Research Paper Commerce

Strategies Adopted by Neighbourhood Kirana Stores to Compete With Organized Retailers (A Study Done in Pune City)

Prof. K. P. Mishra | Professor, Indira Institute of Management, Pune

Dr. Thirumagal. J. Pillai | Associate Professor, Indira Institute of Management, Pune.

ABSTRACT

Retail is currently the flourishing sector of the Indian economy. This trend is expected to continue for the coming decades. While, many big players have entered the industry, yet retail sector is largely dominated by unorganized sector in comparison to organized retail. The broad objective of the present study is to understand the coping strategies adopted by unorganized retailers to compete with organized retail. Analysis was conducted on primary data collected from the neighborhood Kirana Retailers of Organized Retail stores in different areas of Pune city. The findings strongly exhibit that strategies adopted has an affirmative bearing and the footfall of regular customers remains intact for Kirana Retailers.

KEYWORDS | Organized Retail, Unorganized Retail, Coping Strategies.

INTRODUCTION:

A Retail Revolution is sweeping through India. It has emerged as one of the most dynamic and fast paced industries and also the second largest employer of the country after agriculture. The retail industry is divided into two segments, that is, Organized Sector and Unorganized Sector. Based on various National reports, the share of organized retail in total retail market in India is growing slowly (4 per cent), whereas the Unorganized Sector is dominating the industry with a massive share of 96 per cent. In spite of these, the penetration of organized retail in total retail market in India is on the increase. Many domestic as well as global players have entered in this market.

With the growth of malls, multiplexes and hypermarkets, the customer is being exposed to a new kind of shopping experience and services that are surely redefining the expectations from shopping. Competition is at its high pace. As the unorganized retailers are the small retailers, having no capacity to face the competition offered by the high capacity organized retailers; the gap between the two is widening and forcing the former under financial crisis and threat to the existence.

Hence, the unorganized retailers are finding new marketing strategies and other ways to overcome the threat from the organized retailers and to maintain greater sustainability and profitability. [Dhayanidhi (2014); Kanagaluru Sai Kumar (2012)] Against this background, this study explores the coping strategies adopted by neighborhood kirana stores to compete with organized retailers.

REVIEW OF LITERATURE

The review of literature provides an understanding that the problems of unorganized retailers are mainly in terms of absence of many aspects, such as proper supply chain management, superior vendor relationships, infrastructural facilities, quality customer services and timely promotional campaigns etc. To be specific, the most important factors that attract the customers' towards unorganized retailers are proximity, goodwill, credit sales, bargaining, loose products, convenient timing and home delivery. [Priya Vij (2013)]. Among all proximity is the powerful advantage to unorganized retail especially the Mom and Pop stores [Vishal Kale (2012) and Prakash Nedungadi (2012)].

Though fewer of the studies argue about the negative impact of organized retail on unorganized retailers, some of the survey concludes that the India's organized and unorganized retail sectors can co-exist and flourish [Gupta Himanshu, Dubey Neetu and PatniPawan (2012)]. The modern retail outlets try to cater all the needs of modern consumers under one- roof, whereas the traditional outlets try to convert the consumers into their loyalists. These stores have the ability to give what every customer wants. They provide personal service with flexibility more effectively than their competitors (Mridula Mishra and Umakanth Dash 2008).

Interestingly, reviewing the existing literature clearly shows that there are varied effects on the unorganized retailers due to organized retail. In this context, the present study is an attempt to examine the impact of organized retail on Kirana stores and the coping strategies adopted by them. This study is undertaken in different areas of Pune city, Maharastra (Research studies on this aspect especially of Pune district are rare in nature).

OBJECTIVES OF STUDY

The study was undertaken with the following Objectives:

1. To understand the impact of organized retailing on neighborhood kirana retailers of Pune City.
2. To explore the coping strategies adopted by Kirana retailers (unorganized sector) to compete with organized retailers.

METHODOLOGY

The research design is qualitative as well as exploratory in nature. Sample size consists of 101 Kirana Store retailers. Purposive sampling method is used in the areas of Baner, Aundh, Pashan, and Pimpri-Chinchwad areas of Pune City. This is to make sure that as many stores as possible may be covered from different locations and information collected is not biased or skewed. Data and information collected was through well-structured questionnaire for the period November 2014 - January 2015. Variables taken to understand different strategies are identified on the basis of pilot study and reviewing relevant literature. The data analysis was done by using simple percentage analysis and Chi-square Test.

This research is limited to Unorganized especially Kirana retailers only. Considering the limited geography and number of retailers the findings of the study may have their own limitations in their applicability to other parts of the country.

The following is the hypothesis formulated for the study:

There is a significant relationship of Kirana Retailers' Business and strategies adopted by them to cope with the Organized Retailers.

ANALYSIS AND DISCUSSION:
Table 1 examines the kirana retailer's profile and business details.

As per the analysis, it is inferred that about 46 percent of them are into this business for more than 10 years. At the same time 21 percent of retailers have started the business in last 5 years. This shows not only the old retailers continue to sustain and grow, new retailers also find the business lucrative against the rapid growth of organized retail.

