scale – costs and margins were high. A & P's stores were initially small and based on cost efficiencies in the supply chain. Daily shopping was common and the ownership of consumer durables such as refrigerators and automobiles was limited. The refrigerator, for instance was introduced in 1925 and it took 23 years to reach 75% of U.S. households (Putnam, 2001). The first supermarket – King Kullen – opened in 1930 in Queens, New York (Cullen, 2004). The supermarket format followed the introduction of A & P's chain store format. The supermarket competed via scale economies *at the store itself* – by selling nationally advertised brands in very large “cash only, self-service” stores (Ellickson, 2015).

2.3. Gender differences

Historically and globally, as home production transitioned into market-based consumption, the woman became the chief buyer (Lebergott, 1993). Goldman (1974) emphasized the opportunity cost of

women's time, along with incomes and urbanization, as the enabling conditions for the global diffusion of modern retail formats. Moreover, shopping became transformed from a functional activity into a leisure activity in the late 19th century U.S. "One of the most well-known shopping districts in New York City was a stretch of dry-goods emporia and specialty shops called 'Ladies Mile', where women would come to promenade and shop, to see and be seen" (Peiss, 1998). The development of modern retail in the west, particularly the department stores, had led to the dominance of women as shoppers because it created a safe public space for women (Hart, 2003).

Men and women also differ in the gratifications they seek from the shopping experience (Noble, Griffith, & Adjei, 2006) and they differ in in terms of behaviors – in terms of the number of items bought, amount of expenditure, and time spent (Davies & Bell, 1991). Merchants like male shoppers because they shop quickly, return fewer merchandise, do not compare prices and are store loyal (Whitaker, 2005). These differences have influenced the layout of department stores – with men's departments located conveniently near main entrances and on lower floors (Dholakia, 2013).

These and related changes led to development of theories of retail evolution which focused on the transformations in retail formats.

3. Theories of retail evolution

The first theory of retail evolution – the wheel of retailing (McNair, 1958) – described the changes in retail format as the continuous cycle in the entry and movement of retail competitors. "The wheel of retailing... holds that new types of retailers usually enter the market as low-status, low margin, low-price operators. Gradually they acquire more elaborate establishments and facilities, with both increased investments and higher operating costs. Finally they mature as high-cost, high-price merchants, vulnerable to newer types who, in turn, go through the same pattern" (McNair, 1958, p. 37). Since its first articulation, there have been several refinements as well as counter theories. Hollander's (1960) accordion theory argued that it was the product offering that differentiated the oscillations – from broad to narrow, to broad again, and so on. In an editorial, the "big middle" was offered to accommodate these multiple points of view. "According to the concept of the Big Middle, retail institutions tend to originate as either innovative or low-price retailers, and the successful ones eventually transition or migrate to the Big Middle" (Levy et al., 2005, p. 85).

The two major dimensions of retail evolution theories have been low prices and assortment changes to account for successive retail innovations. These theories that emerged in western economies occurred in competitively and technologically simpler contexts (Fig. 1).

The world has grown more complex. Today, surviving shopping malls in the west have become destinations incorporating shopping and entertainment. Low price entries such as dollar stores coexist with high price, iconic specialty stores of Apple and Nike. Physical stores are reshaping the retail landscape from both ends of the brick-and-mortar evolutionary spectrum; and e-commerce competitors like Amazon are challenging the entire process of physical shopping. These changes are also influencing retail expansion strategies by global firms as well as the trajectory of retail evolution in emerging economies.

4. Emerging economies as the next retail frontier

The dominant share of world's middle class population will be held by emerging economies and "middle class matters because it does a lot of consuming" (Parker, 2009). Despite difficulties in defining the middle class, it is usually measured by discretionary income and ownership of consumer durables such as refrigerators, automobiles and TV (Chao & Utgoff, 2006; Ivaschenko & Ersado, 2008). Not only due to their numerical strength and spending power, but also because of their "dominance in the public sphere", marketers pay special attention to middle class consumers (Kravets & Sandikci, 2014).

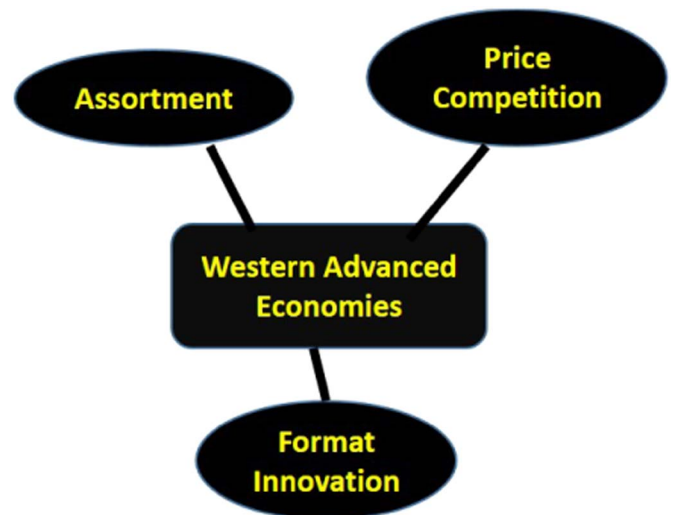


Fig. 1. Dimensionalities of retail evolution: western world.

