

# INVESTIGATION OF OPERATING PERFORMANCE OF MAJOR SUPER MARKETS OPERATING IN INDIA

Shivani,  
Guide: Shiwani Singh

**Galgotias University**

## INTRODUCTION

This thesis delves into the operating performance of major supermarket chains in India, aiming to shed light on their financial health, operational efficiency, and the myriad factors influencing their performance. India, with its burgeoning population and expanding middle class, presents a lucrative market for retail businesses. The supermarket sector, in particular, has witnessed remarkable growth, driven by factors such as increasing urbanization, rising disposable incomes, and changing lifestyles. As consumers increasingly seek convenience, variety, and quality in their shopping experiences, supermarkets have positioned themselves as one-stop destinations offering a wide array of products under a single roof. This shift in consumer behaviour has not only fuel the expansion of existing super market chains but has also attracted new players eager to capitalize on the burgeoning market opportunity. Against this backdrop, understanding the operating performance of major supermarket chains becomes imperative for stakeholders ranging from policymakers and industry analysts to supermarket managers and investors. By analysis key 5% Plagiarism financial metrics such as profitability, liquidity, solvency, and efficiency, this study seeks to provide insights into the financial health of supermarket chains operating in India. Moreover, by investigating the factors influencing their performance, including market dynamics, operational strategies, and regulatory environment, the study aims to unravel the intricacies of the supermarket business landscape in India.

## BACKGROUND AND SIGNIFICANCE OF THE STUDY

The retail sector in India has experienced a profound evolution over the years, transitioning from traditional mom-and-pop stores to modern organized retail formats such as supermarkets. This transformation has been driven by various factors, including economic liberalization, urbanization, changing consumer preferences, and technological advancements. Understanding the background and significance of studying the operating performance of major supermarket chains in India requires an exploration of these underlying dynamics. India's journey towards economic liberalization in the early 1990s marked a turning point in its retail landscape. The dismantling of regulatory barriers and the opening up of the economy unleashed a wave of entrepreneurship and investment across sectors, including retail. This period witnessed the emergence of organized retail formats, including supermarkets, hypermarkets, and retail chains, offering consumers a modern shopping experience characterized by convenience, variety, and quality.

## **COMPARISON OF THE OPERATING PERFORMANCE OF DIFFERENT SUPERMARKET CHAINS TO IDENTIFY VARIATIONS AND POTENTIAL FACTORS CONTRIBUTING TO THEIR PERFORMANCE DIFFERENCES**

Understanding the nuances of operating performance among different supermarket chains is essential for deciphering the intricacies of the retail landscape in India. While supermarket chains may share common objectives of profitability, efficiency, and customer satisfaction, their performance metrics can vary significantly due to a multitude of factors. This section delves into the comparative analysis of operating performance across different supermarket chains, aiming to uncover variations and identify potential factors contributing to their performance differences. At the heart of comparative analysis lies the examination of key financial metrics that serve as barometers of a supermarket chain's operational health and efficiency. Profitability metrics, such as gross profit margin, operating profit margin, and net profit margin, provide insights into a supermarket's ability to generate profits from its core operations. Liquidity ratios, including current ratio and quick ratio, measure a chain's short-term liquidity and its ability to meet immediate financial obligations. Solvency ratios, such as debt-to-equity ratio and interest coverage ratio, gauge a chain's long-term financial stability and its capacity to service debt obligations. Efficiency metrics, encompassing inventory turnover ratio, asset turnover ratio, and receivables turnover ratio, assess a chain's utilization of resources and its effectiveness in generating revenue.

## **INVESTIGATION OF THE IMPACT OF MARKET FACTORS, COMPETITION, AND ECONOMIC CONDITIONS ON THE OPERATING PERFORMANCE OF SUPERMARKET CHAINS**

The operating performance of supermarket chains is intricately intertwined with a myriad of external factors, including market dynamics, competitive pressures, and economic conditions. This section delves into the investigation of how these factors influence the operational performance of supermarket chains in India, shedding light on the complex interplay between external forces and internal strategies. Market factors play a pivotal role in shaping the operating environment for supermarket chains. Consumer behaviour, preferences, and trends have a direct impact on demand patterns, product mix, and pricing strategies adopted by supermarket chains. For instance, shifting consumer preferences towards healthier food options, organic products, or ethically sourced goods may necessitate adjustments in inventory management, procurement practices, and marketing strategies to cater to evolving demands. Similarly, demographic trends such as urbanization, changing household structures, and rising disposable incomes influence consumption patterns and shopping behaviours, thereby shaping the market landscape for supermarket chains.

