



“A STUDY ON IMPACT OF ORGANIZED RETAILERS UNORGANIZED RETAILERS”

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Abstract

The paper discusses on the significant role of retailing sector that is been rapidly developed in India. Though, the unorganized retailing sector has been dominating over the years, the advancement of technology and emergences of MNCs have made the organized retailing sector to develop at a rapid speed. In this paper, an attempt is made to highlight on the various form of retailing and the emrging scenario of retail sector in India. The field survey results obtained from the survey and the study on existing research reports are summarized and briefly presented.

Key words: *Organized retailing, selling space, facilities, Retail chains.*

1. Introduction

Retailing is the most active and attractive sector of the last decade. While the retailing industry itself has been present through history in our country, it is only in the recent past that it has witnessed so much dynamism. It is the largest bandwagon that has witnessed hordes of players leaping onto it. Retailing, one of the largest sectors in the global economy, is going through a transition phase not only in India but the world over. For a long time, the corner grocery store was the only choice available to the consumer, especially in the urban areas. This is slowly giving way to international formats of retailing. The traditional food and grocery segment has seen the emergence of supermarkets/grocery chains (Food World, Nilgiris, Apna Bazaar), convenience stores (ConveniO, HP Speed mart) and fast-food chains (McDonalds, Dominos). It is in the non-food segment, however that foray has been made into a variety of new sectors. These include lifestyle/fashion segments (Shoppers' Stop, Globus, Lifestyle, Westside), apparel/accessories (Pantaloan, Levi's, Reebok), books/music/gifts (Archies, Music World, Hallmark, Crosswords, Landmark), appliances and consumer durables (Viveks, Jainsons, Vasant & Co.), drugs and pharmacy (Health & Glow, Apollo). The emergence of retailing in India has more to do with increasing in the purchasing power of buyers, especially post- liberalization, increase in product variety, and also increasing economies of scale, resulting from use of modern supply and distribution management solutions.

2. Various Types of Retail Format

In India, retailing has caught up in a big way. Today one finds the presence of huge retail stores like Crossroads, Shoppers Stop etc who are doing well. The Consumers today can shop for goods and services in a wide variety of stores. The most important retail format types are described as follows:-

Specialty store:- The store has less number of items but the variety in them is high, such as apparel stores, furniture stores, bookstore etc.

Department store:- The store has several product lines, with each line operated as a separate department managed by specialist merchandisers.



Supermarket:- These types of stores are relatively large, operating on low cost low margin, high volume sales and offering self service format. These stores are designed to serve total needs for food, laundry and household maintenance products.

Convenience stores:- These are relatively small stores located near residential area, open long hours, seven days a week, and carrying a limited line of high turnover convenience products at slightly higher prices.

Discount stores:- In these stores standard merchandise is sold at lower prices with lower margins and higher volumes.

Off price retailers:- The merchandise is bought at less than regular wholesale prices and sold at less than retail: often leftover goods, overruns, and irregulars obtained at reduced prices from manufacturers or other retailers. Factory Outlets are owned and operated by manufacturers and normally carry the manufacturer's surplus, discounted or irregular goods. Warehouse clubs sell a limited selection of brand- name grocery items, appliances, clothing etc. to members who pay \$25 to \$50 annual membership fees. They operate in huge, low overhead, warehouse like facilities offering rock bottom prices.

Superstores:- They average around 35,000 square feet of selling space traditionally aimed at meeting consumers' total needs for routinely purchased food and non food items. Combination Stores are a diversification store into the growing drug-and prescription field. The area is around 55,000 sq. feet. Hypermarkets range between 80,000 to 2,20,000 square feet and combine supermarket, discount and warehouse retailing principles.

3. The Present Scenario of Retail Sector

According to a recent study on the retail sector in India by Morgan Stanley, the Indian retail distribution is entirely fragmented with about 12 million primarily selling from small shops and even hand held carts. The organized sector accounts for just 2.2% of the total relevant private final consumption expenditure (PFCE). While the PFCE is estimated to have grown at 11.6% per annum over the last three years, the organized retail sector is expected to grow at 15-20% per 112 annum. According to the Investment Commission of India, the wholesale and retail sector currently account for 13% of India's GDP and employs about 40 million people.

Organized retailing is spreading and making its presence felt in different parts of the country. The trend in grocery retailing, however, has been slightly different with a growth concentration in the South. However, the Mecca of retailing is undoubtedly Chennai. What was considered a 'traditional', 'conservative' and 'cost- conscious' market, proved to be the home ground for most of the successful retail names – FoodWorld, Music World, Health & Glow, Vitan, Subhiksha and Viveks –to name a few.

The choice of Chennai as the 'retail capital' has surprised many, but a variety of factors acted in its favor. Chennai, in spite of being a rapidly growing metropolis offers reasonable real estate prices, one of the most critical elements for the industry. Chennai has been witnessing a high industrial growth and increasing presence of the MNCs, both in the IT sector as well as outside it. The industrial boom has



led to the emergence of new residential areas with aggregation of professionals as well as a rapid increase in the number of double-income households and growth of the nouveau riche/upper middle class with increased purchasing power. This has been combined with the increasing need for touch and feel shopping (especially for the large migrant population). All the factors have acted favorably in nurturing the industry.

A variety of factors seem to influence the growth in the retailing industry. Consumer Pull, however, seems to be the most important driving factor behind the sustenance of the industry. In this context, in order to understand the spending pattern of the consumers of various income groups an analysis of the monthly purchase basket of the consumers surveyed indicated that the average monthly household spend on food and grocery related items varied across income segments. For instance, in the case of upper income households, the average spend was around Rs.4,200 per month. As against this, the average spend in the case of a middle-income household was around Rs.2,850 and lower income households Rs.1,250 per month. This is computed from a sample of 100 customers having an average family size of four.

