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Case Study NJMIS

Linked Case Studies Involving Traditional Kirana Stores, Department Stores, and Customers: A Study of Acceptability of Digital Marketing in the Backdrop of COVID-19

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Abstract

Indian retail sector is going through an enormous change mainly in cities and towns in the new COVID-19 scenario. Organised retail formats, which include malls, hypermarkets, supermarkets, and departmental stores, have gained importance over the last two decades. Small traditional local kirana stores have faced a lot of competition from this organized sector. Customers too have been trying to cope with these new paradigms in the retail sector. The role of digital platforms is becoming increasingly important for all the three stakeholders. It is obvious that experience gained during the pandemic is going to play a critical role in the retail sector of the future. In this paper, a case study is presented from a POV (point-of-view) concept that links the three major stakeholders in the current COVID-19 scenario related to acceptability of digitalization in business. We begin with a case study of a neighbourhood traditional kirana store that initiates the usage of digital platforms to retain and expand its business, but faces stiff competition from another modern departmental store in the neighbourhood, which is better equipped to use digital platforms for its business. Finally, the third stakeholder, the customer, also tries to adapt to digital platforms and re-evaluates its relationship with the two kinds of stores. The case study presents three linked case studies with the three stakeholders and attempts to address the main issues that guide business strategy for the two types of stores and decisions of the customers. The goal of the case study is to understand how the two types of stores adopt and utilize digital platforms for managing finance and merchandising, and the graded acceptability of the customers to these new practices in the backdrop of COVID-19. It is expected that the answers that emerge from these linked case studies will lead to best practices in the retail sector.

Keywords: Retail sector, Kirana stores, Departmental stores, Digital platforms, Customer perceptions

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INTRODUCTION

Case studies in retail management help to understand different aspects of retail in detail and provide insights into consumer behaviour, merchandising, location of stores, in-store experiences, promotional aspects, and digitalisation and use of technology. Case study developed based on research focuses on various issues and challenges in the retail industry and finds probable solutions. Retail case studies bridge the gap between theory and practice. In the following, we survey some papers from the literature related to case studies in retail management.

Kumar et al. [1] in their paper focussed on popularity of a few models of corporate stores among consumers in spite of adopting several techniques by all stores to satisfy customers. They tried to find out major difference among corporate retail stores in Vijayawada in consumer preference and choices. Findings of this paper are expected to be guidelines for other retail stores for efficient business and satisfying customers. Peker et al. [2] in their case study has suggested a new REM model called LREMP and discussed customer segmentation in grocery retail stores based on combining and clustering for customer segmentation. This research was carried out in Turkey. This study suggested that customers can be classified as “high-contribution loyal customers”, “low-contribution loyal customers”, “uncertain customers”, “high-spending lost customers”, and “low-spending lost customers”, based on this new model. This result could help retailers to take decisions related to customers more effectively. Lamba and Pollock [3] in their research paper has indicated the need of digitalisation in retail for better performance and decision making and investigated the importance to build up a structural framework for increasing the process of digitalisation in retail industry. This is expected to have a long term effect and to benefit suppliers, retailers, consumers and employees. The paper analyzes the need to develop a structural framework for enhancing the process of ‘digitization’ in the retail industry, which in turn would be beneficial, as it would have far reaching effects on suppliers, retailers, consumers and employees. Tripathi et al. [4] in their paper has expressed their objective to forecast the changes in Indian retail. Through exploratory research with selected attributes it was found that consumer mostly preferred lifestyle centre over shopping mall. But in case of attributes related to ease and safety, shopping malls were preferred by consumer. Result of comparative analysis presented in this paper can be useful to predict the next retail transformation in India. Sinha and Sainy [5] in their paper have focussed on the ineffectiveness of small fashion retailers strategy during COVID-19. These authors put forward a fuzzy probability-based brand portfolio optimization model to reveal the usefulness of their model through a case study on small fashion retailers (SFR). This model can not only help increase inventory turnover ratio of SFR, but grouping strategy could help identify competitive brands for a local band. Kumar and Ayodeji [6] in their paper have identified factors needed to be considered by new entrants for the success of online stores. This research has also mentioned about factors having negative impact on success of online retailers. These authors have given importance on technology, government policy and marketing channels are the most important perspectives.

