

An Analytical Study on Difference Between Organized and Unorganized Retailing Sector in State of Gujarat

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Abstract:

Retailing in India is gaining attention. Organized retailing especially is creating euphoria amongst Indian consumers drawing them into malls and trade areas with great numbers. Shopping for food and grocery products has witnessed a revolution in Indian retail market with the conspicuous changes in the consumer buying behaviour driven by strong income growth, changing life styles and favourable demographic patterns. Most of the food and grocery products reach the consumers through Neighbourhood kirana stores which are unorganized. But the very fast changing trends in consumption patterns, food and eating habits of consumers have contributed immensely to the growth and development of 'Western' format typologies such as super markets, convenience stores, discount stores and hyper markets. This paper aimed to explore and examine the predictability of major constructs (i.e. shopper attributes, store attributes, information sources and situational factors) on retail format choice behaviour in food and grocery retailing from the proposed model based on the identification of research gaps. This paper also intended to examine the patronage intentions with chosen store formats.

Key Words: Retailing, Organized Retailing, Unorganized Retailing, consumer buying behaviour.

INTRODUCTION:

Retail markets and shops have a very ancient history, dating back to antiquity. Retailing involves the process of selling consumer goods or services to customers through multiple channels of distribution to earn a profit. Retailers satisfy demand is identified through a supply chain. Any organization selling to final consumers whether it is a manufacturer, wholesaler or retailer-is doing retailing. It does not matter how the goods or services are sold (by person, mail, telephone, vending machine, or internet or where they are sold-in a store, on the street, or in the consumer's home). A Retailer thus, provides value creating functions like assortment of products and services to the consumers, breaking bulk, holding inventory and provides services to consumers, manufacturers and wholesalers.

Retailing broadly involves:

- Understanding the consumers' needs
- Developing good merchandise assortment and
- Display the merchandise in an effective manner

So that shoppers find it easy and attractive to buy. Retailing thus, may be understood as the final step in the distribution of merchandise, for consumption by the end consumers. Simply, any firm that sells products to the final consumer is performing the function of retailing. It thus consists of all activities involved in the marketing of goods and services directly to the consumers, for their personal, family or household use. In an

age where customer is the king and marketers are focusing on customer delight, retail may be redefined as the first point of customer contact.

The Indian Retail sector has come off age and has gone through major transformation over the last decade with a noticeable shift towards organised retailing. A T Kearney, a US Based global management consulting firm has ranked India as the fourth most attractive nation for retail investment among 30 flourishing markets.

The retail market is expected to reach a whopping Rs. 47 lakh crore by 2016-17, as it expands at a compounded annual growth rate of 15 per cent.

The retail market, (including organized and unorganized retail), was at Rs. 23 lakh crore in 2011-12. According to the study, organized retail, that comprised just seven per cent of the overall retail market in 2011- 12, is expected to grow at a CAGR of 24 per cent and attain 10.2 per cent share of the total retail sector by 2016-17.

Retail classification

Retail industry can be broadly classified into two categories namely- organized and unorganized retail. Organized retail - Organized traders/retailers, who are licensed for trading activities and Register Organized retailing. It is a place all the items are segregated and brought under one roof, unlike the unorganized retail where there are different things are sold in different shops. Organized retailing comprises mainly of modern retailing with busy shopping malls, multi stored malls and huge complexes that offer a large variety of products in terms of quality, value for money and makes shopping at memorable experience etcetera to pay taxes to the government.

Unorganized retail – It consists of unauthorized small shops - conventional Kirana shops, general stores, corner shops among various other small retail outlets - but remain as the radiating force of Indian retail industry Traditional or unorganized retail outlets are normally street markets, counter stores, kiosks, and vendors where the ownership and management rest with one person only. This sectors accounts for the two thirds of the market and requires low skilled labour. These are highly competitive outlets, with negligible rental costs (unregistered kiosks or traditional property), cheap workers (work is shared by members of family) and low taxes.

