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The Impact of Organized Retail Stores on Unorganized retail Outlets (With reference to FMCG's in Undivided-Andhra Pradesh)

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Abstract: In developing countries like India the retail business has to play important role in contributing GDP and providing employment opportunity. As per the India Retail Report, 2007 beverages and food segment occupies the largest share with more than 70% of the retail business. According to the ICRIER study 2008 an unorganized retailers found that the small retailers who are nearer to the organized retailers are suffering from loss of business than the organized retailers who are located far away from the organized retailers. This paper highlights to examine the business activities of unorganized retailing outlets in Andhra Pradesh and to know the impact of organized retail stores on unorganized outlets.

Key Words: Unorganized sector, organized sector, retail outlets etc.

1. INTRODUCTION

Retailing is a business activity which involves the sale of merchandise goods and services to consumers for their personal, family or household use (Berman and Evans, 2001). According to A. T. Kearney's GRD Index 2016 India occupies second place in the retail market size and Deloitte reports 2013 says that the food & grocery sector occupies 60% of the retail business, the report also exhibits that 92% of the retail business is in the hands of unorganized retailers and only 8% of the business is occupied by the organized retailers. An unorganized form of retailing requires very low investment and it can be started without proper brick and mortar setup and it dominates grocery, food and allied products. Food and grocery Constitutes the bulk of Indian retailing and its share is about 60%". The dominance of Larger players in retailing with big store size, increased concentration and more range of formats show the level of competition in retailing (Andrew Hollingsworth, 2004).

The entry of organized retail in developing countries happened in 3 waves (Reardon and Hopkins, 2006). At first they entered in the early 1990's in South America (e.g., Brazil, Argentina and Chile), China (South Korea, Philippines, Malaysia, Taiwan and Thailand), North-Central Europe (e.g., Hungary, Czech Republic and Poland). Secondly, they entered into mid1990's in Central America, Mexico (e.g., Ecuador, Colombia and Guatemala), Southeast Asian countries e.g., Indonesia. Thirdly, they entered into the early 2000's in parts of Kenya, Peru, Nicaragua and Bolivia, China, India and Russia.

2. REVIEW OF LITERATURE

According to Kumar and Devi (2016) there is no significant difference among consumers between organized and unorganized retail stores. In many aspects, both organized and unorganized retail stores are providing the same kind of service to consumers. (Kumar & Devi, 2016).

According to Kakkar (2016) credit facility, easy replacement, more comfort and convenience and availability of products motivate consumers to opt for shopping in unorganized retail stores. (Kakkar, 2016).

Bose, 2013; Pesek, 2013 mentioned in their article that some of the parts of India have resisted foreign retailers to open their retail stores, many domestic retailers protested in various states in India in the late 2012 as these stores will trouble the livelihoods of small retailers.

According to **Euromonitor International, 2013** Moreover, there was strong support in the media to raise a tax against modern retailers, the proceeds of which would be paid as a subsidy to traditional stores in the same areas as compensation for lost business.

Weil et al. (2012) found 7 factors for retail store selection by the customers, i.e. location, reference group, variety, quality of the product, the ambience of the store and store employees, convenience, merchandize selection and promotional programs of the store.

Kali & Kalia (2011) in their article expressed as in future organized retail share will increase and unorganized retail share come down due to the efficiency of the organized retailers in buying, distributing and selling the product at low margin. Indian consumers are likely to move from unorganized retail to organized retail indicated that there must be adoption of modern commerce in the organized retail store and the unorganized retailer has to examine the weaknesses and should find the potentialities. Another implication has to do with the need and importance of ways of strategic co-operation of small retailers in the competitive game highlighted by **Dr. Paromita Goswami, Dr. Mridula S. Mishra, (2009)**.

Broadbridge and Calderwood (2002) represented that the unorganized retail stores must have more commitment and willingness in conducting of the business and serve the community satisfaction in order to face the competition from larger organized grocery retailers.

Vijayraghavan and Ramsurya (2007) observed in their study that in the recent times traditional retailers are losing the business in several parts of the country as they are unable to compete with organized retailers due to lack of variety of merchandize and he also mentioned that the unorganized or traditional stores previously having 95% of the total sales in the country.

Thakkar and Bhatt (2007) presented in his article the big retailers combined with unorganized retail outlets like Reliance retail is making the small retailers as their franchisees on a revenue sharing model and Bharti-walmart venture is following the same by employing 60,000 people by 2015.

