

A study on feasibility of retail store location for TATA Tesco convenience store in Navi Mumbai

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ABSTRACT: *This paper will outline the plans for strategic launch of TATA-Tesco new convenience store launch in Navi Mumbai area. To determine the best strategy, an industry analysis is done in perspective of convenience retailing in researchable area. The Marketing analysis of this paper investigates the firm's location and demographic and psychographic characteristic of prospect customers. This paper also outlines the catchment area analysis and trends analysis of prospective customers.*

As it's really important to have a right proportion of research as well future estimation of store projection on the basis of customer's income level and expenses as well competitor's presence. So to set a differential strategy to target customers in the particular area and to serve in a better way to target customers, it's important to understand their needs and to find out right strategy to win them.

Key Words: *Store Location, Convenience retailing, Food and Grocery Retailing*

INTRODUCTION

The Indian retail market, currently estimated at \$490 billion, is project to grow at a compounded annual growth rate of 6 per cent to reach \$865 billion by 2023. The opportunities in food and grocery retail in India are immense, given that it constitutes about 69 per cent of India's total retail market, according to panel members at the seventh Food and Grocery Forum India.

HEADS OF VARIOUS FOOD AND GROCERY BRANDS

Consumers shopping at modern trade have grown from 54 per cent last year to the current 68 per cent, driven by increasing consumption, comfortable shopping experience, new categories, wide variety of brands under a single roof and attractive prices. And there is whopping 55 per cent of the modern trade shoppers actively seek promotional deals, 35 per cent of them make bulk purchases, of which 30 per cent are male customers.

The Indian retail industry is one of the most vibrant industries in the country. It is currently ranked at 20th position among the top 30 developing countries identified by management consulting firm AT Kearney in its 2014 Global Retail Development Index (GRDI).

India remains an appealing, long-term retail destination for several reasons starting with its demography – half of India's population is less than 30 years of age and roughly one-third of the population lives in cities. The disposable income of Indians is increasing - allowing them to spend more and try new products, brands, and categories.

With the growth in the retail industry, the corresponding demand for real estate is also being created. Further, with the online medium of retail gaining more and more acceptance, there is a tremendous growth opportunity for retail companies, both domestic and international.

MARKET SIZE

India's retail market is likely to touch a whopping Rs 47 trillion (US\$ 738.71 billion) by 2016-17, expanding at a compounded annual growth rate of 15 per cent, a Yes Bank-Assocham study says. The retail market, which comprises both organized and unorganized segments, stood at Rs. 23 lakh crore in 2011-12.

“Favorable demographics, increasing urbanization, nuclearisation of families, rising affluence amid consumers, growing preference for branded products and higher aspirations are other factors which will drive retail consumption in India. Due to changing demographics, the retail industry in India is on a growing trend. Presently, a large and growing middle class in India is not only buying luxury goods and services but also redefining the luxury market. About 40 per cent of the luxury goods purchase in India occurs from the non-metros which in itself is a healthy sign for the countries investing in this sector. Furthermore, with the trend of e-commerce picking up, many online retailers have launched their business in the country. These online retailers have also started to use the medium of online mobile apps to increase their reach to the customers.

ROAD AHEAD

The organized retail sector in India, although dominated by those players who have been in this space for almost a decade, is expected to observe some notable changes in the times to come. Some of the factors which are expected to affect this trend are higher incomes, young shoppers, urbanization and the increased use of credit cards. Furthermore, e-commerce and online delivery modes are expected to be some of the most popular trends in the retail industry in India in the near future.

TATA TESCO VENTURE

UK-based Tesco is chalking out expansion plans, even as most global retail majors like Wal-Mart are waiting for a positive signal from the Narendra Modi-led central government before moving ahead with their plans for the Indian multi-brand retail sector. The company, in equal partnership with the Tata group's Trent, is working on opening six to eight new stores in Maharashtra and Karnataka under three of its formats this financial year, informs a source aware of the plans.

Tesco is the only foreign retailer to have made a proposal for multi-brand since the segment was opened to up to 51 per cent foreign direct investment (FDI) in 2012 by the then United Progressive Alliance (UPA) government. The present National Democratic Alliance (NDA) government under Modi is opposed to multi-brand retail FDI but has not reversed the UPA policy. Sources indicate the new government is unlikely to entertain a new multi-brand proposal at least in the near future - that could for now mean advantage Tesco.