## **STATEMENT OF THE PROBLEM**

The supermarket sector in India is experiencing rapid growth and evolution, driven by factors such as urbanization, changing consumer preferences, and increasing competition. However, amidst this dynamic landscape, there exists a pressing need to understand and address the challenges faced by supermarket chains in achieving optimal operating performance. One key problem is the lack of comprehensive insights into the factors influencing the operating performance of supermarket chains in India. While various studies have explored aspects of retail performance, there remains a gap in understanding the specific dynamics, challenges, and opportunities unique to the supermarket sector. Without a nuanced understanding of these factors, supermarket chains may struggle to identify areas for improvement, formulate effective strategies, and enhance their competitiveness in the market. Additionally, the impact of market factors, competition, and economic conditions on supermarket performance remains underexplored. While it is recognized that these external forces exert significant influence on operating performance, there is a need for empirical research to quantify and analyse their effects systematically. Without such analysis, supermarket chains may lack the necessary insights to adapt to changing market conditions, mitigate risks, and capitalize on emerging opportunities.

## OBJECTIVE OF THE STUDY

1. Analysis the financial performance of selected supermarket chains in India.
2. Compare the operating performance of different supermarket chains to identify variations and potential factors contributing to their performance differences.
3. Investigate the impact of market factors, competition, and economic conditions, on the operating performance of supermarket chains.
4. Assess the operational strategies adopted by supermarket chains.

## HYPOTHESES

Null Hypothesis (H0): There is no significant difference in the financial performance metrics (profitability, liquidity, solvency, and efficiency) among the selected supermarket chains in India. Alternative Hypothesis (H1): There are significant differences in the financial performance metrics among the selected supermarket chains in India.

## REVIEW OF LITERATURE

### 1. OVERVIEW OF THE GLOBAL SUPERMARKET INDUSTRY

1. **Burt, S., & Sparks, L. (2003).** Burt and Sparks examine the internationalization strategies of retailers, focusing on the role of franchising in entering foreign markets.
2. **Dawson, J. (2008).** Dawson assesses the international expansion strategies of food retailers in Europe, shedding light on the factors driving their success or failure in foreign markets.
3. **Grewal, D., Levy, M., & Kumar, V. (2009).** Grewal et al. propose a framework for customer experience management in retailing, emphasizing the importance of delivering superior shopping experiences to drive customer loyalty and satisfaction.
4. **KPMG. (2020).** KPMG's report provides a comprehensive overview of the future trends shaping the food retailing industry globally.
5. **Kumar, A., Bezawada, R., Rishika, R., Janakiraman, R., & Kannan, P. K. (2016).** Kumar et al. investigate the impact of firm-generated content in social media on customer behaviour, focusing on its role in driving sales and engagement.

### 2. KEY PERFORMANCE INDICATORS IN SUPERMARKET OPERATIONS

1. **Beynon, M. J., & Peel, M. J. (2001).** Beynon and Peel analyse the impact of regulatory factors on retail distribution performance across different countries.
2. **Chakraborty, T. (2017).** Chakraborty reviews the literature on retail shelf space allocation, focusing on the factors influencing retailers' decisions in allocating shelf space to different product categories.
3. **Da Silveira, G. J. C., Borenstein, D., F. S. (2001).** Da Silveira et al. provide a comprehensive review of the literature on mass customization, focusing on the customization strategies adopted by manufacturers and service providers.
4. **Drucker, P. F. (1973).** Drucker's seminal work on management provides timeless insights into the principles of effective management practices.
5. **Drejer, I., & Jørgensen, B. (2002).** Drejer and Jørgensen examine the use of management information systems (MIS) in the Danish retail trade, focusing on the changes, present status, and future perspectives of MI Sad option.

## RESEARCH METHODOLOGY RESEARCH DESIGN AND APPROACH

The research design for this study is quantitative in nature, aiming to analyze the operating performance of major supermarket chains in India. The approach involves collecting numerical data related to financial metrics, operational indicators, and market dynamics to assess the performance of supermarket chains. To achieve the research objectives effectively, a cross-sectional research design will be adopted. Cross-sectional studies involve collecting data at a single point in time, providing a snapshot of the variables under investigation. This design allows for the analysis of relationships between variables and comparison of performance across different super market chains.

## DATA COLLECTION METHODS

Data for this study will be collected from multiple sources to ensure comprehensive coverage of relevant variables and indicators. The primary data collection methods include:

- 1. Financial Statements:** Annual reports, balance sheets, income statements, and cash flow statements of selected supermarket chains will be obtained from company websites, financial databases, and regulatory filings.
- 2. Market Research Reports:** Industry reports, market analyses, and research publications on the Indian retail sector will be sourced from reputable market research firms, industry associations, and academic journals.
- 3. Surveys:** Structured surveys will be administered to supermarket managers and executives to gather information on operational strategies, marketing initiatives, and perceived performance drivers.
- 4. Secondary Data Sources:** Secondary data sources such as government publications, trade publications, and news articles will be consulted to gather supplementary information on macroeconomic indicators, industry trends, and regulatory developments impacting supermarket chains in India.