Growth of Indian retail landscape

YEAR	\$billion retail growth
2008	368
2010	421
2012	478
2014	501
2016*	548
2018*	596
2020*	627

*Estimates - Sources: retail in India – ACII-AT Kearney report

I. CATEGORIES OF TRADITIONAL RETAILERS

Fruits & Vegetable sellers- sell fruits and vegetables

Food stores- bakery products, dairy and processed food & beverages Non-vegetable store- sells chicken & mutton

Kirana I -Sells bakery products, dairy and processed food, home and personal care and beverages

Kirana II -sells categories available at Kiran I shop plus cereals, pulses, spices and edible oils

Apparel sells- menswear, women's wear, inner wear kids and infant wear Footwear- sells men's wear, women's wear and kids wear

Consumer durables & IT- sells electronics, durable & IT products Furnishing- sells home linen and upholstery Hardware- sells sanitary ware, door fitting, tiles

General merchandise – includes lighting, toys, gifts and crockery

II. FUTURE OF RETAIL MARKET IN INDIA

The Indian retail industry is forecast to grow almost four times to \$2.1 trillion by 2025 from the present size of \$550 billion.

“India's young population, increasing affluence, changing lifestyle, and attitude towards spending and increasing availability in the smallest of the towns will spur consumption and drive the growth of the retail market during the next 10 years,” according to a report titled “The Indian Retail Medley” by Confederation of Indian Industry (CII) and Wazir Advisors. In this period, organized retail is expected to grow seven times and online retail 26 times. However, the unorganised retail is expected to still dominate with about 80 per cent share even by then. Also, 10-12 million jobs (direct and indirect) are expected to be created. It has been expected that the organised segment is to grow at a compounded annual growth rate (CAGR) of 22 per cent, much faster than traditional retail, which will grow at a CAGR of 13 per cent. However, even with high growth, the organised sector will capture just about 15 per cent share of retail market by 2025, up from 8 per cent now.

III. UNORGANIZED RETAILING

Unorganized retailing refers to the traditional formats of low cost retailing for example, the local kirana shops, owner manned general stores, convenience store, hand cart and pavement vendors. Traditional or unorganized retailing continuous to be the back bone of the Indian retail industry, with traditional retailing contributing to over 95% of total retail revenues. The prototypical ‘banyan’ outlets or the corner store comprise a key part of Indian retail store formats mostly run as small family business. The unorganized retailing comprises of ‘mom and pop’ stores or ‘kirana’ stores. These are very small shops located near the residential areas, popularly known as kirana shops. The unique marketing preposition of this store is location advantage. These shop owners in order to retain their customer can even go their customer's house to get orders. Trading hours are flexible and the retailer to consumer ratio is very low due to the presence of several kirana stores in the locality. Credit facility varies from store to store and customer to customer. Customers'

reliability and relation with the shopkeeper is enough to avail credit facility. Branding is not a criterion to attract the customers, as customers prefer low-priced products. More than 99% customers are price sensitive and not quality or brand sensitive at the same time they are brand conscious also. Further retailer's suggestions and recommendation regarding any product or service plays a significant role in the customer's purchase decision. More than 99% of retailers function in less than 500 Sq. Ft of area. The pricing was done on ad hoc basis or by seeing the face of customer. More than 99% customers are price sensitive and not quality or brand sensitive at the same time they are brand conscious also. Traditionally, retailers procure merchandise from whole seller in bulk and sell in small quantities to the ultimate customer. All the merchandise was purchased as per the test & fancies of the proprietor.