COVID-19 badly hit the retail industry all over the globe. Big or small, traditional or modern, all retail business had to face several challenges during pandemic due to spread of the Corona virus. Retail business dealing with groceries and essential items could still continue their business in a way better than the other retail sectors. Though, for the last few years, a sharp growth was noticed for modern retail in India, pandemic has imposed lot of changes in this sector and small kirana stores started getting more importance. The main stakeholders in this scenario are the small kirana stores, the modern departmental stores, and their customers. The primary issue that we intend to study is the impact of digital platform and its adaptability and acceptance among the three stakeholders. The following case study takes a point-of-view approach of linked case studies that involve all the stakeholders.

Linked Case Studies Involving Traditional Kirana Stores, Department Stores, and Customers

Kirana Stores

Anjulal was living in Bangalore for last 20 years. He had come from Kerala and started a small grocery store – AKV Store - in an upcoming residential area in North Bangalore. He was finding it difficult to manage his business alone as he had to manage every aspect of his shop. His brother came from Kerala and joined him. Both brothers had good mutual understanding and divided their activities related to the shop. Customers from nearby localities started coming to buy groceries, fresh vegetables, and items of daily use from AKV store. They found items were fairly priced and fresh. His customer base started growing as he started accepting order over telephone and delivering at the customers’ door steps as per their convenience. Though two more small stores came up in the same area but Mr. Anjulal was confident about not losing his customers. He believed that maintaining good quality of items will stop his customers from buying from other stores. But he did lose 20% of his regular customers as they started buying from other two stores. In between he got married and his wife also joined his business. His brother wanted to move out and start his own business. He helped his brother to start his own similar store two kilometres away. Anjulal and his wife were managing quite well as Anjulal was looking after outside activities and his wife was taking care of the store. They kept more items in their store and regular customers were happy with their dealings. However, in his stores the financial transactions were through cash as he did not possess a POS credit card machine and did not feel the need for it. A few months later, a departmental store – DailyNeeds - came up on the same road. Initially, Anjulal was over-confident and did not pay much attention. But at some point of time it became difficult to compete with this new departmental store. Customers started changing their shopping destination as they could find several branded items with good packaging under one roof in a comfortable friendly environment. Total sales revenue of AKV store started falling. Overhead expenses were a big burden. It became difficult to keep the shop open for more than four hours a day.

COVID-19 changed Anjulal's luck. During pandemic people started avoiding big stores and preferred kirana stores. He worked hard and took opportunity of this situation. Following all Covid norms he was running his business. However, the customers were concerned about physical contact during cash payment. Anjulal decided to explore using digital platform that he could access through his phone without any additional expenses. He started accepting orders through Whatsapp and payment through Google pay. Within a few days he got back many of his old customers and they placed orders with him. Credits were not extended to customers. There was no risk of bad debts. In this way, he managed to recover his business with the help of digital platform such as Whatsapp and Google pay.

Departmental Store

The modern departmental store DailyNeeds started its operation in the same neighbourhood almost after a few months. This store was owned by a family from Rajasthan. The whole family was involved in this business. Sanjay, the owner, was managing this store quite well with strong support from his father and grandfather, who helped him to run the store. They started their business in a two storied rental premise. A wide range of consumer goods were kept at different areas of the store. Good merchandising management made it convenient for customers to find out products easily. DailyNeeds started operating on self-service basis, prices were comparatively lower. The shop was listed in various internet on-line listings. Customers could use modes of payment Via Cash, Debit Cards, Cheques, Credit Card, google pay and henc DailyNeeds was using the digitalplatform right from the beginning. The store was also open seven days from 9 AM to 9 PM. Sanjay allowed fast food vendors to sell Panipuri and Momos in front of his store which was another attraction, especially for young customers. Though they expected to earn good profit but could not reach their target. Rent for this premise was high and operating costs were not getting recovered from revenue on regular basis. High employee turnover due to low salary did not allow this store to build personal relationship with their customer. Finally, Sanjay sold his business to a family from Kerala and opened another store in some other area. The new owner of DailyNeeds paid attention to in-store marketing and adopted a few promotional strategies to attract customers. They started developing channels of communication to enhance customer awareness through marketing and public relation programs and to offer customer service that guarantees a better shopping experience. Business started growing after implementing these strategies.

