

An Impact of Organised Retail on Unorganised Retailing: Conceptual Framework

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1. Introduction:

Indian retail sector is second largest contributor to our GDP (accounting to around 14%) after agriculture sector. Also, this is the fastest growing sector where it is growing at a rate of around 40%. It is estimated that the sector will derive revenue of about USD 600 billion by the year of 2015. A sector with such importance plays a prominent role in defining Indian economy. The retail sector is often bifurcated into two sub sectors. They are the organized retail and the unorganized retail. The organized retail consists of all the big super market chains, hyper market chains which pay taxes and comes into government records. The unorganized retail includes the Kirana stores, family owned shops, small outlets, wholesale shops which do not come into government records. In India, organized retail accounts to just 7% of the total share and the rest is dominated by unorganized retail. So, in 2011 the total retail share was USD 430 billion out of which only USD 60 billion came from organized retail. So, one can understand the magnitude of the sector and the scope for proper growth. The same is represented in the below pie chart fig 1.1.

Fig 1.1 Indian retail sector: Organized and Unorganized retail

Organised Retailing	8
Un Organised Retailing	92

Source: Marketing White Book 2016-17

With this the necessity to tap the potential of unorganized retail in a proper fashion increases. Also, the scope of organized retail which is mostly confined to Metros, Tier 1 and some of the tier 2 cities should be spread out evenly pan India. These are some of the challenges faced by Indian retail and should be overcome using various steps like FDI, making unorganized retail more organized and some important policy changes. Foreign direct investment (FDI) is one of the biggest measures to implant some stimulus in the retail sector. Currently, around 40 million Indians are employed in retail sector as a whole. This is a huge number and there is scope for much many jobs. With the reforms announced by the government of India, FDI of 100% is invited in single brand retail and FDI of 51% is allowed in multi brand retail, there is a great scope for job creation in retail sector. Also, with the deep pockets entering into the sector, we can see some phenomenal advancement in infrastructure and facilities employed. Unorganised retailing still dominating in the industry as well as generating employment in Urban and Rural areas of country.

1.1. Unorganised Retailing:

Unorganized retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, hand cart and pavement vendors, & mobile vendors, the local *kirana* shops, owner manned general stores, *paan/beedi* shops, convenience stores, hardware shop at the corner of your street selling everything from bathroom fittings to paints and small construction tools; or the slightly more organized medical store and a host of other small retail businesses in apparel, electronics, food etc.

Characteristics of unorganized retail

Small-store (Kirana) retailing has been one of the easiest ways to generate self-employment, as it requires limited investment in land, capital and labour. It is generally family run business, lack of standardization and the retailers who are running this store they are lacking of education, experience and exposure. This is one of the reason why productivity of this sector is approximately 4% that of the U.S. retail industry.

Unorganized retail sector is still predominating over organized sector in India, unorganized retail sector constituting 98% (twelve million) of total trade, while organized trade accounts only for 2%.

The reasons might be-

- In smaller towns and urban areas, there are many families who are traditionally using these *kirana* shops/ 'mom and pop' stores offering a wide range of merchandise mix. Generally these kirana shops are the family business of these small retailers which they are running for more than one generation.
- These kirana shops are having their own efficient management system and with this they are efficiently fulfilling the needs of the customer. This is one of the good reasons why the customer doesn't want to change their old loyal kirana shop.
- A large number of working class in India is working as daily wage basis, at the end of the day when they get their wage, they come to this small retail shop to purchase wheat flour, rice etc. for their supper. For them this the only place to have those food items because purchase quantity is so small that no big retail store would entertain this.
- Similarly there is another consumer class who are the seasonal worker. During their unemployment period they use to purchase from this kirana store in credit and when they get their salary they clear their dues. Now this type of credit facility is not available in corporate retail store, so this kirana stores are the only place for them to fulfil their needs.
- Another reason might be the proximity of the store. It is the convenience store for the customer. In every corner the street an unorganized retail shop can be found that is hardly a walking distance from the customer's house. Many times customers prefer to shop from the nearby kirana shop rather than to drive a long distance organized retail stores.
- This unorganized stores are having a number of options to cut their costs. They incur little to no real-estate costs because they generally operate from their residences.
- Their labour cost is also low because the family members work in the store. Also they use cheap child labour at very low rates.
- As they are operating from their home so they can pay for their utilities at residential rates. Even they cannot pay their tax properly.
- Currently the value of the retail market is estimated at around \$ 270 billion with a growth rate of 5.7 per cent per annum according to the Indian retail report which creates a big threat for the small unorganized retailers.

