

A STUDY ON CONSUMER BEHAVIOR TOWARDS ORGANIZED AND UNORGANIZED RETAILING

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ABSTRACT

Retailing in India came with evolutionary patterns from Kirana store to super market. This sector was un-organized in the initial stage, and after that it is carried forward and now it is growing as supermarket and hypermarket. The paper will depict the main drivers of the retail revolution in India and how this revolution changes the buying behavior of the customer, increase in disposable income of the middle class, infrastructure development and changing customer choice. Organized Retailing is introduced in the last decade and has emerged as one of the sunrise industries in India. The paper will mention the impact of organized retailing on unorganized sector. The study will indicate how the consumer will be benefited from organized retailers. The survey intends to analyze the consumer behavior towards organized and unorganized retailing, their source of purchasing and the factors which influences their mall purchasing in India.

INTRODUCTION

“Retail” originates from the French word retailer, which means to cut the piece off or to break bulk. Retailer is someone who cuts off or sheds a small piece from something. Retailing is the set of activities that market the products or services to final consumers for their personal or household use. It does this by organizing their availability on a relatively large scale and supplying them to customers on a relatively small scale. Retailer is a person or Agent or Agency or company or organization who is instrumental in reaching the goods or services to the End User or Merchandise or Services to the End User or Ultimate Consumer.

Retailing

Retailing is buying in large quantity from a whole seller or directly from a manufacturer and selling the goods/services to consumer for personal consumption. Retailing is defined as a conclusive set of activities or steps used to sell products or services to consumers.

LITERATURE REVIEW

The retail industry in India has undergone a rapid growth in the organized sector since the year 2000. The organized retail sales volume in 2004-2005 had just about 2% share of the total retail sale. In present competitive scenario it's very important to compete with the

competitors and sustain ahead, all companies are analyzing and doing research to know and understand the consumer buying behavior for the same. The share of retail trade in the country's gross domestic product (GDP) was 22% in the year 2010.

OBJECTIVES

The research analyzes the various aspects like perceived and expected levels of satisfaction of the consumers and the factors which unorganized retailer should take cognizance of in the course of establishing and enhancing their business. The objective of the research is:

- To find out the consumer behavior towards organized (supermarkets/malls, hypermarkets, departmental stores etc) and unorganized (local kirana stores, weekly bazaars etc) retail stores in jaipur.
- To find out the consumers satisfaction level from organized retail stores as well as unorganized retail stores.

METHODOLOGY

The data is collected through the questionnaire by using a random sample of consumers. Consumers who have significant knowledge of the topic were identified and selected a random sample for questioning. Interview were conducted face to face to know the attitude and experience of consumers who had purchase grocery items from organized and unorganized retail outlets. The sample size is small due to the constraints on time, manpower and costs. The sample size is 60.

Indian Retail Industry

The Indian retail market is the fifth largest retail destination globally. Modern retail is increasing its share in the total retail market to 22% in 2010. India has one of the largest numbers of outlets in the world. Of the 12 million retail outlets present in the country, nearly 5 million sell food and related products. Though the market has been dominated by unorganized players, the entry of domestic and international organized players is set to change the scenario. Around 7% of the population in India is engaged in retailing. In India the retail sector is divided in two broad sectors Unorganized Retailing and Organized Retailing.

Unorganized Retailing

Unorganized Retailing, refers to the traditional formats of low-cost retailing, for example the local kirana shops, owner manned general stores, pan/beedi shops, convenience stores etc. Indian retail is dominated by a large number of small retailers consisting of the local kirana shops, owner-manned general stores, chemists, footwear shops, apparel shops, pan and beedi shops, and hand-cart hawkers etc. which together make up the so called "unorganized retail" or traditional retail.

Organized Retailing

Unorganized Retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses.

Impact of Organized Retailing on Unorganized sector

According to the Indian Council for Research in International Economic Relations (ICRIER), there would be no long term impact due to the entry of organized retail chains on the neighbourhood kirana shops in the country. In clear terms the impact of organized retailing on unorganized sector are as follows:

- The adverse impact on sales and profit weakens overtime.
- There is some decline in employment which however also weakens over time.
- The rate of closure of unorganized retail shops in gross terms is found to be 4.2% per annum which is much lower than the international rate of closure of small businesses.
- The rate of closure on account of competition from organized retail is lower still at 1.7% per annum.