But effect of global pandemic hit DailyNeeds badly. Customers were scared to enter into this confined store as people were at a great risk for infection. Lockdown by government to avoid spreading of COVID-19 brought more challenges to the store. Huge amount of capital was invested but profit margin started falling. The store had to pay more attention towards best practices in the time of COVID-19. They started home delivery with digital payments, limiting the number of customers accessing the store physically. This helped is boosting their sales. But since, the neighbourhood Kirana store was also exploiting similar methods, the completion was stiff.

Customers

Initially, customers in this neighbourhood were quite happy with AKV stores. Good personal relationship and understanding existed between shopkeeper and customers. Proximity to the store also encouraged customers to continue shopping from this small Kirana store till DailyNeeds was opened on the same road. Branded products, price offers, discounts, packaged items, varieties and environment attracted customers to visit new stores. A small group of customers completely shifted to new store while majority of them were buying from both stores as per their requirements and another small group continued buying from AKV stores. Customers had to select DailyNeeds for Sunday evening shopping as AKV store closed down by 1 PM. A few customers preferred digital payment through credit cards but most were doing cash transactions.

COVID-19 had strong impact on consumer behaviour. Customers had to change their mode of shopping and payment. They preferred home delivery and many shifted to using digital platforms such as credit cards and app based payments. Because of this for many customers the departmental stores held not many additional attractions over those offered by the Kirana store.

Major Issues and Questions

Lockdown in 2020 during the pandemic had brought a lot of challenges for AKVstore, DailyNeeds and neighbourhood customers. The following questions arise:

(a) Was AKV store able to adapt to the situation caused by the pandemic?
(b) How successful was the DailyNeeds' strategy in this scenario?
(c) What more could both of them have done to improve their revenue?
(d) What were the changes that customers brought about in their shopping behaviour in terms of ordering and payment?
(e) What could the stores have done to make their customers' experience stress-free?
(f) Did availability of digital platform play a major role to this situation?

Solutions and Suggestions

Was AKV Store Able to Adapt to the Situation Caused by the Pandemic

This study analysed the situation and found out that initially Anjulal was not able to manage the situation. Customers were disappointed as they were not able to buy their daily items smoothly due to shortage in supply. He was worried about this disequilibrium. AKV store was closed down for one week. After reopening his store, Anjulal changed his strategy He had put a safety band on footpath to restrict customers movement outside his store. He started accepting order through whatsapp messages, delivering at door steps and accepting payment through google pay. Though he was opening his store for couple of hours to reduce overhead expenses, his business was improving. Customers started depending on him and his stores. He was not storing too many items in his store but bought from market as per list sent through messages and supplied to families residing in the same area. The Karnataka Government has announced lockdown (2021) to reduce adverse effect of second wave of Corona virus. During this present lockdown, shops are allowed to open only from 7AM to 10 AM. Anjulal has requested all his customers to place order through whatsapp. Everyday around 10 PM he checks all order lists on phone, sends list for groceries to his suppliers to be delivered to his shop by next day morning next day early morning he goes to wholesale market to bring fresh fruits and vegetables. His wife opens store around 7 AM and starts selling milk. Mr. Anjulal returns to store, starts home deliveries and wife attends customers at shop besides helping her husband to pack for home deliveries. This model has helped Mr. Anjulal to run his business with moderate profit. According to him people are spending more to buy essential items from his store than usual.

