Co-operative Retailing: Interference of Consumerfed in Essential Goods Market in Kerala.

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ABSTRACT: *Retailing is considered as the largest sector both in contribution to GDP and employment among many countries in the world. It plays a predominant position in the economies of all developed countries. It has been one of the fastest growing sectors and contributes more than one-fourth of the GDP of many countries in the world. The sector contributes more than 20 percent employment in the world. Organised retailing is dominant in most of the European countries, USA, Canada, Australia, etc. In India this form of retailing is just started its growth and presently less than ten percent of total retail turn over. Co-operatives as peoples' organization have engaged in retailing activities in India around 1904 when the Triplicane Co-operative store started functioning in Madras. Then hundreds of co-operatives were staged functioning in the countryand became fullfeged peoples organisation by distributing consumer goods at lowest prices. Many Supermarkets having multi-million turnover are functioning in co-operative sector, like Apna Bazar in New Delhi. In 1964, the 28 State Co-operative Consumers' Federations were started in India. The Kerala State Co-operative Consumers Federation Ltd is the most prominent among them as it has more than 1232 consumer retail outlets in the state to supply consumer goods and to interfere the essential goods market. Here an attempt is done to describe the role played by them and effectiveness in their activities from customers' point of view.*

Keywords—Organized retailing, Co-operatives, government controlled agencies, essential goods, unorganized retailers, Targeted Public Distribution System, CONSUMERFED, price holding, Quality of goods.

I. INTRODUCTION

Retailing consists of sales of goods or merchandise from a fixed location such as department store or kiosk or by post in small or individual lots for direct consumption by the purchaser. A retailer buys goods or products in large quantities from manufacturers or importers either directly or through a wholesaler and then sells in small quantities to the end user. The retailer performs a specific work of acquiring large amount of products, dividing them into small consumable sections for selling them to the individual consumers. Retailing, one of the largest sectors in the Indian economy, is going through a period of exciting and dramatic change. A modern retailer should be innovative to cop up with modern technologies. He must satisfy his customers through supplying quality products with high quality services. Creating environmental conscious customers is also one of the inevitable future aims of retailers. Here, the researcher have done a descriptive study on the retailing effectiveness of The Kerala State Co-operative Consumers' Federation Ltd's consumer outlets known as Triveni supermarkets. Price of various goods as well as the quality of goods that they supplies and effectiveness of price control techniques are evaluated and assessed in the study.

II. OBJECTIVES OF THE STUDY

The specific objectives of the study are;
1. To understand the scenario of essential goods retailing in Kerala state.
2. To examine the price level of consumer goods supplied by the federation from consumers' perception.
3. To examine the quality of consumer goods supplied by the federation from consumers' perspective.
4. To assess the effectiveness of price control strategies of the federation based on consumer opnion.

III. METHODOLOGY

This study is descriptive in nature. A pre-tested questionnaire is used to collect data from customers of Triveni supermarkets. A multi-stage sampling method was followed to locate the respondents, where the state is divided in to three regions and one district each has been taken for the study. Multi-sampling procedure is suitable for marketing surveys and consumption pattern as the users are scattered and have psychographic differences[1]. Primary samples are collected from customers of all the stores at random procedure. 432 samples

were collected and analysed with the help suitable statistical methods such as one sample t-test and binomial test.

IV.   ESSENTIAL GOODS RETAILING IN KERALA

Retailing of essential consumer goods in Kerala is a subtle and relevant subject as Kerala is known more as a consumer state rather than a producer state. More than 90 percent of the consumer goods retailing in our state is performed through the unorganized small private sector retailers. They sell goods on traditional methods and unique in their own methods of distribution.It has been observed that they sell goods at high rates as they are prefer to make maximum return as possible. An exorbitant rise in consumer goods prices is one of the crucial problems to be solved by the state. Many of the private firms in this sector acts only for maximizing their returns. They are only interested in hiking prices even the periods of good harvest. People who have less income cannot afford the frequent rise in price of essentials. "A recent report of World Bank says that India ranks second in the world in malnutrition among children"[2].The report adds that malnutrition is not restricted to rural India. Urban too, where employment opportunities are leanings are far better, contributes in equal measure in this sorry situation. In these context, the role of government controlled agencies for supplying consumer goods at reasonable prices and quality is very important. In the mean time, customer expectations changed dramatically over the years as they would like to get quality goods at affordable prices.[3] Healthy existence of private and government agencies is an unavoidable one to protect the interest of consumers. Organised retailers are entering in to the retailing sector of India in a big way in recent years. Many of them are chain retailer and having control over suppliers and have adopted modern technologies in storage and promotion areas. Competitive existence of government controlled retailers is not possible unless and otherwise they neglect the trends of modern retailing.

