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A CONSUMER VIEW OF COOPERATIVE OUTLETS

A Report of Small-Scale Studies in  
Bombay and Ahmedabad

by  
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### Introduction

The consumer cooperative system is the country's largest single distributive organisation of consumer products embracing agricultural produce as well as manufactured consumer goods. In 1974-75, consumer Coops.\* had a retail sales turnover of over Rs.400 crores. In the last year of the Fifth Plan, i.e. 1978-79 they will have an estimated annual turnover of Rs.600 crores.

One is tempted to draw the analogy of the powerful chain stores of the West. With such enormous buying power concentrated in one source, it is possible for the consumer cooperative system to devise buying, pricing and other retailing policies which would give the maximum advantage to individual consumers, and also "to undertake effective market intervention in time of need". (1)

Pursuing the analogy further, it is possible for the National Cooperative Consumers Federation (NCCF), the apex body, to manage its 'chain' in such a manner that consumers by and large would develop strong perceptions that they get a better deal and better service at Coop. outlets at all times. At any rate this is the objective.

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(\*Coop. is used henceforth as abbreviation for Cooperative Store)

"It is expected that ... the consumer cooperatives will be able to obtain a dominant place in the public distribution system and exercise healthy influence on the retail trade ...

"If the image of the consumer cooperatives is built up on a sound foundation of fair prices and pure quality, and supported by effective selling techniques, they would be able to earn a permanent place in the distribution system." (NCCF publication).

Note the concept of a "permanent place in the distribution system".

Other observers doubt if such a "permanent place" can be achieved by Coops.

"When products are in plenty cooperatives will find it difficult to compete with the normal retail trade and can survive only with heavy Government subsidy which is a costly diversion of public finance that is meant for development."<sup>(2)</sup>

(Mr. T. Thomas, Chairman, Hindustan Lever Ltd.)

The same speaker also stated his view that consumer coops. are "very much a creature of shortages. They flourish during shortages and tend to wither away in times of plenty". In his opinion, "another area of weaknesses was the quality of customer service which in many cases is somewhat impersonal compared to private trade."

We thus have two very different points of view regarding the capabilities of the Consumer Coop. System. On the one hand the Coop. system has enormous potential power to serve and protect the consumer; on the other, there seem to be strong skeptical views in knowledgeable circles of its ability to do so.

In all this debate what is the consumer's view?

Consumer Cooperative Stores have been studied "from the inside", i.e. in terms of their sales, viability and other operational aspects. To the best of my knowledge very few formal studies have been made from "the outside" i.e. looking at Coops. from the point of view of the consumer, the ultimate beneficiary.

One study published in 1975 gives us a profile of customers of a Coop. department store and some information on reasons for patronage or non-patronage. (3)

This paper is based on two pilot studies which were conducted in July and August, 1976 among samples of consumers in Bombay and Ahmedabad to assess their perceptions and images of the particular Coop. (in their locality/where they shopped) and Coops. in general. It was hoped that these findings would generate some useful hypotheses which could be further researched and which would have a bearing on policy decisions for the future growth and management of Consumer Cooperative outlets.

It should be noted that this study was carried out at a time of comparative plenty. That is, the Coops. enjoyed no special advantage in the eyes of the consumer as they would do in a period of shortages.

Research Objectives:

The main research objectives were to ascertain:

- 1) Awareness of Coops. and views about benefits of membership
- 2) Image rating of the particular Coop. Store and of Coops. in general along the dimension of:
  - prices of goods
  - purity/adulteration
  - availability of goods and choice
  - efficiency and courtesy of service
  - attractiveness of display
  - convenience of location
- 3) Comparison of these images with those of private stores
- 4) The bundle of purchases usually made from the Coop. vis-a-vis private stores.

Pilot Study I was conducted among a random sample of 100 households within a short radius of a Coop. Store in Parel, Bombay. The housewife was the respondent.

Pilot Study II was conducted among a random sample of 100 shoppers at Apna Bazar, Lal Darwaza, Ahmedabad, spread over six days of the week.

Given such small-scale studies it is rash to generalise. As mentioned earlier, it was the intention to stimulate hypotheses which could be tested on a larger scale. Further, the Superibaug Coop. Store in Parel, Bombay, which was chosen for this study, is an old and well-established store. While we may not project the findings, they would at least indicate the kind of consumer perception which a well-run Coop. Store could create in competition with private trade.

contd.