The kirana stores and pan shops are seen part of community life and hence unorganized retail will stay but ICRIER observes that if organized retail does not grow, the unorganized sector will not able to handle the surging demand. Being unorganized retailing is a serious step; there are still challenges for organized retailing in India. Traditional retailing has been established in India for some centuries. It has a low cost structure, mostly owner operated, has negligible real estate and labour costs and little or no taxes to pay. Consumer's familiarity that runs from generation to generation is one big advantage for the traditional retailing sector. In contrast, players in the organized sector have big expenses to meet, and yet have to keep prices low enough to be able to compete with the traditional sector. Moreover, organized retailing also has to cope with the middle class psychology that the bigger and brighter sales outlets are, the more expensive it will be.

Analysis of Customer's behavior

Consumer behavior in retailing is more unpredictable & volatile than ever before and retailers are striving to develop new effective strategies for satisfying needs and wants of consumers. Consumers are demanding a very large selection of producers with deep discounts. They are no longer as influenced by brand name but very cautious about quality & value. Thus the retailers focusing on providing best price serve and selection in the form of value will be successful.

- 34% customer's prefers unorganized retail shopping while 26% customers prefers organized retail shopping but 40% customers are still dilemma.
- 37% customer's purchases daily groceries from local kirana stores while 26% customer's shop from supermarkets, 21% customers from convenience stores and rest 16% customer's prefer hypermarket. Thus, highest percentage is still with local kirana stores however the difference between supermarket and local kirana is less.
- 40% customer's visit fortnightly to the malls for various different purposes, 30% customers visit weekly, 20% monthly and rest 10% daily.

- 36% customer's visit mall for shopping, while 38% visits for Entertainment and rest 16% visits for window shopping.
- During the survey, I got straight forward answer regarding the pricing strategy of the malls. 60% customers are satisfied with the pricing strategy of the malls after considering various discounts, sales and other offers, while 40% customers are not satisfied.
- During the survey, it was found 64% consumer's finds best shopping deals in malls with various discount offers, gift packages etc.28% customer's are satisfied with the shopping deals served by the local kirana stores while 8% customers has no opinion.
- 32% of consumer's declared an increase in spending, 21% indicated a decrease and the balance no change. Thus the arrival of organized retail has enhanced spending in general. The reasons indicated for higher spending have been mainly the purchase of larger quantities due to wider range of products, availability of attractive offers like discounts and promotional schemes, and access to better quality products with higher price.

Key Findings

The Key Findings of the research are as follows:

- Unorganized retailers in the vicinity of organized retailers have been adversely affected in terms of their volume of business and profit. Unorganized retail has maintained employment levels perhaps as a result of competitive response.
- The major factors that attract unorganized retailers to consumers are proximity, goodwill, credit sales, bargaining, loose items, convenient timings, and home delivery.
- There is clear evidence of a competitive response from traditional retailers who are gearing up to meet the threats from organized retailers.
- Consumers have generally gained with the emergence of organized outlets through the availability of better quality products, lower prices, one- stop shopping, choice of additional brands and products, family shopping, and fresh stocks.
- Lower income consumers have saved more from purchases at organized outlets.

These results are not indicative of the countrywide scenario. For the country as whole, unorganized retail is growing at a reasonable rate and will continue to do so for many years to come. India is however a latecomer to organized retail expansion and the picture still remains unclear as to its future direction. The study advocates a balanced approach to retail and suggests that the government plays a major role in shaping its future course. There is no doubt that traditional retail has been performing a vital function in the economy and is a significant source of employment.

RECOMMENDATIONS

- The Government should encourage setting up of modern large cash-and-carry outlets, which could supply not only to kirana stores but also to licensed hawkers at wholesale rates.
- The Government should make available credit at reasonable rates from banks and micro-credit institutions for expansion and modernization of traditional retailers.
- The Government should take initiatives to convert all uncovered wet markets in a time-bound manner with emphasis on Hygiene, convenience to shoppers, proper approach roads, entry exits etc.

CONCLUSION

The concept of retail is comparatively very old in Indian context. Before anybody knew about what retail is, we had kirana stores, medical stores and lot many other stores working surprisingly well all over the country. Recently with the entrance of big players like Wal-Mart or Reliance, people are getting idea of the traditional stores going to be vanished. But just to remind us, we should never forget how deep rooted is this old concept. The very modern organized stores have taken the idea of retailing nowhere else than from these old shops. The growth in the Indian organized retail market is mainly due to the change in the consumer's behavior. This change has come in the consumer due to increased income, changing lifestyles, and patterns of demography which are favorable. Now the consumer wants to shop at a place where he can get food, entertainment, and shopping all under one roof. This has given Indian organized retail market a major boost. Thus, in India it is quite sceptical that the organized retail will be ever able to overcome the unorganized retail completely. The values, cultures and beliefs of the customers prompt them to go the same retail shop where they can get the product required, at low price and with least waiting time for billing. No matter how lucrative is this sector and how bright is the market; the organized sector in retailing has to go a long way to understand the customer requirement.

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