



An Insight Into Unorganised Retail in India

Dr. Mehal Pandya

Deputy Director, Knowledge Management and Research
Organisation at Dr.BAOU

ABSTRACT

This paper is qualitative in nature and provides information about the role of unorganized retailing industry in India. It examines that why unorganized retail sector dominating in India and what are the reasons for its dominance in India. It also provides with in depth study about the importance and challenges of unorganized retail sector. Finally concludes with the mark of Indian consumers' change of attitude towards organized retail sector and Indian consumer mind-set to purchase from both the formats according to their needs.

KEYWORDS : Unorganised Retail, Dominance, Challenges

INTRODUCTION:

Unorganized Retail:

"Unorganized Retailing" is defined as an outlet run locally by the owner or caretaker of a shop. Such outlet lacks **technical** and **accounting standardization**. The supply chain and sourcing are also done locally to meet local needs.



"Unorganized Retailing" on the other hand, refers to the traditional formats of low-cost retailing. 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, paan and beedi (local betel leaf and tobacco) shops, hand-cart hawkers, pavement vendors, convenience stores etc. which together make up the so-called "unorganized retail" or "traditional retail" or "conventional retail". Unorganized retailers normally do not pay taxes and most of them are not even registered for sales tax, VAT, or income tax.

OBJECTIVES:

- To study the reasons why Unorganized Retail sector in India dominating.
- To know the importance and dominance and challenges in Unorganized Retail sector in India.

LITERATURE REVIEW:

Singal Arvind (1999) it is estimated that in India, there are nearly eleven retail outlets for every thousand people most of which are unorganized.

Kumar (2011) studied on the strategies of unorganized retailers with reference to consumer durables and found that a product strategy which means merchandise is the most important factor followed by price, distribution and promotion.

Kushwaha (2011) compared the perception of consumers in organized and unorganized retail market and found that factors like cleanliness, distance, price, quality, safety and space for shopping are the determinant factors for unorganized retail. On the basis of above mentioned studies it can be said that there is a need to develop a composite model describing various factors responsible for shopping experience in unorganized retail.

S. P. Thenmozhi and D. Dhanapal (2011) identified the retail service quality factors and explore the impact of retail service quality on customer satisfaction and loyalty in unorganized retail outlets. This study analysed the association between demographic profile of the customers and their perception on retail service quality

Mittal and Parashar (2010) explained that irrespective of area, people prefer grocery stores to be nearby, product assortment is important for grocery.

Ghosh & Srivastava (2010) in his research found that service quality has become vital for service firms to pay attention due to increased competition.

Sivaraman (2010) analyzed customer attitude towards unorganized and organized retailers which shows that there were a perceived difference between organized retailers and unorganized retailers on the attributes of store image, range of products, brand choices, price, store ambience, credit availability, shop proximity and complements. However there were no perceived difference on product freshness and customer care. This study clearly point out that the unorganized retailers are facing stiff competition from the organized retailers. This has reduced their sales, profit, and employment considerably. The operational cost, consumer credit also increased due to the presence of organized retailers.

Goswami & Mishra (2009) seek to understand whether Indian consumers are likely to move from traditional Kirana stores to large organized retailers while shopping for groceries. The research finding reveals that customer patronage to grocery stores was found to be positively related to location, helpful, trustworthy salespeople, and home shopping, cleanliness, and offers, quality and negatively related to travel convenience. Kirana's do well on location but poorly on cleanliness, offers, quality, and helpful trustworthy sales people. The converse is true for organized retailers. Study also finds that Kirana's have major disadvantages on all customer perception scores except location. These scores being less important determinants of patronage compared with location, in the short run kirana's may not be ousted out of customers' favor. However, in the long run if they do not work on these other factors, they would face oblivion. Kirana's need to upgrade their facilities to be able to compete with the organized retailers to provide consumers better shopping experiences, whereas organized retailers which are expected to improve their location scores rapidly in the near future will grow rapidly.

Inside store (2009) studied the shopping experiences at traditional Indian retail stores. Major findings reveal that 70% of purchases are made at the point of purchase, so store environment can impact the 70% of purchases which is one of the important constituent of shopping experience in unorganized retail setup.

According to **V. Ramanathan (2009)** the unorganized retailers need to be responsive to the competitive retail market dynamics created by the organized retail formats in order to sustain their business and serve their target customers in a profitable manner. The change process requires the unorganized retailers to reshape their existing

business practices of dealing in a limited variety of product alternatives to offering the complete assortment in the product categories handled by them.