The players of retail sector in Kerala for supplying essential consumer goods include the unorganized small retailers; state owned/controlled institutions and other large retailers.

Exhibit 1   Essential Goods Retailing in Kerala- Agencies
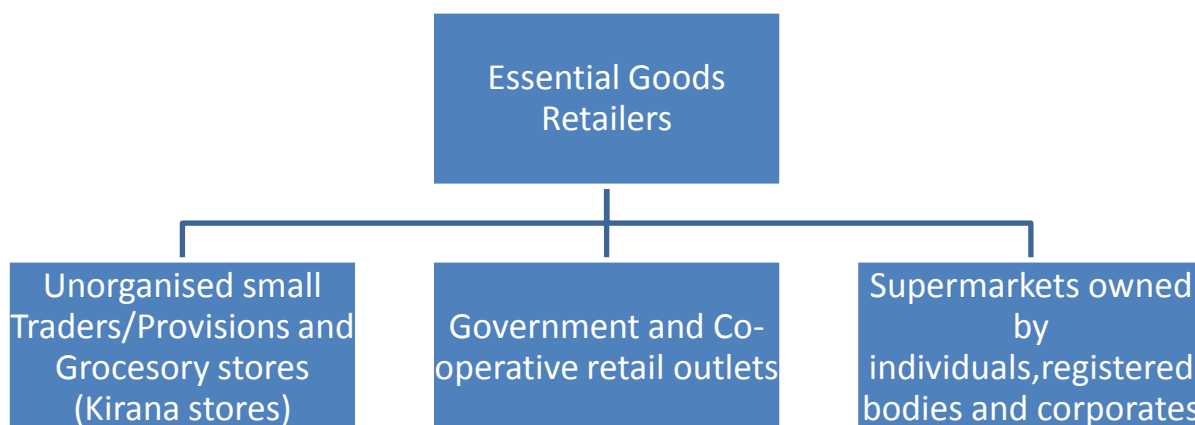
4.1 Small Retailers (unorganized)

Unorganized small retailers working in essential goods distribution are numerous in number in the state .As per the available statistics of traders' organizations, the number of retailers are about 4 lakhs and half of the retail outlets are food and grocery retailers. In many cases they deal only few goods and their stores are also very small in size. The average area of a kirana /traditional store in Kerala is less than 150 square feet. Most of these retail outlets are owned and operated by one man. About 90% of essential goods retailing is done by these traditional stores in Kerala. But, recently with the upcoming of government controlled supermarkets and private supermarkets, the role of traditional stores has been declining in the state. Unorganised small retailers sell goods at maximum retail prices, if printed on the package or based on the competitors price or based on the price which they paid for it. In many cases they have no role in determining the price of a product because a chain of wholesalers are there in between the retailers and producers. These small retailers offer more 'place utility' than supermarkets since they distributes goods at the very proximity of the customer.

4.2 State Controlled Retailers

State controlled arrangement for distributing essentials include ration shops under Targeted Public Distribution System (TDPS), Retail shops managed by The Kerala State Civil Supplies Corporation Ltd, Retail outlets owned by Kerala State Consumers Cooperative Consumer Federation Ltd and consumer stores owned by other co-operatives. Ration shops distribute only limited number of essential goods where as other shops controlled by state government provides almost all kinds essential goods to the public. It is believed that the aim of all these mechanism is to retail essentials at reasonable price and to regulate price of essential commodities. Studies revealed that many of these retail outlets distributes only few goods and are not able to regulate prices of essentials. According to the report on Central Vigilance Committee on Public Distribution System, February 2010, "that TPDS in Kerala is best in the country is a myth.PDS is of great relevance and importance in the state. About 75-80% of the APL card holders do not go to the ARDs for taking the ration items. The system lacks transparency, accountability, monitoring and enforcing" [4]

Table. No 1 shows the number of essential retailing shops controlled by government in the state.

Table 1 detail of the retail outlets controlled by government in the state to supply essential goods.