The well-established organized retail sector in India are Pantaloons Retail, Shoppers' Stop, Spencers, Hyper CITY, Lifestyle, Reliance, D-Mart etc. Over 20,000 new retail outlets are expected to open within this segment. Major corporate retail like Wal-Mart and have started to try and take over the Indian retail sector.

But in India the unorganized retail is a source foods and other necessities of millions of Indians, major link between rural and urban societies. Not only that it is also act like a convenience store for the customer offering right product at right time at right place. In a country with large numbers of people, and high levels of poverty, this model of retail democracy is the most appropriate

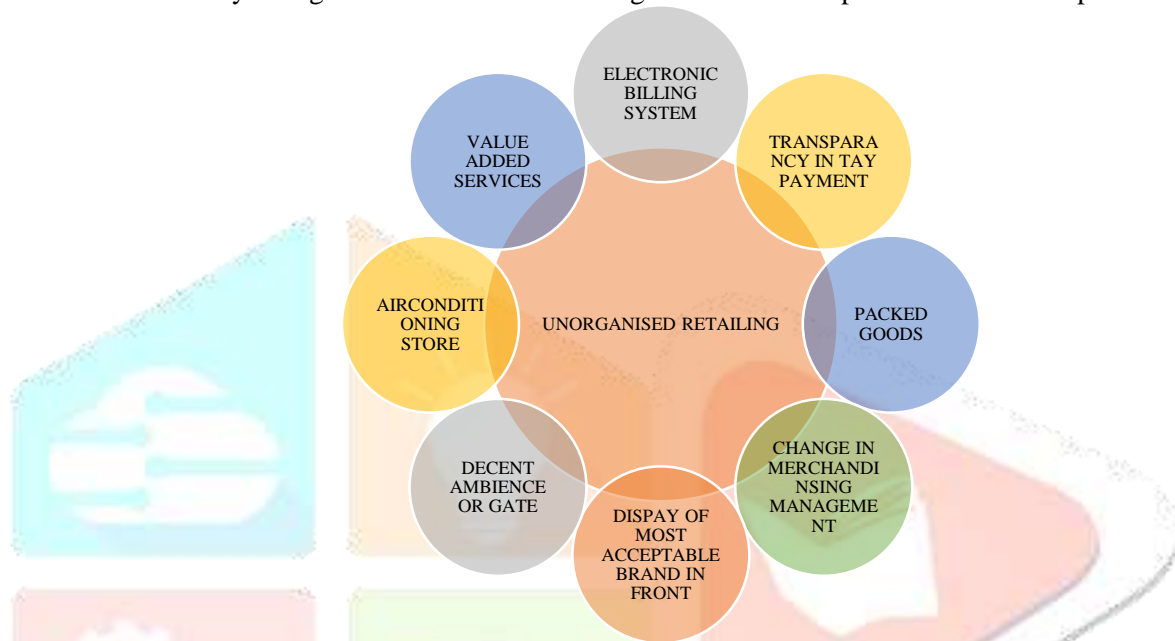
1.2. Impact of Organised Retailing:

Organised retailing having various advantages from consumer view point. Organised retailing is successful in attracting consumers of Metro Cities, Mega Cities, and Tier-II Cities and now to certain extent small towns also in the different rich states. Organised retailing provides

1. Wide variety of products or brands
2. Electronic weighing- which leads to assurance to the consumers about weight

3. Electronic Bill- clarity about tax amount paid and policy for return
4. One top solution as many requirements of nuclear family
5. Comfortable buying inside the store in Indian hot environment.
6. Value Added Services

Due of organised retailing emergence in the market unorganised retailers have face reduction in customer and reduction in profit also. Organised retailing is one the form of retailing which creates an attraction towards nuclear family in Urban and Semi urban areas. To give counter effect to the organised retailers unorganised retailer have taken several steps and try to maintain customer base. However many small retailers had winding up their business. Following initiatives are taken by small unorganised retailers to reduce negative impact. The unorganised retailers make an attempt to make their image better in the mind of consumers by changes outer surface of retailing as well as inner part of the retail shop.



2. Research Methodology:

2.1. Research Objectives:

- To know the impact of Organised Retailers on unorganised retailers
- To know the initiatives by the unorganised retailers to reduce such negative impact.

2.2. Research Design: As the research in the initial stage we have adopted explorative research approach for the same. Researchers make an attempt to know that which main areas of retailing had been affected.

2.3. Type of Data: Researchers have observed 30 Kirana stores in Ahmedabad city and evaluated stores on the basis of structured questionnaire. On the basis of past study by various authors we have made an attempt to develop research frame work in this area.

