



AN IMPACT OF TRANSFORMING CONSUMER TENDENCY TOWARDS ORGANIZED TO UNORGANIZED RETAILING

S Mohamed Ashique¹, Dr S Chinnathambi²

Article History: Received: 23.02.2023

Revised: 08.04.2023

Accepted: 23.05.2023

Abstract

Despite the emergence of a large scale organised retail industry, the unorganised retail market is the most significant mode of retailing for the major population in India. Today's Indian retail industry is evolved from the traditional unorganised retailing. The unorganised retail consist of small retail stores operating on the lower scale with slight or no standardisation and selling goods in split quantities to the local consumers within a small geographical area. Unorganized retail stores do not use any technology or maintain processes in their businesses. However, they have a huge potential for growth and development in India. This paper outlines various aspects of the organised and unorganised retailing and further analyses their operating structure, sale distribution, promotional tools, factors for store functioning and income differences in India. In this research, the primary data is collected using a survey of 150 small scale retailers from Pune. The results of the paper shows the impact of shopping malls on small grocery shops and further elaborates on the challenges faced by them. This study provides the suggestions based on the analysis of data collected from the small scale retailers to improve their sales, developing credit facility, providing home delivery and capitalising on long term relationships with the customers.

Keywords: Retailing in India, Unorganized Retailing, Retail Strategy, Promotion in Retail, Small Scale Retailing, Retail Culture.

¹II-Year MBA School of Management Hindustan Institute of Technology and Science

²Associate Professor School of Management Hindustan Institute of Technology and Science

DOI: 10.31838/ecb/2023.12.s2.304

1. Introduction

In olden day's economy was said to be barter economy. So barter is considered as one of the oldest form of retail in India. Most of the retailing may be inform of Haats, Mandis, Melas in India and also in other countries. The single largest retail chain in India is the public distribution system. Popularly known's as PDS or "Rationing system introduced by the Britishers during the world war II. Public distribution system was first started in Bombay in the year 1939. Latter system was extended to other cities and towns. After the world war II, this system was abolished. After Independence Indian Government re-introduced public distribution system in the year 1950. The evolution of retailing also took place in form of canteen stores department (CSD) post office in India (service) Khadi and village industries (Established after Independence) presently KVIC's are more than 7050 stores throughout India. The co- operative movement ignited and the Indian govt established Kendriya Bhandars in 1963. Since from introduction of New economic policy in 1991 called LPG (Liberalization Privatization and Globalization) with new economic policy most of the restrictions on private companies were lifted and the license

RAJA helps in promoting economic progress from state led to becoming market friendly. Independent retail stores existed in India such as Akbarallys Viveks and Nalli's. First organized retailing noticed in textile organizations. Such as Raymond's set up retail stores in fabric. Today Raymond's distribution network accounted to 20000 retailers and 429 showrooms across the country. Some other textile manufactures set up their retail store were ;
Reliance – set up vimal showrooms

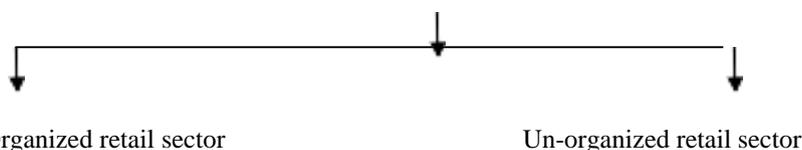
Garden silk mills – garden varali.

The growth of text tile retailing, readymade branded apparel, leads to existance of Madura Garments, Aravind Mills etc with this new age of departmental stores find its place in blooming way in India in 1990s. This was the beginning of new retail era in India. The concept of retail as entertainment came to India with the advent of malls. Thedevelopment of Malls took place both in metro and cities and towns.

Defining organized and unorganized Retail.

The Indian retail industry is divided into organized and unorganized sectors.

Retail Industry



Organized retail sector:

Organized retailing refers to trading activities undertaken by licenced retailers that is those who are registered for sales tax income tax etc. These include the corporate backed hyper markets and retail chains and also the privately owned large retail business.