In recent decades, the middle class has fueled retail growth in emerging markets at rates far exceeding retail growth rates in mature economies. Share of global retail sales held by emerging markets crossed 51% by 2015 (Ben-Shabat, Moriarty, Peterson, & Kossack, 2014). Major changes due to rapid technological adoption in these economies are set to transform these economies even more. China, for instance, has become the center of e-commerce and mobile commerce, which account for about 16% of total retail sales compared to 7.3% in the United States (Ben-Shabat et al., 2014). In India, mobile commerce is a larger part of the e-commerce sector due to the high penetration of mobile devices. According to eMarketer, m-commerce constituted over 65% of e-commerce in India in 2015 and is likely to exceed 80% in 2020 (eMarketer, 2016).

4.1. India's attraction as a retail market

India is one of the fastest growing emerging markets in the world and poised to become the third largest economy in the world – after US and China – in 2030 (USDA estimate, reported in FP-Staff, 2015). Because of its growing middle and upper income classes, large investors – that include both foreign and domestic retailers – have been attracted to the Indian market.

Modern retail format outlets have grown at a rapid pace. While not a single supermarket was reported to exist in India in the late 1950s (Westfall & Boyd, 1960), there are many today. Supermarkets have grown from 500 in 2006 to 8500 by 2016; while all modern retail formats combined have risen from 11,200 in 2006 to 67,100 in 2016 (Atrole & Wahi, 2014). The forces pushing toward this self-service format have been similar to those experienced by the advanced economies including increased Stock Keeping Units or SKUs, competition among consumer product manufacturers for scarce retail shelf space, and time pressure felt by convenience-seeking consumers (Sengupta, 2008).

These rapid changes have led to an explosion in consumer choices – from shopping at traditional and familiar neighborhood stores (known as kirana stores), to modern supermarkets and shopping malls as well as at online electronic stores. In the following subsections we highlight the characteristics of traditional and modern shopping formats that influence consumer behavior as well as the nature and level of intra- and inter-format competitive marketing practices.

Daily necessities such as food and beverages still constitute the largest share of per capita personal expenditures in India (32% of 2013 consumer spending was on food, see Mitra & Saxena, 2013). Also, branded, packaged products such as hair care and skincare products –

the HBA (Health and Beauty Aids) items – are expected to experience rapid growth (Goldman Sachs, 2016). For these reasons, retailers are concentrated in food and HBA sectors in India. It is therefore the small stores selling food and branded packaged goods that are the focus of our research on the retail sector in India.

4.1.1. Traditional retail

India is exceptional in terms of the massive size of the traditional retail sector. These establishments – usually family-owned and operated – exceeded 14 million in 2005 (Government of India, 2005) and remained at about this level until 2015. As far as Indian consumers are concerned – in urban and rural areas, and across all socioeconomic groups – it is mainly the traditional, neighborhood stores and government run public distribution shops (PDS) that serve most of their needs. These stores sell food and grocery items in the form of fast moving consumer goods (FMCG) at maximum retail price (MRP), a price that is printed, by law, on packaged goods. Classified as the ‘unorganized sector’ of retailing, such stores constitute the basic entrepreneurial institutions in the country. Most stores are profitable and distinguish themselves by offering great locational convenience and friendly service (Kumar & Vishvas, 2010).

In most traditional neighborhood stores (usually no larger than 500 square feet of floor area), space constraints restrict the stocking of a wide assortment – and often the cramped store formats mean that the merchandise is invisible and out of reach of the shoppers. This means that ‘counter service’ rather than ‘self-service’ is the dominant format, and the consumer shopper experience at the store is more shopper-shopkeeper than direct shopper-product (see Fig. 2).

For international comparability, we would use the term Small Traditional Store (or STS) to characterize such small general trade stores – keeping in mind that they take various locally adapted forms and names such as Tiendas in Latin America, Sari Sari stores in Southeast Asia, and Kirana stores in India. These retail formats are not very different from what existed in economically advanced countries such as U.S. in the 1800s and even the first decade of 1900s (Ellickson, 2015; Reardon & Gulati, 2008). What is different is the political power of the small entrepreneurs and ‘retail density’: India’s is highest in the world (11 stores per 1000 people) compared to China (0.4), U.S. (3.0) or even Japan (7.0) (Lu, 2010; Nielsen Wire, 2010).