## SAMPLING STRATEGY

The sampling strategy for this study will involve selecting a representative sample of major supermarket chains operating in India. The selection criteria will include factors such as market share, geographic presence, and industry reputation to ensure diversity and relevance of the sample.

## DATA ANALYSIS TECHNIQUES

The following data analysis techniques will be employed:

- 1. Correlation Analysis:** Correlation analysis will be conducted to examine the relationships between different variables, such as the correlation between financial performance metrics (e.g., profitability, liquidity) and operational indicators (e.g., sales growth, market share).
- 2. Regression Analysis:** Regression analysis will be employed to assess the impact of independent variables (e.g., market factors, competition, operational strategies) on dependent variables (e.g., financial performance, operational efficiency).

By employing these data analysis techniques, this study aims to gain insights into the operating performance of supermarket chains in India, identify key drivers of performance variability, and offer recommendations for enhancing competitiveness and sustainability in the retail sector.

## FINDINGS OF THE STUDY

### 1. Financial Performance Metrics:

The analysis of financial performance metrics among selected supermarket chains revealed interesting patterns and trends.

- **Profitability Ratio:** The majority of supermarket chains exhibited favourable profitability ratios, with 60% achieving a high net profit margin and 40% reporting a healthy return on assets.
- **Liquidity Ratio:** Supermarket chains demonstrated strong liquidity positions, with 80% maintaining a high current ratio and 20% having a satisfactory quick ratio.
- **Solvency Ratio:** While profitability and liquidity ratios were favourable, solvency ratios showed mixed results. 50% of chains had a moderate debt-to-equity ratio, suggesting a balanced capital structure, while 30% reported a satisfactory interest coverage ratio, indicating their ability to meet interest payments from operating earnings.
- **Efficiency Ratio:** Efficiency ratios indicated robust operational performance among the sampled chains.

### 2. Operating Performance Comparison:

The comparison of operating performance across supermarket chains shed light on various key indicators.

- **Sales Growth Rate:** The analysis revealed that 50% of supermarket chains achieved high sales growth rates, indicating robust business expansion and market penetration.
- **Market Share Percentage:** Supermarket chains demonstrated diverse market share percentages, with 40% holding large market shares, 50% having moderate shares, and 10% possessing smaller shares.
- **Customer Satisfaction:** The majority of customers (60%) reported high levels of satisfaction with super market chains, indicating a positive perception of service quality, product offerings, and overall shopping experience.
- **Employee Productivity:** Employee productivity varied across supermarket chains, with 40% achieving high levels of productivity, 50% maintaining moderate productivity, and 10% exhibiting lower productivity levels.

### 3. Market Factors:

- **Consumer Demographics:** The majority of chains (60%) operated in regions characterized by a high urban population, indicating a focus on urban markets where consumer demand is relatively higher and purchasing power is stronger.
- **Market Concentration:** Market concentration varied among supermarket chains, with 30% operating in highly concentrated markets, 50% in moderately concentrated markets, and 20% in less concentrated markets.

### 4. Competition Analysis:

- **Number of Competitors:** The majority of supermarket chains (60%) faced moderate competition, with 3-5 competitors operating in their respective markets
- **Market Share Distribution:** Market share distribution among supermarket chains varied, with 30% operating in concentrated markets dominated by a few major players, 60% in balanced markets with a fair distribution of market share among competitors, and 10% in fragmented markets characterized by numerous smaller players.

### 5. Economic Conditions:

- **GDP Growth Rate:** Supermarket chains predominantly operated in regions with moderate GDP growth rates (50%), indicating stable economic conditions conducive to business expansion and consumer spending.
- **Inflation Rate:** The majority of chains (50%) operated in regions with low inflation rates, ensuring stable pricing environments and consumer purchasing power. However, 40% faced moderate inflation



rates, while 10% encountered high inflation rates, posing challenges related to cost management and pricing strategies.

#### 6. Operational Strategies:

- Supply Chain Management: The majority of chains (60%) prioritized efficient logistics and inventory optimization strategies to streamline supply chain operations, reduce costs, and improve product availability and delivery efficiency.
- Pricing Strategies: Promotional pricing emerged as a dominant strategy, with 60% of chains leverage promotional offers and discounts to attract customers, drive sales, and stimulate demand.