How Successful was the DailyNeeds' Strategy in this Scenario?

The DailyNeeds had to face different challenges as customers were refusing to enter into a closed environment. They had huge stock of groceries and other items but not able to sell. There was a sharp dip in footfall. Before COVID-19 pandemic the store used to get 75–100 customers on an average on weekdays and about 200 customers on weekends. Hardly 10 customers were coming to stores during lockdown. They had to throw perishable items and started reducing the prices of other items to get rid of stocks. They followed best practices in their stores, started following Covid norms. They kept hand sanitiser at the entrance, did not allow more than five customers at the same time, allowed people inside stores only with face mask, drew circles near cash counter to maintain social distance. They started marketing activities required for this situation, accepting order through whatsapp messages and email, informing about time slots for collecting ordered items from outside the store without entering, and home delivery. All these efforts definitely helped this store but they could not recover much. Last three months of 2020 brought better situation for this store. Current lockdown (2021) has brought back lot of challenges. They had to concentrate on new strategies. They have started home deliveries within 2 KMs. NGOs involved in supplying food and other essential items to BPL and to COVID-19 patients, front line workers are buying from DailyNeeds as this store is offering special discounts on NGOs purchases. The state government has permitted recently grocery stores to remain open till noon. Adhereing to this norm, the store is encouraging customers to visit at some specified time as per token issued to avoid overcrowding. To draw customers attention, a notice board is hung with a reminder note that there is no evidence of spreading virus through food or food packaging.

What More could Both of them have done to Improve their Revenue?

To improve their revenue both store had to take few more steps. Whether AKV store or DailyNeeds could have given more importance on digital and omnichannel strategies over physical and direct contact with customers. AKV stores needed to deal with more branded and packed products with offers while DailyNeeds should have given importance on cross ventilation in their store and showing their products virtually to their customers for proper selection of products.

What were the Changes that Customers Brought about in their Shopping Behaviour in terms of Ordering and Payment?

Though customers had habit to carry some cash to buy vegetables and fruits but during pandemic customers preferred contactless payment. Customer even preferred home delivery or collecting groceries from outside departmental store. It was observed instead of frequent buying, most of the households were ordering once or twice in a week using online facilities. Few customers completely opted online shopping but aged people preferred to buy from these stores.

What could the Stores have done to make their Customers' Experience Stress-free?

To make their customers' experience stress-free, stores should have highlighted more importance on precautionary measures and sanitisation drive.

Did Availability of Digital Platform Play a Major Role to this Situation?

Digital platform helped all stakeholders to fulfil their objectives whether as a seller or buyer in this situation.

Teaching Notes

Target group

The target learning group is postgraduate management students with marketing specialisation. They can understand POV (point-of-view) concept that links the three major stakeholders in the current COVID-19 scenario related to acceptability of digitalization in business.

Learning Objectives

- To understand how the two types of stores adopt and utilize digital platforms for managing finance and merchandising.

- To understand the graded acceptability of the customers to these new practices in the backdrop of COVID-19.
- To understand the concept of POV based linked case study.
- We hope that the answers that emerge from these linked case studies will lead to best practices in the retail sector.

Questions for Discussion

Already discussed above in the case study based on major issues.

Possible answers to the above questions

Already discussed above in case study giving suggestions and solutions.

Relevant Theory for discussion

Students can be asked to use SWOT analysis which can give better understanding of this case study. Analysis of internal factors will reveal strengths (S) and weaknesses (W) and external factors show opportunities (O) and threats (T) of AKV store and DailyNeeds. This analysis can support the decisions taken by these two stores and can open up more ideas for other retail organisations. Contemporary models can be referred for understanding consumer behaviour in this case study.

CONCLUSIONS

This linked case study provided a holistic approach to a common scenario through the experiences of each stakeholder. We hope that this paradigm of case study will encourage others to address scenarios in a holistic manner rather than in a segregated analysis, especially when stakeholders are all affected severely by an incident like the COVID 19 pandemic that has a gobal disruptive effect.

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