4.1.2. The organized modern retail sector

The organized sector in the form of supermarkets, department stores, specialty apparel stores and hypermarkets are relatively recent introductions and concentrated in a very few geographic areas (Atrole & Wahi, 2014; Reardon & Gulati, 2008). Because of larger space requirements for modern, organized retail, these stores are located either in multistoried malls in city centers, or in close proximity. India’s organized retail has a greater presence in clothing and footwear (18.5%) than in food, grocery and beverages (< 1%), but the latter category is expected to grow faster than the former (Joseph, Sundarajan, Gupta, & Sahu, 2008). In large food markets, self-service

is the norm (Fig. 3) and product and brand variety is large, including private label brands.

Compared to U.S. and other developed countries, where the organized sector exceeds 80% in terms of sales, the organized sector in India is growing but had barely reached 10% by mid-2011 (Singh & Sharma, 2011). Other emerging economies have a greater presence and percentage weight of organized retailers: Vietnam (22%), Philippines (35%), and Brazil (36%) (Joseph et al., 2008).

In the prevailing context – where commodity as well as packaged, nationally advertised brands are sold through both traditional and modern retailers – competition is not only within their own formats (e.g., supermarket vs. supermarket) but also across formats (supermarkets vs. traditional stores), in addition to brick-and-mortar stores vs. electronic retailers. Modern retail institutions entered later in India than in emerging economies such as Mexico or China (Reardon & Gulati, 2008). Within a few short years, however, contemporary urban Indian consumers have come to have a wide choice among a variety of retail formats – traditional, modern format and electronic stores. The continued transformation of the retail environment in India is expected to exhibit a complex and constantly evolving dialectic between consumer behavior and the development of the competitive retail formats.

5. Research questions and research methodology

Because of historical evidence on diffusion of new retail formats, our research examines the influence of city size and shopper’s gender on retail behavior at the traditional retail sites. In most countries, newer retail formats have been introduced in the larger cities and grown at the expense of existing formats. Because of these characteristics, the research questions of interest, in terms of India’s retail sector, are:

RQ1: How do retail patronage behaviors of consumers differ in Tier I and Tier II cities?

RQ2: What variables account for these differences?

RQ3: How do these behavioral differences impact the traditional retail format?

5.1. Research methodology

To address these questions, primary research on consumer behaviors was conducted using multiple qualitative methods. Observation and shopper intercept interviews were selected to generate the data due to the advantages over consumer recall of specific shopping related behaviors (Sinha & Uniyal, 2005). Data collection occurred at the time of shopping or immediately after the transaction was completed; this reduced recall error due to memory lapses. Observations allowed indirect recording of shopper and storekeeper actions while interviews allowed the shopper to provide their direct responses to specific questions regarding their shopping behaviors. In addition, eight shoppers were asked to describe, by a trained interviewer, in a free format conversational approach, motivations for patronizing a specific store.



Fig. 2. Small traditional stores (STS) in India: counter service and shopper-shopkeeper interactions. Source: Authors’ photo archive.



Fig. 3. Organized retail: self-service and shopper-product interactions.
Source: Authors' photo archive.

This is along the line of ‘responsive interviewing’ recommended by Rubín and Rubín (2011). These multiple data points helped us to find similarities and differences in shopper behaviors.

The methodological approach mirrored that of Varman and Costa (2009) as well as Sinha and Uniyal (2005). In methodological terms, this represents a simple form of ‘methods triangulation’; not to seek exact convergence as much as to aim for corroboration, facilitate elucidation of divergent aspects of a complex phenomenon, and overcome weaknesses of each method while building on their mutual strengths (Johnson, Onwuegbuzie, & Turner, 2007).

5.1.1. Sample selection

5.1.1.1. Tier size. Tier I and Tier II cities in India are classified according to population size. Various economic indicators – including household consumption expenditure (as a percentage of GDP), consumer price index, population age group between the ages 15–64 years, urban population growth and gross domestic product growth, mobile cellular subscriptions (per 100 people) and internet users (per 100 people) – signal the opportunities for organized retail sector in Tier I and Tier II cities (Mukherjee, 2014). In India, there are only six Tier I cities, also called metro cities: Delhi, Mumbai (formerly Bombay), Kolkata (formerly Calcutta), Hyderabad, Bengaluru (formerly Bangalore) and Chennai (formerly Madras); and nearly 70 Tier II cities.

We selected a total of four cities; two from each Tier. Each city was selected to represent a different region of India to address the regional, cultural and linguistic differences. The selected cities were Mumbai and Kolkata (Tier I), and Aligarh and Visakhapatnam (Tier II). Given India's size, the sample from four cities can only be considered exploratory. Nonetheless, we obtained more in-depth insights about shopper behaviors in India than hitherto reported in academic work. Unlike the studies using similar methods in India (Sinha & Uniyal, 2005; Varman & Belk, 2008; Varman & Costa, 2009) – all of which collected data from one city – we achieved greater data diversity because of four different cities, each with distinct language and other cultural characteristics.