Summary Findings: Pilot Study I, Parel, Bombay

One hundred housewives were interviewed at random from households within 5 minutes' walking distance of the store. The store serves a population of approximately 25,000 and is situated in a working class-cum-middle class locality. Summary information and comments follow. The detailed tables will be found in the Appendix.

Among the respondents it was found that:

98% were aware of the locality Coop.

60% were shoppers at the Coop.

26% were members of the Coop.

Thus many more non-members shopped at the Coop. than members. Of the 26 members, 62% said that "there was no special benefit from membership".

The demographic profile of shoppers vs non-shoppers shows that shoppers are of a slightly lower socio-economic status.

Table A: Profile of Respondents

	<u>Shoppers</u>	<u>Non-Shoppers</u>
	%	%
Monthly Family Exp. upto Rs. 750	64	55
Above Rs. 750	36	45
Blue Collar	22	20
White Collar	30	40
Higher Occupations	48	40



The table below shows the reason for shopping and non-shopping. We see that the main reasons for shopping at this Coop. are "non adulteration", convenient location and reasonable prices. The two significant reasons for non-shopping seem to be location (this store, as mentioned, serves a population of 25,000 while the NCCF's target is to have one retail store per 10,000 urban population); and a belief that prices are "high or the same" as in private stores.

Table B: Reasons for Shopping at Coop.  
(N= 60)

	%
Good quality/non-adulteration	71
Conveniently located	63
Lower/reasonable prices	61

Reasons for non-shopping  
(N = 40)

Far from home	55
Prices high/same	20
No credit	2

The table below shows a marked difference between products habitually purchased from this or other Coop. Store and those bought from private stores. It is evident that further studies of this nature, by class of Coop. outlet, can help to formulate product-mix decisions for store managements.

Table C: Shopping List

	Purchased from	
	<u>Coop. only</u> %	<u>Pvt. Store only</u> %
Dals, pulses	64	34
Spices, sugar	53	44
Cooking oil, vanaspati	50	45
Washing products	49	49
Toiletries	47	53
Packaged foods	32	59
Other Mfd. goods	23	77
Tonics/common drugs	15	83
Cloth*/garments	15	68

(\*One should note that the Coop. store stocked controlled cloth)

The interviewer then said: "I am going to read out a few statements made by other about Coop. stores in general. Please tell me if you agree or disagree."

The table below compares responses of shoppers and non-shoppers.

For the detailed statements please see the Appendix. The "can't say" figures have been excluded from this summary.

Table D: Perceptions about Coops.

<u>Summary Statement</u>		<u>Strongly Agree</u>	<u>Agree</u>	<u>Disagree</u>	<u>Strongly Disagree</u>
		%	%	%	%
<u>No Adulteration:</u>	Shoppers	52	45	3	-
	Non-Shoppers	23	57	20	-
		90		10	
<u>Wide Choice:</u>	Shoppers	42	52	6	-
	Non-shoppers	25	57	12	3
		89		10	
<u>Prices Lower:</u>	Shoppers	57	22	20	1
	Non-shoppers	20	35	43	-
		69		30	
<u>Things easily available:</u>	Shoppers	65	33	2	-
	Non-Shoppers	30	62	5	-
		96		3	

Notice the high measure of agreement about non-adulteration/purity of articles which is being fed back by non-shoppers as well. Also, about ready availability of products and choice. (Remember, this was a period of comfortable supplies.) On the other hand, this score drops sharply among non-shoppers on the issue of "prices at the Coop. are lower than in private stores".

The respondents were then asked to state their agreement or disagreement with the same set of statements in regard to private stores.

The total responses from shoppers and non-shoppers are noted below; for comparison, the total responses regarding Coops. are also shown

in this table.