2.4. Scope of Research Work: The said research is restricted to Kirana Stores/ FMCG retailers.

3. Literature Review:

AroraSweta, RathiPriya, MalhotraVaishali (2011), have depicted the impact of malls or organised retailing on the consumer behaviour of New Delhi and NCR areas with the primary sample purely on the basis of convenience random sampling basis. An attempt has been made for the measuring satisfaction level of the consumers from malls for grocery, FMCG, and apparels items. Consumer behaviour in retailing is more unpredictable and volatile and to certain extent it is confusing. Average Indian consumer is highly attracted by the organised retail format and its services which is due to increase in the income, change in life style, other demographic factors and very attractive display and promotional tools in the urban areas and backed by foreign direct investment. Traditional retailing is very efficient and economical in terms of operational expenses and customer relationship management. Newly evolved stores require at least two to three years gestation period

which may cause premature death of organised retail sector. But attractive ambience, deep assortment and organised merchandise management can beat the traditional retailers. Key findings are based on the small sample size of the New Delhi area which may not draw right and unbiased and conclusive evidence of impact of the mall effect. Not only has this but the survey been conducted in the area nearby the mall area which may give biased result.

Azad Priyank (2010) has explained the importance of the private label in the organised retailing. In India organised retailers had developed separate strategy of development of various private labels in the category of FMCG sector and later on it also spread towards eatables and readymade garments but out of all organised retailers every one can get success. It gives clear cut indication that Indian consumers can be manipulated by only one of the P of the marketing which is Price. Private labels are cheaper to the organised retailers as it is available directly from manufacturer so there is no margin to middle men. Private labels are treated as perfect substitute to the national brands and consumers find them of similar to national brand in terms of customer satisfaction and lower in terms of price. Private labels are very useful in case of the consumers having lower purchasing power or in the depression time. Private labels sales in the organised retail industry contribute to the extent of one fifth which is very interesting factor. But the national brand marketers negotiate with the organised retailers for bulk buying which in turn make the prices equal to private labels and wipe out the impact of the private labels in the discount stores of organised retailing which is not focused at all. Brand loyalty and Brand perceptions of national brand are so strong that it can't be replaced by the private labels.

Bagaria Amit (2011) examines the success of modern retail in the contemporary situations. Modern retail is full of attraction to the urban consumers as well to certain extent for semi urban consumers also but for the mall in the later stage it is difficult to survive. It reveals the strategy of location and targeting Indian consumers. All most all the organised retailers have targeted Metros and Mega cities and type B towns are ignored or kept under lower profile. Towns of India are carrying high population as to metros and megacities. To make food retail and apparel retail one should capture Type B town and increase foot falls in the organised retail sector. Argument is absolute appropriate that still India can manage organised retail to the extent of just 4% which is very insignificant in terms of world parameters. The focus has been. It depicts the gap in the strategy of location and capturing the market of grocery and food and beverages by the organised retail sector. India's most potential market is semi urban which is still catered by unorganized retailers. Not only this but the lack of any attempt of national organised retailers to join hand with the local retailers for capturing market is also eye-catching gap and can be treated as most potential one also. Mall are needed to be developed in such areas where foot falls are naturally higher and whose audience or consumers are not expecting more than basic offerings and services which can keep the operational cost down and high turnover. Different category wise different market has not been captured by different organised retailers like apparels market, FMCG market, Consumer Durables Market. Hence the marketers strategy of just spreading operations in the "me too" areas may not be much more profitable as to operating in the different market and different environment where no of consumers are higher. But the author has just ignored the basic problems which may be faced by the organised retailers in terms of technology, specified human resources, operational distance and inventory management along with high transportation cost. More over the psychology of the consumer can't be changes overnight by launching mall in such area in terms of "Adoption" of the organised retailing as well as it cut off the consumer from "human touch" and "credit period facility".

Dr. Chavadi Chandan A, and Kokatnur Shilpa S, (2010) has studied the sales promotional effect inside the shopping malls on consumer behaviour as well as an attempt has been made to know the factors considered by the consumers for selecting retail outlet locations. The sales promotional tools is to be treated as most impressive weapon for the attracting consumer and converting foot falls into actual buyers in the organised retail sector. But it is very difficult to know the most effective sales promotional tools amongst ten different used by the organized retailers. Free gift, buy one get one free, discount coupon, next time purchase discount, flat off on the MRP, refund/rebate, Premium bonus point etc. are used by the organised retailers. But of this only one sales promotional tools "flat discount on MRP" is highly effective or preferred by consumers of Bangalore. One should understand