5.1.1.2. Retail sites. Sixteen neighborhood stores, four in each city – both kirana and chemists (very small pharmacies, with over-the-counter service) – that sold packaged and branded products were selected with the assistance of local researchers. Consent was received from owners to intercept and observe and interview their customers at the store site.

5.1.1.3. Shoppers. Observation research was conducted first. On selected days, trained interviewers were posted at the retail site to observe shopper-retailer transactions. The observation protocol recorded each action taken by a random sample of shoppers at different times of the day for several days at each of the selected cities. Each shopper was observed (from the time of entry to time of exit) as to the actions they took as well as the responses of the shopkeeper (see Underhill, 2009, for details of such retail observation methods). These were recorded and later analyzed. A total of 287

shoppers were observed in the selected four cities.

For the interview data, a structured questionnaire was used by a trained interviewer who intercepted a shopper after completion of his/her shopping transaction. The interviews provided greater supplementary details regarding the shopping transaction and helped us understand the motivations for the observed behaviors. A total of 264 shoppers agreed to participate in the post-shopping interview.

Finally, eight shoppers were selected as they approached a store to discuss their shopping experience at the destination store. Table 1 summarizes the methods and research approaches adopted for the study. All the data collection was done at the store sites.

Observation and interview protocols were created with the help of local research experts and trained graduate students fluent in the local languages. This process generated data faster and at a lower cost. Permission was sought and received from those who participated in the interviews and accompanied shopping trip. It was not possible to obtain permission from consumers who were observed. A similar constraint was also noted by Varman and Costa (2009) in their research.

5.1.2. Shopper sample composition

Table 2 profiles the demographics of the observed and interviewed shoppers. The most frequent retail shopper is male, in all cities except Mumbai. Most came alone to shop and had at least some college education.

Eight shoppers who agreed to talk with a researcher in a free flowing conversation about their most recent shopping experience were aged late 20s to mid-60s. There were 6 females and 2 males from the four cities. Three of the shoppers were accompanied by a child or by their spouse. The conversation was recorded and later translated and transcribed.

6. Research findings

6.1. Retail patronage patterns

A shopping trip to the traditional stores was almost a daily phenomenon, facilitated by the locational convenience of STS. Each trip was to purchase a few items (often fewer than 3 items) but these shopping trips are supplemented by home delivery of a larger number

Table 1
Four-city study of small traditional store (STS) outlets and shoppers.

Cities	Tier I: Mumbai (Western zone (W)) and Kolkata (Eastern zone (E)) Tier II: Aligarh (Northern zone (N)) and Visakhapatnam (Southern zone (S))
Sample	Stores (Kirana, chemists) and consumers
Sample size	Shops (16); consumers: 287 shopper observations, 264 shopper intercept interviews, 8 accompanied shopper trips
Data collection methods	Shopper observation; intercept interviews and accompanied shopper trips

Table 2
Shopper characteristics.

Demographics	Tier I cities		Tier II cities					
	Mumbai (west)	Kolkata (east)	Aligarh (north)		Visakhapatnam (south)			
Shopper gender (male)	36% ^a	27% ^b	46% ^a	44% ^b	78% ^a	76% ^b	64% ^a	71% ^b
Shopping alone	74% ^a	74% ^b	74% ^a	86% ^b	64% ^a	59% ^b	85% ^a	64% ^b
Education ^b								
High school or less	12.3% (6)		16.6% (8)		16.0% (17)		22.9% (14)	
Vocational	16.3% (8)		2.1% (1)		0.9% (1)		1.6% (1)	
Some college	67.3% (33)		81.3% (39)		83.0% (88)		65.6% (40)	
Missing	4.1% (2)		(0)		(0)		9.8% (6)	
Occupational status ^b								
Self-employed/own-business	16.3% (8)		12.6% (6)		7.5% (8)		26.3% (16)	
Professional	8.2% (4)		6.3% (3)		7.5% (8)		6.6% (4)	
Service	20.4% (10)		35.5% (17)		28.3% (30)		21.3% (13)	
Homemaker	30.6% (15)		18.8% (9)		10.4% (11)		13.1% (8)	
Student	18.4% (9)		8.3% (4)		41.5% (44)		16.4% (10)	
Retired/other	4.1% (2)		18.8% (9)		4.7% (5)		13.1% (8)	
Missing	2.0% (1)		0		0		3.3% (2)	

^a Shopper observations.

^b Intercept interviews.

Table 3
Retail patronage patterns.