Table E: A Comparison of Images

		<u>Agree</u>	<u>Disagree</u>
		%	%
<u>No adulteration:</u>	Coop.	90	10
	Pvt. Store	27	73
Things are			
<u>*easily available:</u>	Coop.	96	3
	Pvt. Stores	89	11
<u>Salesmen courteous:</u>	Coop.	92	4
	Pvt. Store	93	5
<u>Efficient service:</u>	Coop.	80	17
	Pvt. Store	91	8
<u>Attractively</u>			
<u>arranged:</u>	Coop.	84	14
	Pvt. Store	89	11
<u>Wide choice:</u>	Coop.	89	10
	Pvt. Store	94	6
<u>Convenient location:</u>	Coop.	83	17
	Pvt. Store	94	6

(\*Remember, this survey was conducted during a period of plenty)

In the consumer view, the private retailer appears to be a habitual adulterator. And it is notable that consumers give this feedback even in a period of plenty.

When Coops. undertake retail store promotion it would be well to remember that 'non-adulteration' is the strongest image advantage which they enjoy.

The fairly positive rating which Coops. seem to enjoy in regard to "courtesy of salesman" and "efficient service" is remarkable. This is quite possibly related to respondents' experience of the Superibaug Coop. which may be somewhat exceptional. However, this finding would suggest that managerial inputs in this direction can yield results and it is quite possible to overcome this serious image deficiency within the framework of the Coop. system.

A similar picture emerges in response to a direct question: "How would you compare this Coop. store with other stores in your neighbourhood?"

Table F

<u>aspect/comparative views</u>	<u>Shop- pers %</u>	<u>Non- Shoppers %</u>	<u>Total %</u>
<u>price of articles</u>			
lower in this coop. store	72	50	63
higher	3	3	3
about the same	25	47	34
	<u>100</u>	<u>100</u>	<u>100</u>
<u>choice and variety of brands &amp; sizes</u>			
wider in this Coop. store	35	29	33
wider in other stores	7	18	11
same in both	58	50	55
can't say	-	3	1
	<u>100</u>	<u>100</u>	<u>100</u>
<u>service</u>			
better in this Coop. store	38	19	31
better in other stores	13	29	19
same in both	47	47	47
can't say	2	5	3
	<u>100</u>	<u>100</u>	<u>100</u>
<u>confidence about non-adulteration</u>			
more in this Coop. store	80	68	76
more in other stores	-	11	4
same in both	20	21	20
	<u>100</u>	<u>100</u>	<u>100</u>

We again get a somewhat negative image of the Coop. on "prices of articles" from non-shoppers. On "service", about one-third of respondents think the Coop. is superior and about 50% rate it on par with "other stores".

Summary of Findings: Pilot Study II, Apna Bazar, Ahmedabad

In order to obtain consumer perceptions about cooperative department stores - which form a very important part of the 'chain' - this study was carried out among 100 shoppers at the Apna Bazar, Lal Darwaza, Ahmedabad. The respondents were picked at random after they had finished their shopping and were about to leave. The interviews were spread over 6 days. Only 5% of the shoppers were members of the Coop. store. The income profile of shoppers is given below..

Table G: Profile of Apna Bazar Shoppers

<u>Monthly Family Expenditure</u>	<u>%</u>
Below Rs.300	4.7
301 - 500	15.1
501 - 750	17.4
751 - 1000	38.4
1001 - 1500	16.3
Above 1500	8.1
	100
	(N=86)

The shoppers belonged mainly to upper-income & upper occupation groups (Professionals, Officer/Executive). About 75% had a level of education of 'graduate and above'.

Store loyalty was high. About half the shoppers visited the store frequently, 16% 'now and then' and 35% 'once in a while'.

The shopping list at a Coop. department store like this Apna Bazar differs quite markedly from the list we saw in regard to the locality Coop. at Parcel, Bombay. It should be noted that this Coop. Department store in Ahmedabad is located in an office area which might have influenced the nature of purchases made here.

Table H: Shopping List

	<u>Apna Bazar only</u>	<u>Pvt. Store only</u>
	%	%
Toiletries	50	35
Tonics & Common Drugs	42	31
Packaged Foods	35	52
Washing powder, etc.	35	49
Dry cells, bulbs, etc.	32	49
Cooking oil, etc.	23	64
Dals, pulses, etc.	22	67
Sugar, spices	22	67
Cloth/garments	13	75

to the  
main  
report.

In regard to consumer perceptions about the Coop. department store and its comparison with private stores, similar questions were asked as for the locality Coop. store in Parel. Detailed tables are provided in the Appendix. However, it may be useful to compare consumer perceptions of Coops. at two different levels: a large department store vs a locality store. Only these summary comparisons are given below.