Srivastava R. K. (2008) observed in his article the organized retailing, globally, has played a major role in nations' GDP and employment. According to Srivastava, the ratio (composition) of organized versus traditional retailing is increasing in countries such as the US (85:15), Taiwan (81:19), Malaysia (55:45), Thailand (40:60), Indonesia (30:70), China (20:80), and India (3:97). The data in parenthesis describe the organized versus traditional ratio of retailing for each country. There are 12 million unorganized retailers majorly concentrated in the food and grocery in the form of Fast Moving Consumer Goods (FMCG) and these stores sell only for MRP, these stores will also provide credit to their customers. Modern retail generally refers to self-service, which will be called as supermarkets and which have a size of 500 sq. ft. Very less in numbers in the cities/towns and they will be like mom and pop stores. Apart from this organized retail typically means large scale chain stores which apply modern management techniques and they will also be in self-service in nature (**Anirban Sengupta, 2008**).

Vijay Kumar et al. (2008) the major disadvantage of the Kirana store owners is higher purchasing cost compared to organized retailers. Unorganized stores should host some measures like formation of buying group to get purchase economies from volume buying which will counter the effect of organized retailer. Many organized players have also shown interest in partnering with Kirana stores to help them become efficient. Organized players like Reliance and FMCG companies such as Unilever India have already taken such initiatives. As the unorganized retailer will not have direct access to the backend supply chain (direct from farm to store) the procurement cost of the unorganized retailer will be more than the organized retailer. The difference of procurement cost can be eliminated through government action, i.e. framing a law which is similar to the Robinson-Patman Act of the US. Robinson-Patman Act (1936) (or Anti-Price Discrimination Act, also known as the chain store Act) is a US federal law which helps the unorganized retailer to access the supply chain efficiencies of large organized retailers.

3. RESEARCH METHODOLOGY

This study a structured Questionnaire with 24 questions has been designed and for collecting the data from 507 respondents among unorganized retailers in the major cities of the undivided Andhra Pradesh. The data have been analyzed and using the SPSS software for testing the hypothesis. The statistical technique of Paired T test has been applied for getting meaningful conclusion. The sample size of the research was 507 unorganized retailers who belong to some of the major cities of undivided Andhra Pradesh i.e. Hyderabad, Warangal, Guntur, Vijayawada, Kurnool, Ananthapur, Rajahmundry, Kakinada, and Visakhapatnam based on convenient sampling.

4. OBJECTIVES OF THE STUDY

- To examine the business activities of unorganized retailing outlets in undivided Andhra Pradesh.
- To analyze the impact of organized retail stores on unorganized outlets

5. HYPOTHESIS

- H_0 There is no impact of organized retail stores on unorganized outlets.
- H_A There is an impact of organized retail stores on unorganized outlets.

6. ANALYSIS

Table 1 expressed the details of the impact of organized stores on unorganized outlets during the study. The majority of the retailers, says the flow of customers to their stores are good i.e. 358 (70.6%) of the respondents and very less respondents said that the flow of customers is average i.e. only 15 (3%) respondents. The majority of the respondents said that the sale of Grocery products in the unorganized stores are more i.e. 390 (76.9%) and only 18 (3.6%) respondents said that their grocery sales are less and 4 (0.8%) respondents did not give their response. Regarding the sales of the vegetables are observing that the majority of the respondents did not give their response to the question because vegetables are sold in the unorganized retail stores. In Hyderabad and in the rest of the parts the unorganized retailers do not sell the vegetables in the unorganized retail outlets. The sales of cosmetic products segment is observed that the majority of the retailers in unorganized sector 268 (55.8%) said that their sales are very good and only 74 (14.59%) respondents expressed their sales are less and 17 (3.3%) respondents did not give answers and rest of the respondents said that the sales of the cosmetic products are average.

During the study, 56.01% of the respondents said that the unorganized retailers are selling only branded products and 213 (42.01%) respondents said that selling both branded and Unbranded products and only 6 (1.18%) respondents opined that selling Unbranded products. The range/variety segment found that the majority of the unorganized retailers 366 (72.2%) said that they are selling a modern range/variety of merchandize and only 10 (2%) respondents expressed as sale of low range/variety of merchandize and the remaining respondents expressed as high range/variety of merchandize.

Regarding the quality most of the respondents expressed that they are selling high quality of merchandize i.e. 65.5% and 175 respondents said that sale of moderate quality of merchandize i.e. 34.5%. Majority of the 296 respondents i.e., (58.4%) opined that they will follow discounted pricing for the sale of the merchandize in their outlet and only 49 (9.7%) respondents said that adding to the MRP and 162 (32%) respondents expressed as charging prices according to the MRP. Majority of the retailers i.e., 250 (49.3%) respondents declared as discounts allowed only to the regular customers, 175 (34.5%) respondents said to give discounts for bulk purchases, 48 respondents expressed to allow discounts at the time of festivals and only 34 respondents denotes as to give discounts based on the season.