Advantages of Unorganized Retailer

Convenient Location Lower investment
 Advantage pass on to customer Flexibility in operation
 Credit period Personal touch

Disadvantages of unorganized retailer: -

Non availability of quantitative discount Non availability of new arrival
 Lack of specialty products in attractive

LITERATURE REVIEW

A Study on "The impact of online shopping upon retail trade business" Amit Saha Royal School of Commerce Royal Group of Institutions (RGI) Guwahati, Assam: In this paper an attempt has been made to highlight the impact of the increasing trend of online shopping over the various fixed shop retailers. Retailers comprise of a large section of the population and a larger population is dependent upon these retailers. But the advent of e-stores with their attractive incentives and wide varieties has slapped on their face the fear of uncertainty and helplessness. This study looks into the various aspects about how retail businesses are being affected and also the various recovery mechanisms they are coming up with to counter those e-stores in their race of survival. This paper also unravels the effect upon the profitability of the various concerns due to increasing trend for online shopping. Although the periodicity of the study is less yet an effective attempt has been made to enlighten the scenario along with concrete suggestions. Keywords: E-stores, fixed retailers, turnover, profit-margin, window-shopping.

An Insight into the Growth of New Retail Formats in India, Piyush Kumar Sinha ,Chairperson, Center for Retailing, Marketing Area ,Indian Institute of Management, Ahmedabad: The Indian retail sector is going through a transformation and this emerging market is witnessing a significant change in its growth and investment pattern. Both existing and new players are experimenting with new retail formats. Currently two popular formats -hypermarkets and supermarkets are growing very fast. Apart from the brick -mortar formats, brick -click and click-click formats are also increasingly visible on the Indian retail landscape. Consumer dynamics in India is changing and the retailers need to take note of this and formulate their strategies and tactics to deliver value to the consumer. This paper investigates modern retail developments and growth of modern formats in this country. We also discuss the challenges and opportunities available to the retailers to succeed in this country.

PROBLEMS AND PROSPECTS OF RURAL RETAIL MARKETING IN INDIA, Prof. Dr. A. Vinayagamorthy Ph.D., D. Kamatchi, and Research Scholar: Retail industry is the largest industry in India, with an employment of around 8 % to 10% of the country's Gross Domestic Product. Retail industry in India is expected to rise 25 % yearly being driven by strong income growth, changing lifestyles, and favorable demographic patterns. It is expected that by 2016 modern retail industry in India will be worth

US\$ 175- 200 billion. India retail industry is one of the fastest growing industries with revenue expected to amount US\$ 320 billion and is increasing at a rate of 5 % yearly. A further increase of 7-8 % is expected in the industry of retail in India by growth in consumerism in urban areas, rising incomes, and a steep rise in

rural consumption. It has further been predicted that the retailing industry in India will amount to US\$ 21.5 billion by 2010 from the current size of US\$ 7.5 billion for a retailer; it is very difficult to retain the potential buyer. Because the buyers are scattered according to their convenience of purchasing. Majority of functions have to be performed by owners themselves due to limitation of resources. So the researcher made sincere attempt to identify the Problems and Prospects faced by retailer in the study area, during the course of starting and managing their enterprise. Keywords: Rural Markets, Rural Marketing, Retail Marketing, Market Potential, Indian Retail Industry.

RURAL CONSUMER ATTITUDE TOWARDS ONLINE SHOPPING: AN EMPIRICAL STUDY OF RURAL AREA, R.Sureshkumar: This paper discusses the rural people behavior towards online shopping, it also discusses why they prefer online shopping and why not. In recent years, rural markets have acquired significance, as the overall growth of the economy has resulted into substantial increase in the purchasing power of the rural communities. Rural Markets are defined as those segments of overall market of any economy, which are distinct from the other types of markets like stock market, commodity markets or Labor economics. Online shopping or e-shopping is a form of electronic commerce which allows consumers to directly buy goods or services from a seller over the Internet using a web browser. Alternative names are: e-web-store, e-shop, e-store, Internet shop, web-shop, web-store, online store, online storefront and virtual store. The purpose of this study is to analyze the impact of consumer perceptions in regards to online shopping. A sample of 100 (63 males and 37 females) respondents were taken into consideration from rural areas. Keywords— Commodity Market, Consumer Behavior, Rural Communities, Online Shopping, Stock Market.