Patronage pattern	Metro cities		Tier II cities	
	Mumbai	Kolkata	Aligarh	Visakhapatnam
Ave. frequency of shopping at STS ^a	4.72/week	3.79/week	3.57/week	4.42/week
Purchased > 3 items ^b	22%	19%	38%	34%
Monthly order from STS ^a	53%	56%	45%	59%
Home delivery by STS ^a	69%	54%	22%	75%
Never used organized retail ^a	22%	48%	50%	18%
Reminded by shelf display ^{a,c}	61%	15%	46%	27%
Shopkeeper information ^{a,c}	0%	31%	12%	4%
Shopkeeper initiated new product offer ^a	10%	21%	9%	12%
Shopkeeper initiated brand promotional offer ^a	6%	21%	7%	12%
Informal conversation initiated by shopkeeper ^b	14%	28%	32%	13%

^a Interview data.

^b Observation data.

^c Among those who purchased items not originally intended.

of purchases as part of the monthly stocking of household items. Shoppers relied on the neighborhood store to provide for most of their household needs with occasional visits to organized retail as well. In Kolkata and Aligarh, almost 50% of the interviewees reported they had not visited an organized retail format store; the numbers were significantly lower in Mumbai (22%) and Visakhapatnam (18%) (Table 3).

6.2. Relationships with shopkeepers

Because of counter service, the shopper has to rely on the shopkeeper for providing the requested/desired product. While waiting, shoppers also have ample opportunities to observe point-of-sale (POS) materials placed all around the store front as well as engage in conversations with the shopkeeper. Since the shopkeeper and POS materials are the two primary sources of influence at the point of purchase, the interviews also included direct questions regarding the items purchased – whether it was intended to be purchased and why it was

purchased.

Overall, the role of the shopkeeper is critical in the shopper journey, bringing new product and brand offers to the attention of the shoppers in the four cities. Informal conversation – beyond the transactional relationship – was also observed in all cities, and was particularly high in Aligarh and Kolkata. The data on unintended purchases indicates other emerging differences in shopper behaviors. For shoppers in Kolkata, POS materials played a smaller role (15%) than shopkeeper information (31%). It was the opposite for Mumbai shoppers (61%; 0%).

Additional evidence on the strong shopper-shopkeeper relationship is available from the descriptions provided by shoppers in their accompanied trips. For the Mumbai shopper, the full service offered by the neighborhood store – telephone orders, home delivery, cash on delivery, credit card acceptance – provide advantages that modern retail stores are unable to provide:

I shop from this shop as they take telephonic orders and provide home delivery service irrespective of the amount of purchase, a service that nearby (within 1 kilometer) organized stores like Star Bazaar and Food Bazaar do not provide (they make home delivery only for purchases above a certain amount). Also, I need not go to the store at all. In organized bigger stores I need to actually visit the store and find out the items required which is time consuming. Also, more often than not there is a long queue at the cash counters of the organized retail stores. Good Luck [my neighborhood General Trade store] takes the payment on delivery at home and also accepts credit card if I visit the store. In case I am not carrying my card and am also not carrying enough cash, Good Luck store readily extends credit. (Shopper in Mumbai)

The Aligarh shopper is able to engage in impulse purchases triggered by POS shelf display and the highly personalized relationship – a spontaneous discount as well as customer orientation – helps cement the positive interactions:

After crosschecking all the items from the list, I went to the cash counter for making payment. The chocolates kept at the counter reminded me of my children and I bought two Dairy Milk-Fruit & Nut chocolates also for my children. My total billed amount was Rs. 1477 but the shopkeeper has taken only Rs. 1450, thereby getting a saving of Rs. 27.

While coming out of the shop, I met an elderly man sitting at the exit gate. He asked me very courteously about how I felt shopping at his store? When I told him about fresh spices, he assured me that from

next month, fresh spices will also be available at his store. He gave me his card and said that whenever I need any item, I can place my order by calling the store and 'Free Home Delivery' service will be provided. He thanked us. We picked our packets, called a rickshaw and headed towards our home.

(Shopper in Aligarh)

The Kolkata shopper did not appear to be the frequent shopper in the household but her husband's relationship with the shopkeeper extended to her as well:

...I decided to go to Nirupama Stores, a newly opened shop in the lane opposite to my house. The shopkeeper is well acquainted with my husband. My husband visits this shop often, as the shopkeeper is an old man who – besides exchanging pleasantries with my husband – almost always offers him a chair to sit upon and take rest. When he saw me approaching he stepped forward to offer me a chair and inquired about my husband's health.