Particulars of outlets	No. of outlets as on 31-03-2012
Authorised ration retail depots	14250
Supplyco outlets	1511
Outlets owned by CONSUMERFED (Triveni stores and Nanma stores)	1250
Consumer stores controlled by other co-operatives (wholesale store -80 and consumer stores owned by primary co-operatives -900)	980

Source - Kerala State Co-operative Union.

4.3 Other Large Retailers

The third type of enterprise retails essential commodities are Margin free supermarkets and other private supermarkets .Some of these large retailers function as independent single store retailers and others are chain retailers having number of stores. They are comparatively large in size and offer wide choice of merchandise under one roof. More than 400 margin free supermarkets are working in the state, under Consumer Protection and Guidance Society, claimed to protect the interest of consumers. Hundreds of supermarkets are also recently opened even in small towns of the state by corporate as well as individuals. These large forms of retailing outlets are exactly a small version of large organized retailers functioning in developed countries such as USA, UK, France, etc. They are becoming large attraction in consumer goods distribution in the sense that they offer all goods needed under single roof. They follow well accepted retail strategies such as providing better customer service, usage of modern technologies, offer quality brands and well accepted inventory management techniques, etc. They all claim that they offer quality consumable products at prices lower than Maximum Retail Prices (MRP). It is observed that they can attract even lower middle income strata's because of their attractive and well planned retail strategy.

4.4 Co-operative Retailing in India

It was considered that temples of south India were managed through co-operatives in the 18th century. The Anonya Sahakari Mandal Cooperative Bank, Baroda was established in1889 in co-operative principles. Starting a cooperative union in Culcutta in 1903, the seeds of co-operative movement sowed in West Bengal. The Triplicate Urban Cooperative Society was started in 1904 in Madras. They started consumer store on the principles of Rockdale movement. The enactment of Co-operative Credit Societies Act, 1904 literarily boosted co-operative movement in India. It was the first official movement in India to flourish credit co-operatives in India. As a result thousands of agriculture credit co-operative societies were registered in all parts of India to provide agriculture credit to small and marginal farmers.

The co-operative movement in India completed 108 years in 2012.Co-operation is visualized as a way of life for the people-foundation of economic and political democracy. The Indian cooperative movement is probably the strongest and oldest among the developing countries. It is structured in the Rockdale and Raiffesien model for the wake of miseries of the peasantry and is termed as `Economic Miracle' of the last century.[5]

V.   KERALA STATE CO-OPERATIVE CONSUMERS' FEDERATION LTD.

Kerala State Co-operative Consumers' Federation Ltd. (CONSUMER FED) is the apex body of the consumers' co-operatives registered on 09.04.1965 and started functioning on 10.7.1965. 98   percent of its capital is contributed by the Kerala State Government and the rest by other member :-- District Wholesale Consumer Stores and Primary Co-operative Societies Cooperatives. CONSUMERFED, has a predominant role as it has 232 Triveni supermarkets, more than 1000 Neethi Medical stores, gas distribution centres having lakhs

of household customers and departmental customers including state government departments, local self government institutions, BSNL, Airport Authority of India, Thiruvananthapuram etc. In short, the Federation plays a significant role in the retailing sector of essential goods in the state.

In addition to the retailing activities, the Federation acts as a government agency for regulating price levels of essentials in the state. It supplies 20 to 35 essential commodities at subsidized rate to all ration card holders during important festival seasons in all over Kerala through its permanent as well as seasonal stores. Recently, the Federation started a number of consumer stores known as 'NANMA Stores' to supply selected essential consumer goods goods throughout the year at a subsidized rate to all ration card holders. ITRetail outlets of Consumerfed supplies vegetables at low prices to public as and when the government directed them to interfere the market by opening retail outlets at important centers. Through all these activities the Federation interferes the essential commodities market to ensure the supply food grains and other essential commodities at reasonable price in the state. The government of Kerala, especially during last few years interferes in the essential commodities market through the Federation by providing large amount as subsidies.

IV.   ANALYSIS AND RESULTS

Here, it is attempted to assess the consumers' opnion with respect to the price of goods and quality of goods supplied by the consumer federation in the state.

Price of goods –A comparative assessment between Triveni supermarkets and general market.