Organized Retail in the Rural Markets in India ,Surajit Dey, Dr. Sameena Rafat, Puja Agarwal: Retail is a buzz word in today's changing business environment. Different industrial sectors are in the phase of transition from conventional business models to innovative, market driven and consumer centric models. In India retail is not a new word, however the emerging formats of retailing are changing the entire scenario and posing tough challenges in front of Indian retailers. They are now designing customized retail products and services and targeting the untapped segment of the market. Presently, nearly 60% of the population resides in rural India and their retail requirements are partially met by the unorganized retail stores. This study is an attempt to explore the potential of rural retail market of India, accessing their needs for products and brands. The study also aims at developing a business model for the rural retail market in India.

Marketing Channel Strategies in Rural Emerging Markets, Benjamin Neuwirth, Kellogg School of Management: In his landmark book "The Fortune at the Bottom of the Pyramid," C.K. Prahalad describes the profits that can be earned by selling products to "Bottom of the Pyramid" customers. While there is truth to this, companies face unique challenges when operating in the rural regions of emerging markets where many of these customers live. For example, the consumer population is dispersed over a wide geographic area, transportation infrastructure is often poorly developed, and many consumers have sporadic and extremely low incomes. This paper examines these challenges from a marketing channel perspective. The fundamental question is: How can companies entering into rural emerging markets design a marketing channel strategy that meets the needs of customers and allows for the long-term profitable success of the business? I begin answering this question by examining common challenges that companies operating in this environment face. Each challenge is accompanied by examples of companies that have solved the problem in a unique way. Then, I develop a generalized framework for designing marketing channels in rural emerging markets. Finally, I apply the framework to delight Design, a company that manufactures and sells solar lanterns in India and Africa and that I worked at in the summer of 2011.

RURAL MARKETING, "Rural Marketing is real marketing": A wide array of problems hinders marketers in approaching rural areas with confidence. The lack of fair weather roads, widely dispersed villages, low

density of population, lack of bank and credit facilities, multiple tiers, higher costs and administrative problems, and lack of retailers are the problems in rural distribution. Intelligent way of approaching rural areas is required. The emerging distribution approaches include: Cooperative societies, petrol bunks, agricultural input dealers, NGOs, etc. Latest approaches include the direct to home selling methods: network marketing and internet marketing.

“ANALYSIS OF CONSUMERS PERCEPTION TOWARDS E-RETAILING – A STUDY IN BELTHANGADI TALUKA”, Mr. RAGHAPPANAVARA DHARMARAJ PRAKASHA Assistant

Professor, S.D.M. College: Term changed as Customers is a king from the Supplier is a ultimate, now a days every customers having his buying rights and negotiating rights, so the attraction of customers with the products and services makes huge completion over the suppliers and each and everyone follow the different delivery models for their products, the booming channel in this period is attracting the educators is E-Retailing which had its own impact over the consumers and created more and more customers. The study on the perception towards the E-retailing in belthangadi taluka given a positive opinion on this model, the users of internet and users of E-retailer’s services are satisfied with the services and ready to continue with the same. Finally conclude that the E-Retailing reached the customers of everywhere in the world even it attracted positively towards the rural India, now the question for the future study is what will be the impact on retailers in rural India who is having the petty and small shops depending on few of the customers in their locality!

Rural Marketing in India: Challenges and Opportunities, Pawan Kumar, Research Scholar, Department of Commerce, Kurukshetra University, Kurukshetra & Neha Dangi, Research Scholar, Department of Commerce, Kurukshetra University, Kurukshetra: In the recent years rural market have acquired significance and attract the attention of marketers as 68.84% population of India reside in 6, 38,000 villages and overall growth of economy has resulted into substantial increase in the purchasing power of the rural communities. Due to green revolution, the rural areas are consuming a large quantity of industrial and manufactured products. In this way rural market offers opportunities in the form of large untapped market, increase in disposable income, increase in literacy level and large scope for penetration. To take the advantage of these opportunities, a special marketing strategy ‘Rural Marketing’ has emerged. This paper tries to understand the rural market, importance of rural marketing and status of rural market. The main aim of the study to observe the potentiality of Indian rural markets and find out various problems are being faced by rural marketer. Keywords: Rural Market, FMCG, Disposable Income, Rural Consumers.