Goswami (2008) studied the shopping experiences in kirana stores and in modern stores. The major findings suggest Kirana stores to improve or to enrich shopping experiences. Kiranas also have to stay alert, try to upgrade and have to improve on service quality while concentrating on innovation and efficiency.

M. Joseph, S. Nirupama, M. Gupta and S. Sahu (2008) attempted to rigorously analyse the impact of organized retailing on different segments of the economy. The findings of this study are based on the largest ever survey of unorganized retailers (the so-called "mom and pop stores"), consumers, farmers, intermediaries, manufacturers, and organized retailers in addition they reviewed international experience, particularly of emerging countries of relevance to India, has also been carried out as part of the study.

Venkatesh (2008) Traditionally, small-store retailing in India has provided a viable avenue for self-employment due to limited investment required in land, capital and labour in this line of business

Kalhan (2007) Traditional food and grocery retailing in India dominated by small, privately owned shops, and hawkers and largely community-based is referred to as the unorganized sector.

Jones et al (2005) over the years, more and more counter-service format stores came up all across the country and by the turn of the century it was almost 12 million. The majority of these stores focused on food and grocery-in the form of Fast Moving Consumer Goods (FMCG) items-sold at Maximum Retail Price (MRP). Many of the stores provide credit to customers. While in terms of sheer numbers it is the grocery kirana stores which dominate, in value terms it is the wet markets which are estimated to be according for about 70 % of food and grocery retail sales.

CHALLENGES FACED BY THE UNORGANIZED RETAILER IN INDIA:

- Unorganized retailers in the vicinity of organized retailers experienced a decline in their volume of business and profit in the initial years after the entry of large organized retailers.
- The adverse impact on sales and profit weakens over time.
- Lack of best practice in inventory management and supply chain management.
- Lack of standardization.
- Stiff competition from organized retail sector.
- Lack of knowledge, skills and training.
- Consumers shifting towards organized retail markets.
- Lack of capital.

UNORGANIZED RETAIL SECTOR IMPORTANCE AND ITS DOMINANCE IN INDIA:

Importance

Unorganized retailing is the most productive and noticeable form of retailing in India. It refers to traditional format of low cost retailing, for example the kirana-owner manned general stores, Cigarette shops, convenience store, hand cart, pavement vendor etc.

In India retailing is still at the growing stage and most of the retail sector in India is dominated by unorganized sector as it is one of the simplest ways to generate self-employment as it requires minimum investment in terms of land labour and capital. These stores are not affected by modern retailing as it is still considered very convenient to shop. Unorganized retailing has been there in India for centuries, these are named as mom-pop stores. The main advantage in unorganized retailing is consumer familiarity that runs from generation to come. In order to cop up with the modern formats unorganized retailers have now started providing more value added services like stocking ready to cook vegetables and other fresh produce. They also provide services like credit, phone service, home delivery etc.

Dominance:

In smaller towns and urban areas, there are many families who are traditionally using these kirana shops/ 'mom and pop' stores offering a large range of merchandise mix. These small retailers are running

this kirana shops for more than one generation as it is the family business.

These kirana shops are having their individual competent 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 is the only place to have those food items because purchase quantity is so small that no big retail store would entertain this.

Furthermore, the other type of the 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 fulfill their needs.

Another reason might be the proximity of the store. It is the convenience store for the customer. In every corner of 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.

To cut their cost, these unorganized stores are having n number of options. They incur little to no real estate costs because they generally operate from their residences. Their labor cost is also low because the family members work in the store. Also they use cheap child labor at very low rates. As they are performing from their home so they can pay for their utilities at residential rates. Even they cannot pay their tax properly.

CONCLUSION:

At the outset of the organised retail in India and Change in Consumer Buying Behaviour due to increase in income, lack of time, consumer want everything under one roof in order to save time, Working Women who have to manage both house and office work prefer to shop from the Modern Retail Format. Looking at this the situation of the unorganised sector is challenging and retailer should remain cautious and prepare strategies accordingly. Though again the question of the Indian consumer mind-set, here is that they prefer to maintain their family relation with retailer, want home delivery and want to shop conveniently so it's not possible at all that the consumer will only shop only from the modern retail format. It can be concluded that they prefer to shop from both the formats according to the need.

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