Un-organized retail sector:

Un-organized retailing is defined as an outlet which is run locally by the owner of the caretaker of a shop wholacks the technical and the accounting standardization. The supply chain and the sourcing are also usually done locally to meet the local needs

Comparison between organized and un-organized retailing

Criteria	Organized Retailing	Unorganized retailing
Ownership	Corporate Business	Household business
Size of operation	Comparatively large	Small store
Nature of Employment	Hared persons	Generally family members

Product availability	Wide range of branded and non branded product	Selective range of branded and non branded products
Selling Price	MRP	Price less than MRP
Store ambience	Excellent	Poor
Promotions	Joint promotions	Company promotions only
Tax Payment	Greater enforcement of taxation mechanism	Evasion of taxes
Market experience	Short Term	Long Term
Locations	Distantly located	Round the corner located

Review of Literature

Manufacturers feel retailing activities as a good opportunity to retail themselves and bypass the retailers. Some of the manufacturers such as dell computers have done it more successfully. Some of the business (retail) indulge themselves in retailing they are,

- Books
- Music
- Air line ticket booking (services)
- Standardized software products
- Garments
- Gift items etc.

The above list is non-exclusive. Every day someone or the other comes up with a new idea to use the technology better than someone else.

2. Special Discounts.

Stores have started demanding allowances for giving a prime location to a brand. The retailers having large operations eg Amazon.com benefit from this. Report reveals that publishers pay as much as USD 10,000-00 for prominent listing on Amazon.com

3. Retailer Branding :

Taking into consideration, the customer loyalty that they enjoy retailers such as food world pantaloons, global shoppers stop etc introduce their own brands that compete with other brands.

How retailing affects the economy? :

Most of the business activities in India will affect the economy one or the other ways. On the same line retailing too affects the economy in a variety of ways.

1. Contribution to National Economy :

Retailing business activity will directly contribute to national economy by way of

providing employment opportunities to the people and helps to enhance the income level of people. It leads to high consumption, more amount of activities thus money revolve and reuse helps to improve economic conditions of the nation as well as standard of living of the people. Thus retailing helps to generate taxes which may be an additional income to the government and directly helps for national development, Possibilities of foreign direct investment especially in the retailing sectors. Growing disposable income in the country is resulting in increasing consumer spending habits¹⁴

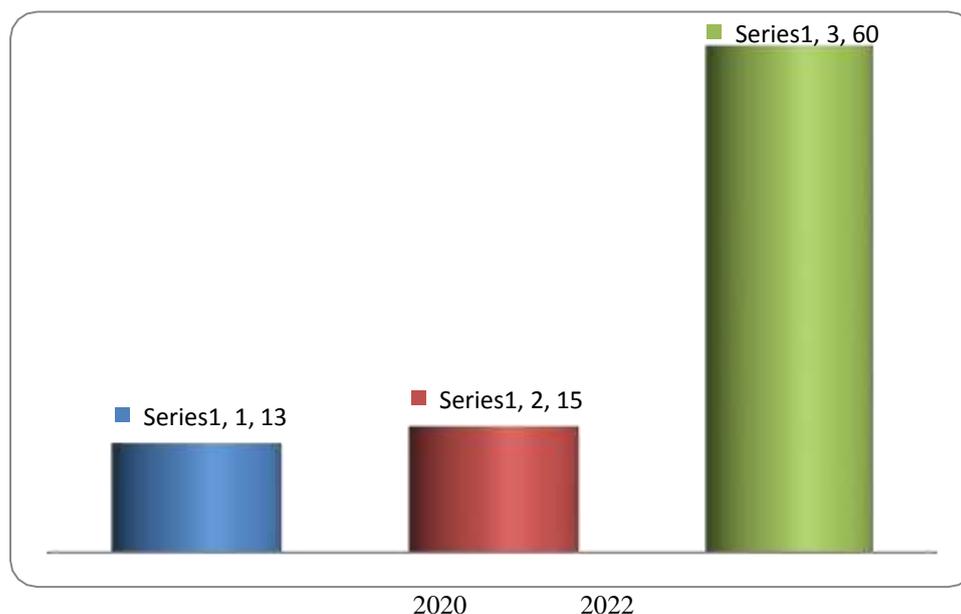
Objective

- To analyze the external forces which influence the choice of consumers and how these forces can be accounted for in future.
- To ascertain how are organized retailers perceived
- To analysis the most favored retail attributes by consumers and how will they change in future

NEED FOR THE STUDY

- This study enables the organized retailing more vulnerable
- The study focused on the factors influencing organized retailing
- The study also helps the retailers to make a analysis to understand where they stand
- The study give information about opinion of customer about organization retailing.