The success of any supermarket is based on some critical factors such as the price of their products, quality of products, quality of service, etc. Right pricing strategy and implementing it successfully is very critical in every business. ' Price is the amount of money charged for a product or service, or sum of the values that consumers exchange for the benefits of having or using the products or service'.[6] Since price produces revenue, other elements also depend upon it. Therefore, the evaluation of customer perception of price is very important. Here it is attempted to understand the price of goods supplied by Triveni. Based on the information supplied by customers of Triveni supermarkets, their opinion on price charged by the stores for their various consumer goods are compared with the general market prices.

6.1 Price of goods in Triveni supermarkets.

Price charged by a firm for various goods supplied by it is important to attract the new consumers as well as retain existing customers. Customers, normally compares the price of a particular product charged by a firm with the price of same type goods supplied by different counterparts or with the average price in the market. As the supermarkets of CONSUMERFED is organized for supplying consumer goods at cheaper prices to the public ,they should supply goods at cheaper prices than other retailers in the market. To assess whether the supermarkets of the federation supplies consumer goods at a cheaper price other retailers, the frequency of consumers agreeing this is collected. The binomial test procedure compares the observed frequencies of the two categories of dichotomous variable to the frequencies of the binomial distribution which specified probability parameter. Taking this parameter as .5, the test results in most useful information.

Frequencies of agreement to the belief that Triveni supermarkets supplies consumer goods at cheaper compared to that of expected frequency of binomial test with parameter .5 is tested. The hypothesis for this purpose is

H $_0$: There is no difference between observed distribution and binomial distribution of Consumers' opinion on price of goods in Triveni supermarkets with parameter .5.

H $_1$: There is difference between observed distribution and binomial distribution of Consumers' opinion on price of goods in Triveni supermarkets with parameter .5.

Table. 2 Consumers' opinion on price of goods in Triveni supermarkets

Binomial Test for price of goods in Triveni stores						
		Category	N	Observed Prop.	Test Prop.	Asymp. Sig. (2-tailed)
Triveni supplies goods at cheaper than general market	Group 1	Yes	425	.98	.50	.000[a]
	Group 2	No	7	.02		
	Total		432	1.00		
a. Based on Z Approximation.						

Source   - Primary data

As per the binomial test (table 2), the null hypothesis is rejected at 5 percent level of significance suggesting that the distribution is different. Observing the observed proportion to .98. It clearly shows that there is a big agreement to the notion that Triveni supermarkets supplies goods at cheaper price than the prices prevails in the general market .

6.2 Price of goods in Triveni stores –customer rating

It has been observed that the price level of various essential commodities in the state is increasing day by day. One of the reasons for this vicious problem is because of ineffectiveness of enterprises which are entrusted to duty to control prices level changes. Triveni consumer outlets is one these enterprises to control and regulate the price level changes of essential goods. Now, it is considered relevant to assess the opinion of consumers of Triveni stores about the price it charged on various goods when considered with the neighborhood stores . To assess the range of price charged by Triveni supermarkets as per their customers' perception, the opinion of them were collected and assessed under 7 point Likerts scale, where 7 =highest price and1= lowest price. One sample t- test is used test whether significant deviations were exists between the observed mean and tested mean. When the population mean cannot be arrived, an assumed mean is indeed to test the hypothesis.[7]

Hypothesis

H_0: **There is no difference between the observed mean from 4.**

H_1: **There is difference between the observed mean from 4.**

Table.3   Price of goods in Triveni stores –customer rating

One-Sample Statistics					
	N	Mean	Std. Deviation	t-value	Sig. (2-tailed)
Price of food grains	432	2.6597	.71604	-38.904	.000
Price of other convenience goods	432	2.8056	.80841	-30.710	.000

Table -3, depicts the mean scores of ratings of customers , tandard deviations , t-values and the sig.level. For assessing the opinion of customers of Triveni supermarkets ,the goods that they sell were divided into two classes - food grains and other convenience goods. The mean scores obtained were 'Price of food grains'(2.6597) and 'Price of other convenience goods' (2.8056).This clearly shows that Triveni stores charges low prices for both class of goods .But the price of food grains were lower than the price of other convenience goods as per the ratings of customers. Here the null hypothesis is rejected as the P value is less than.05.

6.3 Quality of goods in Triveni stores –customer rating

To assess the range of quality of goods of the Triveni supermarkets as per their customers' perception, the opinion of them were collected and assessed under 7 point Likerts scale, where 7 =highest price and1= lowest price. One sample t- test is used test whether significant deviations were exists between the observed mean and tested mean. Central value of the scale is taken as norm for testing hypothesis.