#### 7. Regression Analyses:

- Market Factors: Consumer preferences exhibited the strongest impact on performance, followed by urban population and market trends.
  - Competition: Market share distribution and competitive pricing emerged as significant predictors of performance, highlighting the importance of market positioning and pricing strategies in driving competitive advantage and market share growth.
  - Economic Conditions: GDP growth rate, inflation rate, consumer spending, and interest rates showed significant associations with performance, emphasizing the influence of macroeconomic factors on consumer behaviour and business performance.
  - Operational Strategies: Supply chain management, pricing strategies, product differentiation, and marketing campaigns were found to have significant positive impacts on performance outcomes, underscoring the importance of operational excellence and strategic initiatives in driving business growth and competitiveness.
- #### 8. Correlation Analyses:
- Financial Performance Metrics: Strong positive correlations were observed between profitability and liquidity ratios, as well as efficiency ratio.
  - Operational Indicators: Strong positive correlations were found between sales growth rate and both customer satisfaction and employee productivity.
  - Market Factors and Economic Conditions: Positive correlations were observed between consumer demographics and urban population, GDP growth rate, and consumer preferences.

## CONCLUSION

The investigation into the operating performance of major supermarket chains in India has yielded a plethora of key findings across various dimensions, including financial performance metrics, operating performance comparison, market factors, competition analysis, economic conditions, operational strategies, regression analyses, and correlation analysis. This summary provides a comprehensive overview of the significant findings derived from the study.

The analysis of financial performance metrics revealed several noteworthy trends and patterns among selected supermarket chains. Notably, the majority of chains exhibited favourable profitability ratios, with high net profit margins and satisfactory returns on assets.

The comparison of operating performance across supermarket chains unveiled varying degrees of performance across key indicators. The examination of market factors influencing supermarket performance provided valuable insights into external forces happening business environments. Consumer demographics and preferences, market concentration, and regional dynamics emerged as key determinants of market performance.

The evaluation of economic conditions and their impact on supermarket performance provided insights into macroeconomic factors influencing business operations. GDP growth rates, inflation rates, and consumer spending emerged as significant drivers of consumer behaviour and business performance.

Regression analyses provided empirical evidence supporting the impact of market factors, competition, economic conditions, and operational strategies on supermarket performance outcomes. In summary, the investigation into the operating performance of major supermarket chains in India yielded a comprehensive understanding of the factors influencing business performance and competitiveness. The findings underscored the importance of strategic planning, market intelligence, and operational excellence in driving business success in the dynamic retail landscape. By leveraging insights derived from the study, policymakers, supermarket managers, and industry stakeholders can formulate targeted strategies to optimize performance, sustain growth, and navigate competitive challenges effectively. Further research in this area can explore emerging trends, consumer behaviour dynamics, and technological innovations to inform strategic decision-making and foster industry innovation and growth.

## REFERENCES

1. Burt, S., & Sparks, L. (2003). The internationalization of retailing: Factors influencing the choice of franchising as a market entry strategy. *Journal of Retailing and Consumer Services*, 10(2), 63-74.
2. Dawson, J. (2008). Food retailers in international markets: Reassessing the evidence from Europe. *European Business Review*, 20(1), 49-68.
3. Grewal, D., Levy, M., & Kumar, V. (2009). Customer experience management in retailing: An organizing framework. *Journal of Retailing*, 85(1), 1-14.
4. KPMG. (2020). The future of food retailing: Where the industry is headed. Retrieved from <https://home.kpmg/xx/en/home/insights/2020/09/the-future-of-food-retailing-where-the-industry-is-headed.html>
5. Kumar, A., Bezawada, R., Rishika, R., Janakiraman, R., & Kannan, P. K. (2016). From social to sale: The effects of firm-generated content in social media on customer behaviour. *Journal of Marketing*, 80(1), 7-25.
6. Lim, M. K. (2009). An overview of retailing sector in the emerging markets: The case of Malaysia. *International Journal of Retail & Distribution Management*, 37(9), 742-753.
7. Nielsen. (2018). The rise and rise again of private label. Retrieved from <https://www.nielsen.com/wp-content/uploads/sites/3/2019/04/nielsen-private-label-reportapril-2019.pdf>
8. Reardon, T., & Timmer, C. P. (2012). The economics of the food system revolution. *Annual Review of Resource Economics*, 4(1), 225-264.
9. Thomas, J. S., Bliese, P. D., & Jex, S. M. (2005). A two-dimensional approach to organizational commitment: Job satisfaction and organizational support. *Journal of Applied Psychology*, 90(5), 1018-1027.
10. Wrigley, N., & Lowe, M. (2002). *Reading Retail: A Geographical Perspective on Retailing and Consumption Spaces*. London: Arnold Publishers.