Revenue from online detail in India (US \$ billing)



2019

Note : E-Estimate

Source : India retailing.com

By 2018, the india retail sector is likely to grow at a CAGR of 13% to reach US\$950 billion

Key drivers of the Indian Retail Industry

- Emergence of nuclear families
- An increase in the double income household trends.
- Large working population
- Reasonable real estate prices
- Increase in disposable income and customer aspiration
- Demand as well as increase in expenditure for luxury items
- Growing preferences for banded products and higher aspirations.
- Growing liberalization of the FDI policy in the past decade.
- Increasing urbanization
- Rising affluence amid consumers.

Bottle necks :

- A long way to meet international standards
- Lack of efficient supply chain management
- Lack of required retail space
- No fixed consumption pattern
- Shortage of trained man power
- Lack of proper infrastructure and distribution channel.

Country	Organized trade %
India	05
China	23
France	80

Poland	24
Japan	66
Indonesia	30
Russia	33
Brazil	35
Thailand	40
Malasia	55
USA	85

Source : The retailer Ernst and Young.

Indian retail industry has emerged as one of the most dynamic and fast paced industries due to the entry of several new players. It accounts for 10% of the country's gross domestic products (GDP) and around 8% of the employment. India is the world's fifth largest global destination in the retail space.

Indian retail industry has immense potential as India has the second largest population with an affluent middle class, rapid urbanization and solid growth of internet.

Indian retail market is expected to grow at a compound annual growth rate (CAGR) of 10% percent to USD 1.6 trillion by 2026 from USD 641 billion in 2016. While the overall retail market is

expected to grow at 12% per annum. Modern trade would expand twice as fast as 20% per annum and traditional trade at 10%. Indian retail market is divided into "organized retail market" which is valued at \$60 billion which is only 9% of the total sector and "unorganized retail market" constitutes the rest 91% of the sector.

India's total potential of business to consumer (B2C) is estimated to be US\$26 billion of which \$ billion can be achieved in the next three years from 16 product categories according to a study by the Federation of Indian Chamber of Commerce and Industry (FICCI) and Indian Institute of Foreign Trade (IIFT).