Hypothesis

H_0: **There is no difference between the observed mean from 4.**

H_1: **There is difference between the observed mean from 4**

Table - 4. Quality of goods in Triveni supermarkets -customer rating

One-Sample Statistics Test value=4					
	N	Mean	Std. Deviation	t-value	Sig. (2-tailed)
Quality of food grains	432	5.187	.71704	34.405	.000
Quality of other convenience goods	432	5.331	.6774	40.851	.000

Source –primary data

Table -4, depicts the mean scores of ratings of customers, standard deviations ,t-values and the sig.level in respect of quality of goods supplied by Triveni stores.. For assessing the opinion of customers of Triveni supermarkets, the goods that they sell were divided into two clasess- food grains and other convenience goods. The mean scores obtained are 'quality of food grains'(5.187) and 'Quality of other convenience goods'

(5.331).This clearly shows that Triveni stores distributes high quality merchandise as the customer opinion is above the neutral level (4).But the quality of food grains were lower than the quality of other convenience goods as per the ratings of customers. Here also the null hypothesis is rejected at 5 percent level of significance and concluded that CONSUMERFED stores supply quality goods as per customer rating.

6.4 Consumers' opinion on holding price levels of essentials by Triveni stores

This part of the study is intended to assess the role played by Triveni supermarkets in holding the price levels of essentials by evaluating the opinion of customers of Triveni stores. To assess the impact on the role played by the Triveni stores in holding the price levels of food grains and provisions, the frequency of customers agreeing to this is collected. The binomial test procedure compares the observed frequencies of the two categories of dichotomous variable to the frequencies of the binomial distribution which specified probability parameter. Taking this parameter as .5 , the test results in a most useful information.

Table-5   Consumer opinion on the role of Triveni stores in holding price levels of essentials

Binomial Test						
		Category	N	Observed Prop.	Test Prop.	Asymp. Sig. (2-tailed)
Can tri hold the price levels of food grains and provisions	Group 1	Yes	394	.91	.50	.000[a]
	Group 2	No	38	.09		
	Total		432	1.00		
a. Based on Z Approximation.						

Source - primary data

The frequencies of agreement to the notion that Triveni supermarkets holds the price levels of food grains and provisions in the places where they operate compared to that of expected frequency of binomial test with parameter .5 is tested.The hypothesis for this purpose is

H $_0$: There is no difference between observed distribution and binomial distribution Consumer opinion on the role of Triveni stores in holding price levels of essentials with parameter .5.
H $_1$: There is difference between observed distribution and binomial distribution Consumer opinion on the role of Triveni stores in holding price levels of essentials with parameter .5.

As per the binomial test (table 5), the null hypothesis is rejected at 5 percent level of significance suggesting that the distribution is different. Observing the observed proportion to .91.It led to the conclusion that there is a high agreement to the notion that Triveni supermarkets could hold the price levels of food grains and provisions at the places where they operate.

VII.   FINDINGS AND CONCLUSION
Following findings are arrived from the study.
I.   A large number of retail outlets are controlled by the state government in Kerala to distribute essential commodities to the public. These network together control the price of goods in the state at a minimum level through selling goods at low rates. Among them the CONSUMERFED retail outlets have a predominant role.
II.   The study clearly shows that there is a big agreement to the notion that Triveni supermarkets supplies goods at cheaper price than the prices prevails in the general market.
III.   The customer rating shows that the price level in Triveni stores is very low for food grains and convenience goods (the mean values are 2.8 and 2.6 respectively).
IV.   The customers opinion clearly shows that Triveni stores distributes high quality merchandise as the customer opinion is above the neutral level (4). But the quality of food grains were lower than the quality of other convenience goods as per the ratings of customers
V.   There is a high level of agreement to the notion that Triveni supermarkets could hold the price levels of food grains and provisions at the places where they operate.

The role of Triveni stores and special stores of The Kerala State Co-operative Consumers' Federation is too important to retain the price levels at minimum for essential goods. As this is for the public interest, the goverment as well as public together will take initiative to retain these type of enterprises.They have to further listen to satisfy customers by providing quality goods and services. Further reseach will be needed to point out the management problems of these enterprises.

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