Table I: Perceptions about Coops.: Parel vs Ahm'd

		<u>Agree</u>	<u>Disagree</u>
		%	%
No Adulteration	Parel	90	10
	Ahm'd	90	9
Efficient Service:	Parel	80	17
	Ahm'd	68	28
Salesmen are Courteous:	Parel	92	4
	Ahm'd	63	32
Things Easily Available:	Parel	96	3
	Ahm'd	74	23
Prices in Coop. lower:	Parel	69	30
	Ahm'd	53	41

Is it possible to speculate that the Coop. system has acquired better sales skills at the local store level than at the department store level?

Now we compare views on Coops. in general vs private stores as between Apna Bazar shoppers and Parel residents.

There seems to be a marked degree of difference in the perceptions of shoppers in the locality store in in Parel in Bombay as compared to the Apna Bazar shop in Ahmedabad. On the whole, the experience of the shoppers of the Parel Coop. Store seems to be much more positive.

Table J: Image Comparison: Coops. vs Pvt. Stores

	<u>Apna Bazar</u>	<u>Parel</u>
	%	%
<u>Non-Adulteration</u>		
More confidence in Coop.	69	76
About the same	27	20
<u>Prices of articles</u>		
Lower in Coop.	32	63
About the same	53	34
<u>Availability</u>		
Better in Coop.	33	66
About the same	53	30
<u>Service</u>		
Better in Coop.	31	31
About the same	28	47

Some Hypotheses and Questions

Bearing in mind that these were small scale studies, the following hypotheses may be considered. Arising from the study a number of questions are also posed for further investigation.

a) The Coop. store gives pure, unadulterated goods and this is perceived as its most positive image factor. For further strengthening of the consumer cooperative sector this single virtue may not be enough. It must pay attention to those image dimensions where it is perceived to be weak.

b) Although Coops. are viewed as charging lower prices than private stores, this image rating is not so strong. Non-shoppers in particular tend to give a low rating to Coops. on this attribute. What are the possible actions that the Coop. system can take to use its massive buying power to obtain more favourable prices for its patrons, More efficient working is also indicated in order to pass on the advantage to consumers.

Non-shoppers have a less favourable view about Coop. prices than shoppers. Store promotion should create awareness of prices at the Coop. store and induce trial visits by non-shoppers.

c) Availability and choice of goods are valued by consumers and in this respect the Coops. studied had a positive rating and they were almost on par with private stores.

At the same time, the range of products that consumers would habitually buy seems to differ with the location and nature of the store, e.g., locality stores require a different product mix as compared to a department store. Further studies would help to determine better inventory decisions.

- d) Efficiency and courtesy of service were rated rather differently by consumers at the locality store as compared to the Apna Bazar.

The study suggests that it is possible for a Coop. store to manage its customer service well, overcome this "area of weakness" and be rated better than competing private stores. It also indicates a great degree of unevenness in the sales skills of Coop. stores at different levels and different places.

- e) Membership is not sought and is not seen as conferring any desirable benefits. Among the patrons who contribute to the Coop.'s turnover, very few are members. One wonders if the growth of the consumer coop. system should depend on membership. If so, special incentives need to be devised.
- f) Future stores should be located with more careful observations of customer convenience.
- g) With the right management inputs, Coop. stores can earn a "permanent place" in a consumer-reoriented distribution system, instead of "waxing and waning". This is borne out by shopper behaviour in a period of plenty.

Finally, some questions on the mix of departmental stores and locality stores. The Coop. department store caters to a more affluent class. The locality Coop. store caters to the more vulnerable sections of society. What is the social purpose being served by heavy investment in Coop. department stores? For large urban centres should the strategy be to emphasise Coop. department stores with numerous branches to serve a large number of localities? Would this be more efficient and economical than the attempt to start numerous locality Coop. stores? If both channels co-exist how can one avoid duplication of services? What should be their inter-relation? Can the consumer Coop. system in India learn something from the successful chain stores of the West, like for example Sears Roebuck?<sup>(4)</sup> The research did not throw any light on the actual experience and perceptions about Coops. in situations of scarcity. Their ability to exercise a healthy influence on the retail trade' could not be ascertained.

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