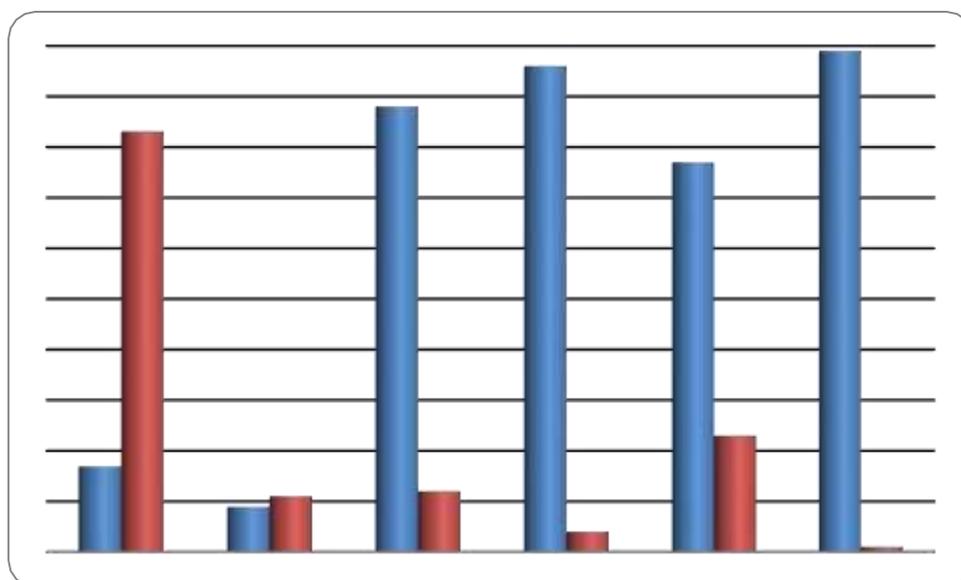
Global Scenario of Organized Retail

Country	Share of organized retail (%)	Share (unorganized retail) (in %)	Suggestion
India	6	94	Immense opportunity for the growth of organized retailing
China	20	80	Organized retail growth is going on
South Korea	15	85	Good opportunity for the development of modern retailing

Indonesia	25	75	Organized retailing is developed
Philippines	35	65	Organized retailing is developed
Thailand	40	60	Organized retailing is highly developed
Malaysia	50	50	Organized retailing is highly developed

Source : Assocham conferene on re inventing retail in New Delhi.

Share of various segments in Indian Retail



Source : Deloitte retail POV “Indian Retail Market changing with the changing times”

Growth potential of organised retail in India :

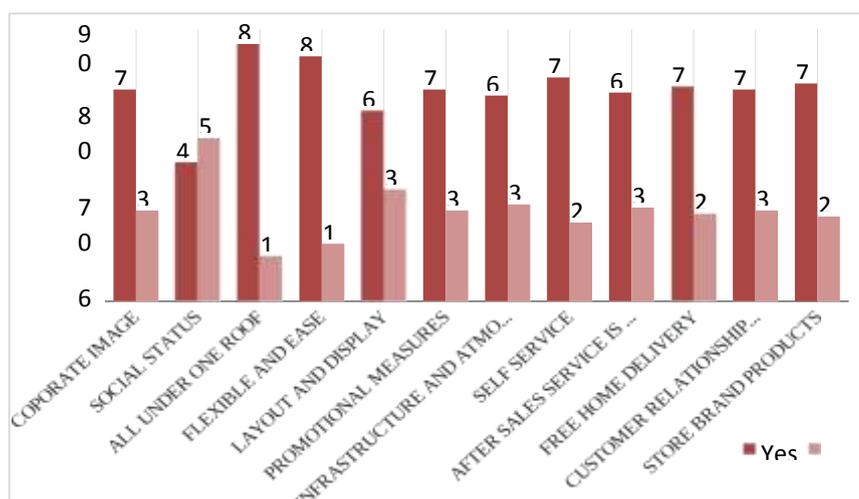
Retailing is one of the largest Sectors in the global economy, is going through a transition phase not only in India but world over. By 2030 India would be one of the top 5 economis in terms of GDP. The Indian retail market is estimated to grow US \$

675 Bn by 2016 at CAGR of 7.5%. Theorganised retail market is estimated at US \$ 26 Bn and accounting for 6% of the overall retail market in 2011. The organised retail market is expected to grow to US \$ 84 Bn by 2016 at a CAGR of 26%. The same is depicted in the below tables.

Indian Retail Market (overall by category)

Category	2006	2011	2018	CAGR 2011-18 %
Food and Grocery	217	325	425	5.50
Apparel	25	35	50.2	7.50

Jewellery and wathes	16.5	25.6	44.2	11.50
Consumer electronics and I.T	16.5	22.7	42.8	13.50
Pharmacy	08	13.9	23.4	11.00
Furnishing and furniture	6.5	9	17	13.5
Restorents and Food joints	4.6	8.8	15.8	12.50
Foot wear	3.6	4.5	8.3	13.00



Interpretation

The above table shows that majority of the respondents are said yes to the attribute listed above except that they are not shopping in organized formats for their social status.