(Shopper in Kolkata)

6.3. Geographic differences

Geographic differences come sharply into focus. Retail shopping in Mumbai is very different from retail shopping in Kolkata, both Tier I cities but on opposite coasts of India. Differences could be observed between shoppers in Aligarh and shoppers in Visakhapatnam as well, both non-metro Tier II cities. While we did not find intra-Tier similarities, we did observe inter-Tier similarities. Mumbai and Visakhapatnam are more similar to each other than Mumbai and Kolkata. Similarly, Aligarh (Tier II city) is more similar to Kolkata than Visakhapatnam. City size, therefore, is not an adequate factor to explain the geographic differences.

6.4. Format differences

The self-reported patronage of organized retail suggests that these newer, larger stores have better acceptance among shoppers in Visakhapatnam in the South (Tier II) and Mumbai (Tier I) than in Kolkata (Tier I) and Aligarh (Tier II). There was higher reported patronage of organized retail in Visakhapatnam and Mumbai than the other two cities. The use of POS materials is also higher in these two cities compared to shopkeeper information in stimulating unintended purchases. These impersonal (POS) sources of influence are characteristic of modern, large format self-service stores. While important in all four cities, the more personalized relationships characteristic of traditional stores exert a stronger influence on shoppers in Kolkata and Aligarh than on shoppers in Mumbai and Visakhapatnam.

6.5. Gender differences

All the three data collection methods appear to capture a typical shopper trip to a neighborhood store. One key difference is the gender of the shopper. For all four cities, the likely shopper is male (overall 60%). The two Tier I cities – Mumbai (31%) and Kolkata (45%) – have a lower proportion of male shoppers than the Tier II cities, Aligarh (77%) and Visakhapatnam (68%). The overall dominance of male members of the household as the frequent shopper of daily necessities suggest that one of the key indicators of retail development – opportunity cost of women's time (Goldman, 1974) – is still not a significant factor in India. Our data is consistent with time use survey data reported by the Government of India which suggests that shopping is primarily a male activity; the major exception is the west (data for the western state of Gujarat) (Report of Time Use, 2012).

Table 4
Regional socioeconomic differences.

Variable of interest	West	East	North	South
Electricity availability ^{a,d}	69	39	33	46
Education (≥ secondary) ^{b,c}				
Female	18%	10%	12%	19%
Total	24%	16%	17%	24%
Per capita monthly consumption expenditure ^{a,d}	171.07	169.98	164.73	183.14
TV penetration ^{a,d}	46	19	33	39
Durable ownership ^c				
Refrigerator	88%	92%	88%	67%
Microwave oven	53%	46%	33%	15%
Automatic washing machine	65%	25%	30%	23%
Automobile	59%	27%	38%	26%

^a Das, 2004.

^b Report on Time Use Survey 1998–1999.

^c Interview Sample.

^d State (west = Maharashtra; east = West Bengal; north = Uttar Pradesh; south = Andhra Pradesh).

^e State (west = Gujarat; east = Orissa; north = Haryana; south = Tamil Nadu).

7. Discussion

Past literature provided strong historical evidence on the relationship between city size, retail format and shopper's gender. Our research on the Indian experience does not mirror the Western past. Instead, differences in socioeconomic characteristics and the development of physical infrastructure are of greater importance.

As an ancient land but relatively new nation state, Indian regions and states vary greatly on macro environmental characteristics. Table 4 highlights the differences in electricity availability and education, which are higher in the West and the South than in the East and North. Income (approximated by consumption expenditure) and TV penetration follow the same pattern. All the data sources – secondary as well as interview data on durable ownership – indicate the West scores higher, followed closely by the South on these socioeconomic characteristics. These differences have led to location decisions of organized retailers, who are focused strongly on the South and West (Atrole & Wahi, 2014).

For shopper behaviors to change, newer formats must be available first. The availability of organized retail formats certainly explains shopper patronage in India. Shopper's gender is, however, not of major influence. The largely male shoppers in Visakhapatnam and Mumbai seem to patronize organized retail more than in Kolkata and Aligarh. Shoppers in Kolkata, a Tier I metro city in the East, had the lowest reported patronage (52%) of organized retail despite a higher proportion (55%) of female shoppers. The comparable figures for Visakhapatnam, a Tier II city in the South, are 82% (organized retail patronage) and 33% (female shoppers). Furthermore, our findings do not support the expected gender's influence on shopper-shopkeeper interactions. Contrary to expectation, the dominantly male shoppers appear to engage in a relationship with the shopkeeper that goes beyond a mere instrumental, transactional relationship. This is to be expected in high context cultures (Hall, 1975) such as India, where buyer-supplier linkages are inherently *social* relations, embedded in and shaped by wider social, political and institutional systems (Coe & Hess, 2005).