The UK retailer's addition of six to eight stores will take the total number of Tesco-Trent outlets in the country to 20. In its proposal, Tesco had clearly said it was going to invest in Maharashtra and Karnataka, both Congress-ruled states. Clearance by states concerned is among tough conditions in the multi-brand retail policy. In March this year, Tesco and Trent had signed a pact, under which the former bought a 50 per cent stake in Trent Hypermarkets Ltd (THL) and agreed to pump Rs 850 crore in the venture. THL, which currently runs 12 stores across Maharashtra and Karnataka, would open stores of 1,000 sq ft to 30,000 sq ft in Pune, Mumbai and Bangalore under Star Bazaar, Star Market and Star Daily formats, depending on location and size of the properties available, the source said. "Since they have distribution centres in Mumbai and Bangalore, it makes sense to penetrate those cities deeper." THL would open two or three stores in Bangalore, Pune and Mumbai, the source indicated. The chain will have 1,000 to 5,000-sq-ft stores under the Star Daily express format; 5,000 to 20,000-sq-ft outlets under the Star Market format; and 20,000 to 30,000-sq-ft ones under the flagship Star Bazaar format. A mail sent to THL's public relations agency did not elicit any response.

The company is experimenting with different formats for better profitability. Interestingly, after announcing the joint venture, the company has reduced the size of large stores from 40,000-80,000 sq ft to 20,000-30,000 sq ft to save on costs. They are evaluating other formats. They have opened a smaller-format store, Star Daily, in Pune. It's a convenience store that is doing very well. They are planning to launch a second one shortly and company said that mid-sized formats will reach profitability faster." Though Star Bazaar had set up its first store in 2004, it is yet to achieve profits. In 2012-13, the chain reported a net loss of Rs 72 crore on net sales of Rs 785 crore. Star Bazaar's 2013-14 numbers are not yet available, while Trent posted a consolidated net loss of Rs 18.73 crore in the year, compared with a loss of Rs 37.94 crore in 2012-13. The new stores will focus on food and look to offer better customer experience. "For instance, the isles will be wider and have better assortment," the source said.

They have FDI license and have no issues with the government policy. They will not open stores if a particular state says no," said a source in the Tesco-Trent JV. "At present, as they will focus on opening stores in Karnataka and Maharashtra, which have welcomed FDI in retail."

It is very important to chalk out a right model of business and setting up viable store location with proper market research.

OBJECTIVE OF THE STUDY

- 1. To conduct the feasibilities of opening Convenience Stores in Navi Mumbai in researchable area.**
- 2. To identify the market opportunity in terms of catchment area and trend analysis for convenience store location in Navi Mumbai.**

HYPOTHESIS

- H01: Demographic factors do not play a deciding factor while purchasing in convenience store
H11: Demographic factors play a deciding factor while purchasing in convenience store.
H02: Quality, Price & varieties of product are not very important for convenience store success.
H22: Quality, Price & varieties of product are very important for convenience store success
H03: Convenience in reaching store location does not help in customer preference for particular store selection.
H33: Convenience in reaching store location help in customer preference for particular store selection.

SCOPE OF THE STUDY

This study explored the consumers' buying behavior in Navi Mumbai with respect to education, age and income levels and their attitude to use convenience store instead of traditional one, and then it will conduct the feasibilities of opening convenience stores in Kharghar, Navi Mumbai. Likewise, it will analyze and conduct the catchment area analysis as well as trend analysis to understand customers in a better way to find out best possible winning combination for target segments.

LITERATURE REVIEW

1. Consumer Behavior

The study of consumers helps firms and organizations improve their marketing strategies by understanding issues.