CORRELATION

Correlations

	AL	CS	SM	CT	CV	ES
Pearson Correlation	1	.353**	.330**	.414**	.186*	.680**
AL Sig. (2-tailed)		.000	.000	.000	.034	.000
N	130	130	130	130	130	130
Pearson Correlation		1	.337**	.571**	.369**	.495**
CS Sig. (2-tailed)			.000	.000	.000	.000
N			130	130	130	130

SM	Pearson Correlation	.330**	.337**	1	.468**	.334**	.479**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	130	130	130	130	130	130
CT	Pearson Correlation	.414**	.571**	.468**	1	.571**	.523**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	130	130	130	130	130	130
CV	Pearson Correlation	.186*	.369**	.334**	.571**	1	.239**
	Sig. (2-tailed)	.034	.000	.000	.000		.006
	N	130	130	130	130	130	130
ES	Pearson Correlation	.680**	.495**	.479**	.523**	.239**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.006	
	N	130	130	130	130	130	130

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

INFERENCE

Pearson Correlation –These numbers measure the strength and direction of the linear relationship between the two variables. The correlation coefficient can range from -1 to +1, with -1 indicating a perfect negative correlation, +1 indicating a perfect positive correlation, and 0 indicating no correlation at all. (A variable correlated with itself will always have a correlation coefficient of 1.) You can think of the correlation coefficient as telling you the extent to which you can guess the value of one variable given a value of the other variable

H1 is accepted (i.e.) has a positive relationship with employee satisfaction at 68.0% It has a perfect positive correlation because it lies between the range of (0, +1).

H2 is accepted (i.e.) has a positive relationship with at 49.5% It has perfect positive correlation because it lies between the range of (0, +1).

H3 is accepted (i.e.) Sportsmanship has a positive relationship with employee satisfaction at 47.9%. It has perfect positive correlation because it lies between the range of (0, +1)

H4 is accepted (i.e.) Courtesy has a positive relationship with employee satisfaction at 52.3%. It

has perfect positive correlation because it lies between the range of (0, +1)

H5 is accepted (i.e.) Civic Virtue has a positive relationship with employee satisfaction at 23.9%. It has perfect positive correlation because it lies between the range of (0, +1).

FINDINGS

- ✓ All the variables had a Cronbach's alpha of acceptable ratio demonstrating that the variable is reliable with the values of Rewards and Recognition are 0.896, Work Environment are 0.768, Relationship With Co-Worker are 0.773, Relationship With Boss are 0.773 respectively.

✓ The correlation among the employee satisfaction with Altruism, Conscientiousness, Sportsmanship, Courtesy, Civic Virtue showed positive level of significance with values 0.680, 0.495, 0.479, 0.523, 0.239.

✓ The R square value of 0.453 indicates the 45.3% of variance is explained OCB on employee satisfaction and it shows a positive significant value of less than 0.05.

✓ In One way ANOVA the Employee Engagement is significantly different for at least one of the Motivation factor ($F_{2, 350} = .538, p < 0.005$).

SUGGESTIONS

The maximum number of visitors to organised retailers are from city (60%) and remaining 40% are from small town(29%) and villages(11%). The organised retailers should take promotional activities and alike to attract the people from nearby villages and small towns.

The important factors which influence a customer to make a buying decision are brand name, availability of range and price. The retailers must focus on these attributes as it gets much priority among consumers.

The important factor which consumer look in a product while making a purchase is quality. The retailers must give special attention to quality of products.

While discussing the time, day and frequency of visit to stores most of the answers revealed a statement “whenever required”, it indirectly means that 24x7 service is required in order to satisfy our consumers.

4. CONCLUSION

The study was conducted on the changing consumer preference towards organized retailing from unorganized retailing.

The study shows that customers are very much anxious towards organised retailing and they expect variety as a primary attribute from retailers. The recent trend had shown that there is a rapid growth in the organised formats. It also shows that customers expect quality next to variety as the primary factors to shop in the organized formats. Satisfaction level about price in organised formats is comparatively low and so it must be focused.

It is also to be noted that in the next level of cities, only departmental stores and supermarkets alone given more priority in organized formats. From the statement we can understand that still most of the people are not aware of malls and hypermarkets in those cities. Majority of the consumers are visiting organised formats for variety and they expect additional facilities like kids park, restaurant etc.