Glimpses of the future can be seen where socioeconomic development and presence of modern retail formats are greater and a more instrumental, transaction-driven relationship becomes likely (Forman & Sriram, 1990). Greater depersonalization of relationship is observed in Mumbai and Visakhapatnam where modern retailing has become more prevalent than in Kolkata and Aligarh. The contrasting patterns for the two metro cities, Mumbai and Kolkata, are shown in Fig. 4. Although both are metro cities, Mumbai (West) differs significantly from Kolkata (East).

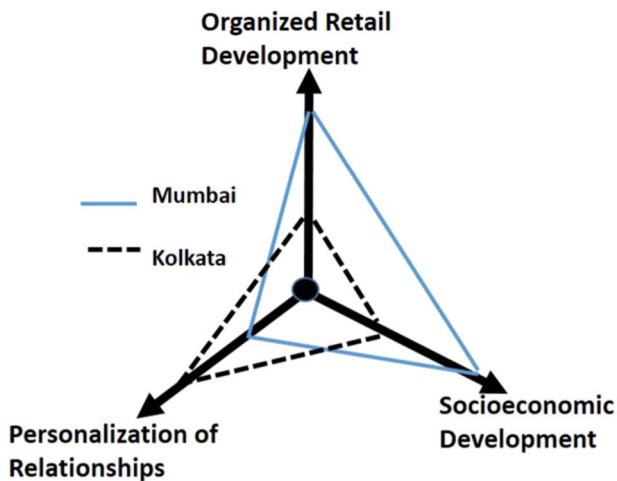


Fig. 4. Socioeconomic development, retail development & relationship personalization.

8. Implications and limitations

8.1. Challenges for organized retail

In the short term, STS (kirana) outlets are expected to dominate in India (The Economist, 2014). *Kirana's* neighborhood location, easy and informal credit, and other services out-compete large, organized retailers – despite the latter's superior attributes such as cleanliness, breadth and depth of offers, private label brands and lower prices. The survival of the STS sector – despite the entry of organized retailers – is not unique to India; it is evident in many emerging economies (Devonshire-Ellis & Shrivastava, 2012; Humphrey, 2007).

To secure their future, *Kirana* stores are attempting to leverage their neighborhood location by aligning themselves with ecommerce players such as *BigBasket* and *Amazon Kirana Now* for real-time delivery (Sahil, 2015). Hundreds of them are becoming sellers on the *Amazon* and *Flipcart* ecommerce platforms (Chanchani & Variyar, 2016). Because of the popularity of messaging applications such as WhatsApp – with over 160 million active users in India in 2016 (Sharma, 2016) – some *kiranas* are using this platform to promote products and receive orders as well as build relationships with customers. Similar WhatsApp-STS tactics are evident in Brazil (Saboia, 2016). Other neighborhood stores have adopted creative promotional and service strategies to build stronger relationships with their customers and to avoid price competition with large format stores (Bhatt, 2016). Some have upgraded and enlarged their stores to mimic the modern, larger stores and/or joined a network of similar stores to increase their logistical efficiencies (Agarwal, 2012).

Yet, the attraction of the emerging markets remains strong for organized retail despite the competitive strength of the neighborhood stores (Ben-Shabat et al., 2014). The strategies to gain dominance in these markets, however, need to consider the strengths and resilience of the traditional retailers.

Despite their long and inefficient supply systems, STS-kiranas remain viable and resilient and this constitutes a formidable barrier for organized retail. The assumptions of network resources and power – in procurement and retail distribution – that underlie the corporate model do not yet operate fully in India. The ability of MNC retailers to export domestically successful formats to foreign markets is limited (Christopherson, 2007); and in India, the ability of large-scale retail formats to engender mass consumer adoption is constrained. Because of flawed assumptions about 'format exportability', supermarkets by or modeled after MNC retail formats have similarly failed in many international markets (Ali & Faroque, 2017; Christopherson, 2007; Coe & Lee, 2013).

To compete with the competitive advantages of STS in emerging markets, innovations more suited to the socio-cultural context are

needed. Even local embeddedness as a strategy (Coe & Lee, 2013) is not enough for modern retail formats; it has to go further. The Tesco-Samsung joint venture in South Korea is an example, which – in addition to network resources – added new retail services and culture and community components to create an innovative model that provided a more enduring competitive advantage (Coe & Lee, 2013).

Small-format chain stores are likely to be more adaptive and successful in such settings. In Indonesia, such stores have been designed to mimic the customer experience from the more informal '*warungs*' (McKinsey and Co., 2015). The retail division of Reliance in India, for example, is trying to create neighborhood stores but is yet to 'crack the code crack the code for success in the small neighborhood retail store model' (Agarwal, 2012). As Tuttle (2016) noted about Walmart's lack of success with small format stores: "The goal was to deliver essentially the supercenter shopping experience in the smaller locations, but it was logistically impossible to offer the same selection and same low prices." The Future Group, India's most aggressive domestic retail group, is attempting to address the STS competition via indigenously tailored strategies. This group has launched an omni-channel strategy that includes multiple organized large store format brands, online retailing, own manufacturing and private labeling of food and toiletry items, as well as the creation of STS kirana style outlets that could number 3000 (Kamath, 2016; Shashidhar & Nevin, 2015). This omni-channel strategy also characterizes Tesco's own adaptation to the changing market in U.K., its home base (Kaul, 2014).