the product life cycle stage or particular product or brand and accordingly design the sales promotional tool for such separate brand or product. The conclusion has been brought from study of only malls of Bangalore and which is based on their observational and questionnaire based survey. Taking into account only two malls in the most modern city of the country and judging the most effective sales promotional tool is not justifiable at all. If researcher has taken into account similar format for at least ten malls of the mega city like Bangalore where cosmopolitan population is very may reflect correct picture. Factor analysis tool has been utilized for the examining the factors taken into account for the selection of store. Out of all the factors consumers take into account merchandise mix, service customer satisfaction of the organised retailer, ambience and convenience in selection of the retail outlet. Unorganised retailer or traditional retailers are supposed to take steps in these areas to increase the satisfaction level of present consumers.

Joseph Darwin R and Pnachanatham N, (2007) has explain the impact of the giant retail out lets on small shops and Hawkers of Chennai city. The policy of the central government for welcoming FDI in the organised retailing India may cause terrific unemployment in the area of unorganised or traditional retail sector which is to be treated as very important pulse of Indian subcontinent. Retailing is contributing one tenth portion in the gross domestic product. Marginal shop owners and hawkers are taken in the study who are situated near the organised retail outlets which shows very nearby results and worth findings. The study reveals that there is reduction of overall sales from all these respondent's retail counter. It indirect proves that the conservative south Indian and Chennai consumers are highly attracted by the organised retailer's sales promotion tools, great ambience, vide variety of offerings and value added services. The probably reason behind is the change in the life style of consumers of Chennai. Week end purchasing under one roof due to shortage of time for working couples of Chennai. But the researchers has not made any proper attempt to know the alteration or changes made by the retailer to counterfeit the attraction given by the malls or for the development of sustainability of family business.

Kalhan Anuradha (2007) has studied the impact of mall on small shops and hawkers in the Mumbai's lower parel, Bhandup, Mulund and other greater Bombay areas. Only 30 hawker's respondents are taken into account which is very small in size to conclude anything about impact of mall. However total 82 retailers who are located within one kilometre of mall are taken of various segments and its impact has been studied simultaneously. Study reveals that more than one fifth sales have been eroded by the malls which compel them to change the sales mix from their shop. Ultimately the hawkers and retailers have reduced the inventory of grocery as well as several FMCG items to greater extent. More surprisingly the small retailers whose average size of shop is less than 400 ft. had been hitted highest by the mall's marketing efforts. It ultimately affected the psychology of retailers and created feeling of threat to their business. Not only has this but the study revealed very surprisingly the fact that malls agents and other people harassed such store owners and hawkers to greater extent which indirectly forces one fourth of stores to shut down their activities to certain extent. Here the matter is social justice and one should draw an attention of local authority in this regard for the employment of the small retailers and hawkers. As traditional retail format requires only two to three people for the retail stores operations employment generated by the unorganised retail sector is not affected directly but affect indirectly to the surrounding service providers and pull cart people for delivery of goods which has not been examined at all.

Mukherjee Kingshuk (2007) have explained the reason for the failure of mall or organised retailing in several cities of India. Mall or Organised retailers are failed to match the offerings offered and the consumer's want. The segmentation function of the marketers is proper. Attracting consumers by attractive display and good ambience may increase the foot falls but failed to convert it in the actual purchase due to gaping the understanding consumer mind-set. In the last five years real estate price affects adversely to the organized retailers. Selection of location of the mall is the critical and key factor in the present situation which carries very huge investments. Profitability of the mall is wipe-out by the blocking of huge investment in the land and other interior aspects and its operational expenses. Consumer's profiles tube studied first before finalizing the location of mall and segment in which organised retail want to enter.

Saxena Nitu (2009) has examined the reasons for the development of the organised retailing in India. The very reason for the development of organised retailing is the liberalization which generated employment in India which indirectly increases the purchasing power of great Indian middle class. Multinationals have shifted their operations to India china and other south east countries where labour is very chip which in turns result into rush of MNC food retail chains in India. Lower middle class is highly influenced by the behaviour pattern of upper middle class which in turn result into purchasing from mall or eating out in the multiplex and organised retail sector is to be treated as “status” or modern “lifestyle”. Organised retailers have developed different retail structure with reference to the consumer behaviour specifically in case of food retail, vegetables and daily necessary grocery. Deep penetration of organised retailing can’t be achieved without changing the perception of the organised retailing amongst consumers. One should take into account the psychology of the consumers and then determining the perfect segmentation (on the basis of socioeconomic aspects of consumers) and accordingly positioning should be made. But all the organised retailers are taking into account urban consumers and their mind set for development of the malls which in turn can create a problem for survival in long run after such market becomes saturated.