In regard to the proximity of the store most of the respondents i.e. 502 (99%) said that proximate to the customers and 5 respondents (1%) said that they are not proximate to the customers. Majority of the retailers 275 (54.2%) opined that not provide home delivery service to the customers and 232 (45.8%) retailers opined that only to provide home delivery service. Most of the unorganized retailers 265 (52.3%) respondents said that they are providing credit facility to their customers and 242 (47.7%) respondents expressed they are not allowing credit to their customers.

Many of the respondents said that they are promoting their store by attractive decorations, 137 (27.02%) retailers expressed that promoting their stores through relationship management, 115 (22.68%) respondents said that to promote their store by word of mouth and very less respondents 25 (4.93%) said that they are promoting their stories by giving advertisements in the local TV channels. From the table it is observed that the most of the unorganized retailers 208 (41%) opined that the organized retailers emerged in their city before 5 years, 129 opined that they entered before 10 years and 127 opined that organized retailers entered before 2 years and only 43 (8.5%) opined that they have entered in the recent times. Most of the

unorganized retailers said that the distance between his/her store and organized store is less than or equal to 1 km, 114 (22.5%) said that the distance between less than or equal to 3 km, 91 (17.9%) respondents said that the distance is 5 km and 79 (15.6%) respondents said that the distance is only 2 km only. The majority of the unorganized retailers i.e. more than 50% opined that the business outlets decreased after the entry of the organized retailer and 238 (46.9) respondents said that there is no decreasing in the unorganized retailers in the city after the entry of the organized retailers.

From the table it can easily observed that the large retailers decreased from 158 to 51, medium retailers decreased from 141 to 88, small retailers decreased from 182 to 160 whereas very small retailers increased from 26 to 208. Out of all the respondents majority i.e. 299(59.0%) respondents told that the flow of customers are good after the entry of the organized retailers, 96 (18.9%) respondents said that the flow of customers are average, 66 (13%) respondents told that the flow of customers are poor and only 46 (9.1%) respondents expressed that the flow of customers are very good.

Table 1
The Impact of Organized Retailing on Unorganized

<i>Sl. No.</i>	<i>Qn. No.</i>	<i>Particulars</i>	<i>No. of Respondents</i>	<i>% Percentage</i>
1	6	Flow of customers visiting your Outlet		
		Very Good	134	26.4
		Good	358	70.6
		Average	15	3.0
		Poor	0	0
2	7	Customers visiting your outlet for buying		
	a	Grocery		
		More	390	76.9
		Average	95	18.7
		Less	18	3.6
		No response	4	.8
	b	Vegetables		
		More	59	11.6
		Average	76	15.0
		Less	49	9.7
		No response	323	63.7
	C	Cosmetic products		
		More	268	55.8
		Average	148	29.19
		Less	74	14.59
		No response	17	3.3
3	8	Customers visit your outlet		
		Product	390	76.9
		Price	95	18.7
		Place	18	3.6
		Promotion	4	.8

contd. table 1

<i>Sl. No.</i>	<i>Qn. No.</i>	<i>Particulars</i>	<i>No. of Respondents</i>	<i>% Percentage</i>
4	9	What type of merchandise will you maintain in your outlet		
		Branded products	284	56.01
		Un branded (local)	6	1.18
		Both	213	42.01
5	10	Rate the Range/Variety of Merchandise available in your Retail Store?		
		High	131	25.8
		Moderate	366	72.2
		Low	10	2.0
6	11	Rate the Quality of Merchandise available in your Retail Store?		
		High	332	65.5
		Moderate	175	34.5
		Low	0	0
		All types	0	0
7	12	What type of pricing policy will you adopt?		
		MRP Price	162	32.0
		Discounted price	296	58.4
		Additions to MRP	49	9.7
8	13	What type of discounts will you offer?		
		Discounts at the time of Festival only	48	9.5
		Discounts based on the Season	34	6.7
		Discounts for Regular customers only	250	49.3
		Discounts for bulk purchase only	175	34.5
9	14	Do you feel that your store is located nearer to your customers?		
		Yes	502	99.0
		No	5	1.0
10	15	Will you deliver the goods to the customer's place		
		Yes	232	45.8
		No	275	54.2
11	16	Do you provide credit facility to the customer?		
		Yes	265	52.3
		No	242	47.7
12	17	Is it one of the factor for which customer is retaining?		
		Yes	305	60.1
		No	19	3.74
		No response	183	36.09
13	18	How do you promote your store?		
		By attractive decorations	230	45.36
		By giving ad's in local TV Channels	25	4.93
		By Relationship management	137	27.02
		Word of mouth	115	22.68

contd. table 1

The Impact of Organized Retail Stores on Unorganized retail Outlets...