8.2. Theories of retail evolution

The STS vs. organized/modern competition in India is not just of practical interest; it challenges the established theories and concepts about retailing. Even though large format stores entered India much later than other emerging countries, India also benefits from the experiences of all other countries. Evolved from western experiences, theories of retail evolution – because of the greater complexity of indigenous competitive and economic environments – are not wholly transferable to contemporary emerging economies (Reynolds et al., 2007). In India, responses by traditional retailers – in the form of lower prices, expanded product lines, improved product display, home delivery and other services – appear to keep the large competitors from gaining significant consumer patronage (Joseph et al., 2008). STS competitors have also deployed digital technologies to procure goods from distant suppliers to reduce costs as well as creatively display a larger assortment of goods without increasing physical space (Maheshwari, 2015). The traditional retailers are thus able to provide value (both quality and lower price) and leapfrog into a whole new competitive space.

Newer theories of retail evolution are needed. These have to consider innovations outside the context of competing large, organized stores in terms of retail types (e.g., super-discounters) and retail assortments (e.g., 'category killers').

The development of a theory of retail evolution for India, and by extension to other large emerging economies, has to focus on the mutual ways of competing crafted by STS outlets and by large organized chains. The dimensionalities for building a retail evolution theory for India (and for emerging economies) are more numerous and complex than for the advanced the western world (Fig. 5). Theories of retail evolution for emerging economies have to bring in indigenously rooted economic, social and cultural analyses of competition and consumer behavior that cut across organized and STS outlets, and technological trajectories that are continually adjusting. For consumer behavior and organizational dynamics, for example, in case of India, the studies of Julien Cayla and associates provide strong and indigenous cultural insights (Cayla & Bhatnagar, 2017; Cayla & Elson, 2012; Cayla & Peñaloza, 2012) – and stepping stones for new theories. The paucity and recency of such work means that full-fledged retail evolution theories for emerging economies will require more time and effort.



Fig. 5. Dimensionalities of retail evolution: India, emerging economies.

8.3. Limitations

The focus of this paper was on consumer behavior at the traditional stores. The objective of the paper was to provide micro level data to describe and explain the competitive advantages of the traditional sector noted by other researchers (Humphrey, 2007; Reardon & Berdegué, 2002) who employed case studies or macro level analysis. While we gathered data from a large number of consumers (287 observations; 264 interviews, 8 accompanied trips), the heterogeneity of India prevents us from making gross generalizations about the evolution of retail trade in India.

We also did not consider the important role played by macro forces including Indian government regulations aimed at limiting the negative competitive impact of large scale, foreign-owned retail outlets – the fear of the ‘Walmart effect’ (Basker, 2007; Paruchiri, Baum, & Porter, 2009). Indian government has also learned from the experiences of other countries to not only protect the small stores and their employment and political power but also to promote large domestic firms investing in the retail sector (Dholakia, Dholakia, & Chattopadhyay, 2012) as well as Indian manufacturing, by enacting policies for domestic sourcing (Bailav & Jain, 2016).

9. Conclusions

India's retail sector is in the throes of massive and ongoing transformations, with forces at work from both ends of the store-size spectrum. The small kirana stores are introducing new services, technologies and services – to forestall customer migration to large modern stores. At the other end of the size-spectrum, large and organized sector retail chains – Indian owned as well as multinational – are attempting to create a larger presence in the retail sector, including attempts to mimic STS formats. Over the next few decades, the share of organized modern outlets in India's retail structure will increase – numerically and especially in terms of sales percentage – but millions of adaptive and nimble kirana outlets would survive and thrive as well. Thus, in India – and by extension in many emerging economies – the retail structure will not mirror the retail structure of the advanced western economies.

Our empirical evidence generated from four different cities in India illustrates the competitive strengths of the neighborhood stores. For marketing practitioners, in India and in similar major emerging economies, the need for continuous adaptation and innovation is self-evident; local adaptation and innovation will offer the only sure-footed way to navigate the competitive field. The academic challenge is to develop theories that are indigenously rooted in the evolving observed practices in the big emerging economies. The theoretical foundations that have developed from observed practices of North America and Europe need to be enlarged and supplemented by new theoretical

foundations derived from fieldwork in, and reflections from, the emerging economies. Knowledge flows would have to be adjusted so that they are not just from the West-to-the-Rest; but also in the opposite direction.

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