

Impact of Supermarkets on Small Traders and Neighborhood Stores in Karachi, Pakistan

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Introduction

This paper is an attempt at filling the current void in literature concerning the impact of large supermarkets on small neighborhood stores in Pakistan. After examining possible reasons for their growth and reviewing existing literature from Hong Kong and Turkey — countries which have experienced a similar process in their history — we use a survey to determine consumer perceptions about supermarkets. Additionally, we use data from our survey to plot supermarket consumers on a map to assess their geographical reach. This exercise allows us to deduce the impact these stores are likely to have on small retailers.

Objectives

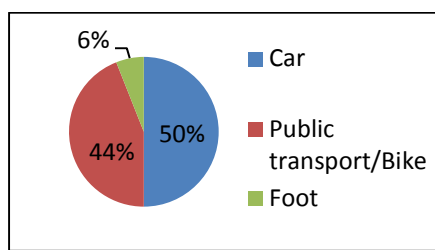
Through the instruments we make use of in this study – secondary research, a questionnaire and a spatial representation of supermarket customers – we wanted to determine the following: what is the socio-economic profile of a supermarket customer, which characteristics of supermarkets create an advantage for them as opposed to neighborhood stores and what is the geographical spread of a sample of supermarket customers.

Methodology

Survey

We conducted a survey at two major supermarkets in Karachi, Imtiaz Supermarket in DHA and Naheed Supermarket in Bahadurabad (referred to heretofore as Imtiaz and Naheed). A total of twenty five customers from each store were surveyed. The supermarkets were chosen based on the surveyor's knowledge of the city while the interviewees were chosen at random.

Figure 1: Survey question 1: How did you reach this store?



The fact that travelling by car has the largest share in the result confirms Berna Ozcan's (2000 p. 111) assessment that consumers shopping at supermarkets usually belong to the upper-middle or high-class who have a distinct "shopping space".

When asked about why they had a preference for supermarkets, 37 survey respondents chose 'one-stop shopping' as their most important factor. Price competitiveness in frozen food items, apparel and electronic items was thought of as the second most important factor by 34 out of 50 respondents.

Only 9 out of 50 respondents answered that they purchase fresh food items from the supermarket. As noted for Hong Kong (Minten, Bart and Reardon, 2008, p. 483), this may be because supermarkets in the initial stages of their existence focus on quality and so set prices high, creating a price advantage for smaller retailers. The fact that the

mushrooming of supermarkets in Pakistan is only very recent means that this observation is not wholly incorrect.

Spatial Footprint

Using the information for localities provided by the respondents in our questionnaire, a map was made showing the locations of the respondents for the two stores¹.

From the maps we find that customers are clustered closer to the store for Naheed as opposed to Imtiaz, but customers for the latter nevertheless come from a handful of distinct localities. These results lead us to believe that supermarkets attract customers from certain localities that may or not be in proximity to the store.

It is crucial to note, however, that Karachi houses around 28 supermarkets which are well spread throughout the city. By simple means of extrapolating the lowest distance of the farthest respondent from the superstore (8.18 kilometers), we drew circles from the 9 major superstores in the city to determine their spatial footprint.

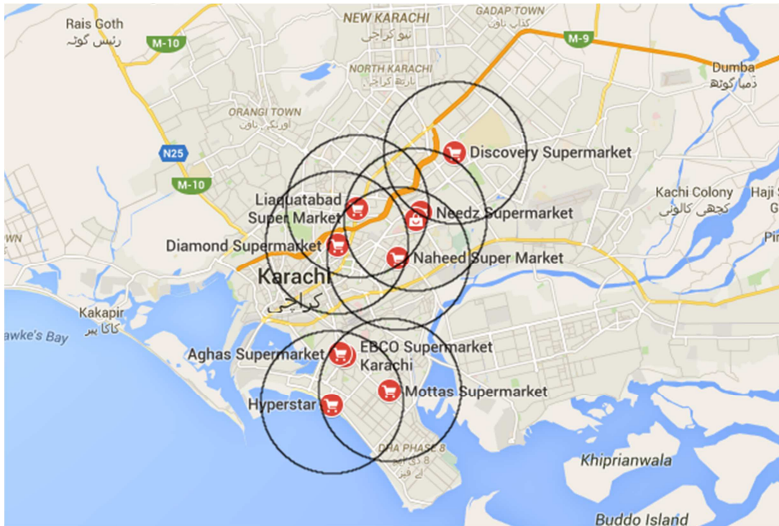
Drawn with the supermarket stores at the center, these circles make it evident that even in this very prudent extrapolation, very few parts of the city are left “unaffected” save for the peripheries. The prudence of the measurement is further amplified by the fact that the lowest of furthest distance of the customer is used.

¹ The two maps can be viewed online at the following links:

<http://www.mapcustomizer.com/map/Naheed>

<http://www.mapcustomizer.com/map/Imtiaz-Korangi>

Figure 1: Extrapolated spatial footprint of supermarkets in Karachi.



Results and Discussion

Data from our survey leads us conclude that small neighborhood stores (especially vegetable and fruit shops) still hold a price advantage over large supermarkets. This observation is backed by customer feedback – very few customers prefer to shop for fresh food items at supermarkets – as well as evidence from Hong Kong cited by Minten, Bart and Reardon (2008).

Supermarkets, however, provide crucial advantages over small retailers such as one-stop shopping which are valued highly by customers. The survey, therefore, presents a mixed result. For fresh food items, customers still prefer neighborhood stores but for most other commodities, supermarkets are opted for.

Additionally, the wide geographical spread of supermarket customers obtained above does not mean good news for neighborhood *kiryana* stores. We believe it hints at the growing competition between neighborhood stores and supermarkets and consequently at the

shrinking space for the former considering consumer preferences and the size and stature of the latter.

Read together, both results highlight the inevitable nature of the domination of supermarkets over small neighborhood stores.

Conclusions and Policy Recommendations

In our paper we find that supermarkets do indeed pose a threat to neighborhood stores albeit not an immediate one as evidenced by their spatial footprint as well consumer preferences towards these stores.

Under this backdrop as well as knowledge of rapidly changing nature of consumption habits due to globalization, it is important for the government to aid small retailers to direct their operations to niche markets. To this end, we recommend the setting up of information portals for small retailers which let the latter analyze market trends or niches and produce accordingly. For example, if fresh, hygienic vegetables see a surge in demand, shopkeepers can be recommended to trade in those items.

References

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