Venkateshwarlu.H and Rajani. C.V (2007) has examines the impact of malls on small shopkeepers of Hyderabad and Secunderabad with the help of primary study from 50 shop keeper’s which focus on the strength of small retailers and attractions of Malls (which can’t be created by small retailers) in the present consumerism scenario of Indian retail industry. The impact and effect of Malls on small shops have been revealed in the terms of Reduction in the margin, Reduction in the turnover, and unethical practices by malls and its counter attack by small retailers. The mall culture is successful in attracting consumers of India who is living in metro cities or megacities but un able to sustain their foot fall as small retailers know the psychology of consumers more smartly. Small retailers had increased credit facilities and offering some value addition services as well as credit amount to regular customers which can be treated as major step towards long term relationship with customers. On the other side customers get better deal, good atmosphere and wide assortments in the mall which can’t be counterfeit by the small retailers. Malls are facing supply chain problems and inventory problems which increases their cost of storage and allied matters. Not only this but in last five years Indian real estate market is shooting up which indirectly affects the mall or organised retailing industry adverse in terms in rocket high rentals. The study reveals that the small retailer’s survival is not possible without making systematic and appropriate changes irrespective of their size and pattern and even segmentation. Supermarkets are becoming blessings for great Indian middle class whose both members are earning and expecting everything under one roof and expecting buying grocery is not routine boring work but like “family enjoyment”.

4. Findings:

On the basis of above literature review work and other secondary data researchers can conclude following findings:

1. All most all the retailers affected adversely by the organised retailers in terms of sales of FMCG products. More than half of the respondents are witnessing reduction in sales to the extent of 15%.
2. Just 10% traders have witnessed growth of sales which has been achieved by aggressive marketing of private label of fast food.
3. There has been significant change in the sales structure of the retailers. Due to packaged food and organised retailing conventional traders are unable to maintain sales of all most all the category of offerings. FMCG section is facing highest hit in the form of reductions sales up to 30%.
4. Food grain sales has been least affected due to organised retailer’s entry. But the retailers are much more affected by the seasonal combo pack heavy discount of food grains and cooking oil and other items.
5. Permanent regular consumers of grocery and FMCG products from small retailers have not been reduced to greater extent but the volume of such consumers have been reduce up to 60%.

6. Most significant change is observed in terms of mode of sales by the retailers. The respondents revealed that cash sales portion has been increased come to 70% of total sales.
7. Retailers have informed that discount stores are affecting more than malls to their regular customers for food grains, grocery and for FMCG products.
8. Almost all the small retailers have not changed ambience at all. But separate space of Display and contract with the marketers for” space for point of sale” has been made.
9. More than one fourth retailers have changed display pattern and make arrangement for Special Display of “New Arrivals” of special offer product.
10. There has been direct impact on the inventory of many items of retail stores. Retailers have reduced stock of all most all the items other than daily necessary items to greater extent.
11. Electronic billing, Value added Service to customers and Efforts or Customer relationship management are still ignored areas by the retailers either for maintaining footfalls or to increase foot falls.
12. Sales promotional tools are used by the small retailers to very limited extent and restricted to selected products which ultimately creates negative image to consumers as to organised retailers. Not only are this but he sales promotional activities carried out unevenly not through the year.
13. According to respondents Marketers and distributors of FMCG products and grocery items are now discriminating small and marginal retailers and not providing new product in time and can’t offer quantity discount to them as to organised retailers.
14. Small retailers are very idle in terms of advertising their stores in the nearby locality. Advertisement has been treated as an additional cost.
15. Established Unorganised retailers of the different city have played various strategies like opening branches in the different areas of the city, offering huge discount on regular basis to customers, Air-condition stores, Computerised billing system and Barcode labelled inventory and trained staff.

5. Suggestive framework for the research work:

Following variables are to be studied for the examining action of unorganised retailers.

Product Management	<ul style="list-style-type: none"> • Product Display • Product line depth to be offered
Credit Period facility	<ul style="list-style-type: none"> • Credit Period to the regular consumers • Relationship between credit period and goods purchased to be checked
Electronic payment facilities	<ul style="list-style-type: none"> • Acetaptance of e-wallet • Clear bill with tax amount
Value added services offered by the retailers	<ul style="list-style-type: none"> • Free home delivery • Processing and packing of different seasonal grains
Sales Promotion schemes	<ul style="list-style-type: none"> • Offering discount on selected products • Bundel offer for the particular product

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