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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

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