Factors influencing purchase of apparels from organized retail outlets, Lahiri, Isita and Samanta, Pradeep Kumar (2010): in their paper they mentioned that apparel takes a hefty share in organized retail because people are more quality conscious and comparatively less price sensitive. They also highlighted the distinct features of organized retail outlets like discount offers, pick and choice etc., which are considered to be more appealing by the buyers.

OBJECTIVES OF STUDY

This proposed research is aimed at understanding and examine the following objectives :

1. To understand the structural and functional diff between org and un org rural retailing.
2. To understand and examine the broad characteristics of rural retailing in Gujarat.
3. To understand and examine changing behavioral pattern of customers across state of Gujarat.
4. To inquire into factorial linkages affecting buyer’s behavior in rural Gujarat.
5. To review critically the impact of behavioral changes and to estimate the future prospects.

MATERIALS & METHODOLOGY

This proposed research work is based on comprehensive primary survey of consumers across the state of Gujarat.

A primary survey shall be conducted of rural and urban selected pockets of the state of Gujarat.

The rural and urban selection shall have geographical phase i.e. from south Gujarat, central Gujarat, north Gujarat and Saurashtra. The survey will cover 15 district places and 15 pockets in each of selected district.

This total pocket size to be covered will be of 30 pockets.

Selection of pockets shall be made in consideration of size of population.

Sample size shall be in proportion to the total population of each selected urban and rural pocket.

This would grossly make the total size of sample between 4000 to 5000 respondents.

Data collected and compiled from the respondents shall be classified into tabulation form on the basis of size of household, level of education, level of income, level of occupation, social group. Thus the classified tabulations would provide responses in accordance with response.

Besides primary survey a profile of selected research pockets shall be prepared on the basis of size and nature of organized retailing and unorganized retailing observed in selected pockets.

The research profile data shall also be classified in respect of availability of types of goods & services in respective pockets.

DISCUSSION / ANALYSIS

- Data collected and compiled shall be in frequency distribution with percentage and charts according
- TO ARRIVE AT MORE COMPREHENSIVE SPECIFIC detail of buyers “Data would be arranged in cross tabulation form”
- Chi square method shall be resorted to derive the quantitative influence between the associated factors.
- Secondary data of major market players having the presence in the pockets shall be availed from the websites of the major player companies and differential account of the presence shall be worked out.

FINDINGS & RECOMMENDATIONS :

Findings:

- The organized retail sector is growing and the consumers more prefer this sector over the unorganized retail sector.
- Based on preference of one stop, cleanliness, discounted price, variety of product is very good in organized sector.
- The unorganized sector is strong but due to fast life there is a need to adapt some parameters of organized sector, which are providing over unorganized so that the consumer will not get attracted towards organized sector.

- There are certain factors like home delivery, fast service that is lacking in both the sectors so there is need give these services to customer for the growth.
- The unorganized sector is not that much impacted but in coming years might see the impact.
- Consumers are inclining towards the organized sector.

Recommendation:

- Organized retail sector must focus on the fast delivery, meat quality, home delivery etc. to grow further.
- Unorganized retail sector should focus on the discounted price, home delivery, parking, one stop solutions, and variety of products, regular prices, and offers etc. to compete with organized retail.

CONCLUSION

Unorganized retail sector through some tough challenges exist such as inefficient supply chain management, getting approvals from government, adoption of new technologies and E-commerce. Some of the main concerns of the unorganized retail sector were variety, special offers, home delivery, ambience and price. So finally we can say that there is growth for retail sector though some tough challenges exist. Retail can overcome these challenges by grabbing the opportunities available

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