Peter and Olson, 2008 study suggested that

- The psychology of how consumers think, feel, reason, and select between different alternatives (e.g., brands, products, and retailers)
- The consumer is influenced by his or her environment such culture, family and media
- The behavior of consumers while shopping or making other marketing decisions
- Limitations in consumer knowledge or information processing abilities influence decisions and marketing outcome How consumer motivation and decision strategies differ between products that differ in their level of importance or interest that they entail for the consumer, and How marketers can adapt and improve their marketing campaigns and marketing strategies to more effectively reach the consumer.(Lars Perner, 1999)
- The roles of consumer behavior are very important in contribution of marketing strategy. In consumer markets, marketing strategies are typically designed to increase the chances that consumers will have favorable thoughts and feelings about particular products, services, and brands, and will try them and repeatedly purchase them. Also, marketing strategies are developed by retail stores, catalog retailers, e-tailers and other direct marketers to increase the chances that consumers will have favorable thoughts and feelings about purchasing from them and will actually do so .

Baltas and Papastathopoulou, (2003) in a study of Greek grocery customers concluded that product quality and product features were considered the most important product choice criteria. Gomez et al. (2004) stated that quality is seen as "satisfaction maintaining factor in the supermarket sector" in that improvements in quality have a

small positive impact on satisfaction while reductions in quality of the same magnitude have a significantly greater chance of reducing satisfaction

Patricia Huddleston et al, (2009) compared and contrasted customer perceptions relating to satisfaction with conventional grocery stores as compared to specialty grocery stores. The study examined store attributes of product assortment, price, quality, and service in order to determine which attributes had the greatest impact on store satisfaction for each store format. Perceptions of satisfaction were higher among specialty grocery store customers compared to conventional grocery store customers. The results demonstrated that price, product assortment, quality, and employee service influenced store satisfaction regardless of store type (conventional stores or specialty stores). However, the degree of influence of these attributes varied by store type. Solgaard and Hansen (2003), assortment was found to be the single most important driver for the choice between store formats; price level and distance also being important drivers for consumers' choice between store formats; although quality and service were not found to be differentiators between formats. Again, Singh and Powell (2002) found that grocery shoppers consider quality to be most important, followed by price, locality, range of products and parking. Fox et al. (2004) found that shopping and spending vary much more across than within formats, and expenditures respond more to varying levels of assortment and promotion than price, although price sensitivity was most evident at grocers. While supercenter primary shoppers of food identified low price and assortment more often as the reason for store choice, traditional supermarket primary shoppers were less willing to tradeoff locational convenience or, in some cases, quality and assortment (Seiders et al., 2000). Price and product variety as the most important store attributes influencing satisfaction (McDonald, 1991).

RESEARCH METHODOLOGY

Research was conducted by ways of a survey and interview and Primary investigation has been done in area of Navi Mumbai by seeking information through structured questionnaire to residents in researchable area and 100 valid sample number collected by random sampling. Secondary information was collected through GIS system regarding sector wise population density and qualitative research has been done to understand consumers' perceptions about store attributes. Hence objective of the study is to gain information about demographic and psychological attributes about the prospective buyers in the researchable area of Navi Mumbai.

RESULTS AND DISCUSSION

Data analysis with the help of SPSS 20 has given required information after validating the questionnaire by using Cronbach's alpha value more than 0.8 for all the questions selected in a group which is a satisfying number to proceed with the questions selected.

H1 -Demographic factors play a deciding factor while purchasing in convenience store

The chi-square test applied to know whether Age, Numbers of Family members and income affect the purchasing in convenience store accepted where calculated value is less than alpha value .05, which advocates the importance of demographic affects in success of convenience store.

H2: Quality, Price & varieties of product are very important for convenience store success

Factorial Analysis applied to understand the factors attributed in success of convenience store where KMO (Kaiser- Meyer-Olkin) value of sampling adequacy was obtained .891 from the selected variables and Bartlett test of sphericity was below the alpha value .05 hence the null hypothesis rejected and it suggests quality, price and varieties of product are very important for store success.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.891
Bartlett's Test of Sphericity	Approx. Chi-Square	2335.362
	Df	105
	Sig.	.000

H3: Convenience in reaching store location help in customer preference for particular store selection.

Chi-square tools applied to understand the role of store location in selection of store for purchasing in convenience store and the results in terms of calculated value 0.3 with 4 df is less than tabulated value of alpha value .05 and its suggest store location play an important role in store selection while purchasing hence null hypothesis rejected.

CONCLUSION

So after a careful investigation we can suggest that various attributes play an important role in success of convenience format and any organization should follow the footsteps while establishing a new setup like reaching a convenient location by customer frequently as well as quality , price and product assortment play an important role in success of convenience retail format.

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