<i>Sl. No.</i>	<i>Qn. No.</i>	<i>Particulars</i>	<i>No. of Respondents</i>	<i>% Percentage</i>
14	19	When does the entry of Organized Retailing took place in your area?		
		Before 10 years	129	25.4
		Before 5 years	208	41.0
		Before 2 years	127	25.0
		Recent Times	43	8.5
15	20	What is the distance between your store and Organized store		
		</= 1km	223	44.0
		</= 2km	79	15.6
		</= 3km	114	22.5
		</= 5km	91	17.9
16	21	Do you agree that the number of Unorganized retailers decreased in your city after the entry of Organized retailers		
		Yes	269	53.1
		No	238	46.9
17	22	What is the average quarterly sales of your store before the Organized Retail Outlets		
		</=1,00,000	26	5.1
		</=2,00,000	182	35.9
		</=3,00,000	141	27.8
		</=5,00,000	158	31.2
18	23	What are the average quarterly sales after the Organized Retail Outlets		
		</=1,00,000	208	41.02
		</=2,00,000	160	31.55
		</=3,00,000	88	17.46
		</=5,00,000	51	10.05
19	24	Flow of customers visiting your out let after the entry of Organized Retail Outlets		
		Very Good	46	9.1
		Good	299	59.0
		Average	96	18.9
		Poor	66	13.0

(Out put from SPSS)

Paired T Test

Paired Samples Statistics

	<i>Particulars</i>	<i>Mean</i>	<i>N</i>	<i>Std. Deviation</i>	<i>Std. Error Mean</i>
Pair 1	Q22. Average quarterly sales	1.96	507	.993	.044
	Q23. Average quarterly sales after entry of organized retailers	2.85	507	.925	.041

Paired Samples Correlations

Particulars		N	Correlation	Sig.
Pair 1	Q22. Average quarterly sales & Q23. Average quarterly sales after entry of organized retailers	507	.758	.000

**Table 1
Paired Samples Test**

Particulars	Paired Differences							t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error	95% Confidence Interval of the Difference						
			Mean	Lower	Upper					
Pair 1	Q22. Average quarterly sales –Q23. Average quarterly sales after entry of organized retailers	-.886	.670	.030	-.944	-.827	-29.748	506	.000	

(output from SPSS)

From the above table analyze the information the significant ‘p’ value is less than 0.05 i.e. 0.00. The alternative hypothesis (Ha) are accepted and the null hypothesis is rejected. It means that there is a significant difference in sales before and after the entry of organized retailing stores. After entry of organized sectors the sales of unorganized sector were decreased.

The purpose of this research was to find how the unorganized retailers are conducting their business and the impact of the organized retailing on the sales of the unorganized retail stores in undivided Andhra Pradesh. In the present scenario unorganized retailers follow different qualities of merchandise with different price structures. Mainly Quality and Prices of the merchandise will play an important role in developing the relationship between retailer and customer and ultimately result in customer satisfaction or dissatisfaction. The study also concentrated on the impact of the organized retailers i.e. when the organized retailer entered into the city of the unorganized retailers, is there any decrease in the number of unorganized retailers in the city and after the entry of the organized retailers, is there any impact of organized retailer on the sales of the unorganized retailer. The results of the frequency analysis pointed out the following findings.

7. FINDINGS OF THE STUDY

- 1) From the study it is found that to attract the customers the unorganized retailers are playing different strategies with regard to product, price, place, promotion.
- 2) From the result obtained by ‘T’ test it was found that there is an impact of organized retailer, which is decreasing the sales of the unorganized retailers.

8. CONCLUSION

Retail is the fastest growing sector in the Indian economy with a compounded annual growth in the recent years. Traditional retail outlets are paving way to newer formats like Supermarkets, Specialty store and Hypermarkets. With the mushrooming western style malls found in metros and second rung cities, the Indian consumer is introduced to an unparalleled shopping experience. At this juncture unorganized retailer must take necessary care towards the quality of merchandise and pricing policies in order to attract the customer otherwise he cannot sustain due to tough competition given by the organized Retailer.

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