Besides increasing purchasing power, a variety of other factors also seem to fuel the retailing boom. With increase in double- 113 income households and working women, there is an increasing pressure on time with very little time being available for leisure. In this scenario, consumers are seeking the convenience of one stop shopping, whereby they could have better utility of time. They are also seeking speed and efficiency in processing, as a result. Being more aware, consumers are on the lookout for more information, better quality and hygiene as well as increased customer service. These changes in consumer behavior also augur well for the retailing industry. However, in India there are no uniform trends with respect to consumer buying behavior.

Organized retailing has definitely made headway in the upper class. However, even in this segment, items such as milk, fruits, vegetables and a significant portion of through-the-month purchases seem to be done at traditional outlets. The middle-income class prefers shopping for processed food and personal care in supermarkets and fall back on traditional outlets for bulk shopping. Organized retail outlets seem to be associated with branded items/special purchases. Organized retailing does not seem to have made an impact on the lower class, except for ‘curiosity’ shopping. The biggest question before organized retailers therefore, is whether this really means a huge untapped potential for the organized retailers and whether the conversion in mindset is going to be easy.

Domestic giants to retail biz

More and more corporate houses including large real estate companies are coming into the retail business, directly or indirectly, in the form of mall and shopping center builders and managers. New formats like super markets and large discount and department stores have started influencing the traditional looks of bookstores, furnishing stores and chemist shops. As the corporates – the Piramals, the Tatas, the Rahejas, ITC, HLL, S.Kumar’s, RPG Enterprises, and mega retailers- Crosswords, Shopper’s Stop, and Pantaloons race to revolutionize the retailing sector, retail as an industry in India is coming alive.

Over the last five years, these groups have set up a number of chain stores. For instance, West Side by Tatas, FoodWorld by RPG, Shoppers’ Stop (Rahejas), and so on. Not to be outdone, local retail conglomerates are rising to the challenge and racing to capture the best locations. Indian heavyweight



like the Reliance group 114 is planning to do a Wal-Mart in India. Reliance Industries has announced a \$3.4 billion investment to develop about 1,575 stores between December 2006 and March 2007.

4. Few of India's top retailers are: -

1. **Big Bazaar-Pantaloon:** Big Bazaar, a division of Pantaloon Retail (India) Ltd is already India's biggest retailer. In the year 2003-04, it had revenue of Rs 658.31 crores by 2010; it is targeting revenue of Rs 8,800 Crore.
2. **Food World:** Food World in India is an alliance between the RPG group in India with Dairy Farm International of the Jardine Matheson Group.
3. **Trinethra:** It is a supermarket chain that has predominant presence in the southern state of Andhra Pradesh. Their turnover was Rs 78.8 Crore for the year 2002-03.
4. **Apna Bazaar:** It is an Rs 140-crore consumer co-operative society with a customer base of over 12 lakh, plans to cater to an upwardly mobile urban population.
5. **Margin Free:** It is a Kerala based discount store, which is uniformly spread across 240 Margin Free franchisees in Kerala, Tamil Nadu and Karnataka.

5. Objective of the Study

1. To study impact of organized retail sector on sales of unorganized retailers.
2. To know the perception of unorganized retailer towards the organized retailer.
3. To study the problem faced by small retailers vis-à-vis organized retailers.
4. To study perception of consumers regarding organized retail outlets vis-à-vis unorganized.

6. Research Methodology

The present chapter describes the research methodology of the study. It presents the research design, sampling procedure tools of investigation, collection of data and the limitation of the study. The questionnaire has been formed for the research after doing pilot study and informal personal interviews. The sampling technique applied for the study is Convenience Sampling. The sample respondents are drawn from all the unorganized retailers and customers. A total of 100 customers selected from Warangal district.

7. Results of Field Survey

If traditional retailers want to retain their strong foothold in the retail market, it is vitally important to understand the need of the residents in a particular community. The stores with clear and complete understanding of their consumer wants and changes that are taking place within the market will be able to cope up with the increasing competition. Traditional retail is the major source of employment in India after agriculture. In spite of this fact, this sector lags behind in terms of efficiency which affects the consumer satisfaction.

The perception that unorganized retailer had towards organized retail is that the organized retailer provides variety of products, schemes, attractive price and large space under the one roof to the customer and will have very bright future in the coming years. Some of the retailer had strong beliefs that they will not be thrown out of the market by the organized retail. That is their business will not be disrupted by the organized retail outlets.



8. Conclusions

According to Prof Rupa Shah(2016), Organized as well as unorganized retail sectors have their own sets of strengths and weaknesses because of which few experts feel that they will always co-exist and grow together at least for some generations to come. However, few studies have shown that organized retail has already started affecting unorganized retailers and few of the traditional retailers are going through hard times while struggling for their existence.

As organized retail is consistently trying to expand, in long term, unorganized retail might have to face severe complications It is suggested that the unorganized retailers have to be very attentive and need to cope up well with the competitive retail market environment created by the organized retail outlets so as to maintain their business and to provide quality services to customers without any/much reduction in profit. It is recommended that unorganized retailers should start dealing in complete variety of products of different brands rather than keeping the business activity confined to limited variety of products or limited brands. In India, modern retail is expanding with consistent efforts.

The study suggests that the government should opt for an approach which will aim at a simultaneous development of both, organized and unorganized sector. All the above studies emphasize on government's responsibility to provide enough protection and opportunities to unorganized retailers so as to make them more efficient and competitive. Innovative measures are suggested to have more inclusive approach towards traditional retailers.

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