A huge 80 percent of retailers confirmed that their retail space is on rent. Nearly 36 percent retailers likewise confirmed that they have taken some kind of loan from the banks. From this it can be concluded that despite the exorbitant lease rentals and interest payment to the banks, these retailers are able to sustain their business and this proves their ability not only to survive but also to sustain the growth of business.

While analyzing the time window of these shops, very interesting insight emerge from this. About 36 percent of shops are open from 6 am for 15 to 18 hours. This is a clear strategy to service the early morning or late evening customers who have shift wise work timings. Whereas considering the employment potential, it is observed only 20 percent of the retailers confirmed that their staff happens to be from their family but in case of others the staff is either completely from outside or a mix of family member and outside person. Outside persons being hired by the small retailers also prove the competitiveness of their business against the onslaught of organized retail.

Walk in customers are a mix of all income groups for maximum retailers (67 percent) and 56 percent of them keep more than 1000 type of products to cater to the diversified required of the mixed customers. A miniscule 11 percent of retailers aligned with some local association just to safeguard their interest and advocate for them. Maximum retailers (90 percent) are without any such affiliation. This probably corroborates their lack of any perceived threat from organized retail.

IMPACT OF ORGANIZED RETAIL ON NEIGHBORHOOD RETAILERS:
There is an interesting observation quite differing to available literature. As per the investigation, Majority (86 percent) of retailers confirmed that the foot fall of regular customers remains intact. Steady customers turn up at least once a week or fortnight and that frequency is more or less unchanged (90 percent retailers ratify this confirmation). The annual turnover is in excess of Rs 6 lacs and their turnover seems to be intact for 60 percent of retailers as only few retailers (15 percent) expressed opinion that their sales are impacted due to entry of organized retail. In India, for a long time the corner grocery store was the only choice available to the consumers.

STRATEGIES ADOPTED TO COPE WITH THE THREAT OF ORGANIZED RETAIL:
Table no. 2 examines the strategies adopted by Kirana Retailers:
As per study very few (15 percent) of the small retailers are struggling to cope with the threat posed by organized retail. Majority of them (85 percent) have changed strategies and have therefore sustained their business growth.

The coping strategies adopted by these retailers are being analyzed using the marketing mix frame work. Subsequently, exploration has been attempted using 3 extended P's of services, since retail comes in the gambit of services.

PRODUCT:
Majority of the retailers (90 percent) have started keeping smaller SKUs, selling commodities in packs rather than loose and stocking convenience goods like bread, bakery items, milk, egg etc. The trend is almost certainly because of the fact consumers can't go to far off hyper marts to procure convenience goods even though they do their monthly shopping there. They also prefer small SKUs of many items which would last till their next monthly shopping. The other visible trend is that the small retailers prefer keeping mostly the refill packs just to have the price advantage which is not there In case of hard (tin/poly pets) packs.

In many cases, the retailers seem to have diversified into services business i.e. having copier, courier services and home delivery of packaged waters. To further sweeten the deal, they have also started exchanging products in few cases when the delivery person goes to home to deliver something. For customers it's like a single window delivery/availability of lot of goods and few services at one place which is a great convenience and for business man, apportioning the high rentals across different business lines.

PRICE AND PLACE:
Many retailers authenticate to be giving discounts on bulk purchases (above Rs 500 in one lot) made by customers. These retailers are also use credit as a tool to push a few products during customer's regular purchase. While Cash discount enables the customers have some extra savings, credit comes handy when they want to buy few more items and do not carry enough cash with them. This is one Brahmashtra (tool) which makes the small retailers virtually unbeatable.

In quite a few cases, to add to convenience, door delivery facility is being offered by the small retailers. This not only gives the customers a great convenience but a sense of monetary savings in terms of not physically going to buy.

Not to be left behind in the age of credit and debit cards, many small retailers seem to have caught up with the organized retail. Besides, many of them also seem to be accepting Sodexho coupons for purchase of food items. It's a big relief for the private sector employees to get them exchanged at the small retail points rather than going to the far off large format stores. From the analysis, it also appears that many retailers have expanded their time window to accommodate the early morning or late evening working population's requirement.

PROMOTION:
The study shows a whopping 82 percent of the retailers do promote their business. They not only display whole lot of merchandise outside the shop but also go for distribution of leaf lets and news paper inserts whenever there is a need to reach out to customers. Tech savvy retailers also go one step ahead in sending customizing messages through SMS or whatsapp to regular customers addressing them by their names. There are instances, customers also place order through whatsapp and the retailer also sends confirmation via whatsapp after execution of order.

Leveraging of mobile services is a great initiative by the retailers to be in the choice basket of the tech savvy working population of Pune city. During the field visits, it was observed that while the middle aged shop owners were busy dealing with customers face to face, the young staff were trying to connect to the customers through the virtual world like cell phone, whatsapp etc.

3 EXTENDED P'S OF SERVICES:
Nearly 51 percent of the retailers agree with that customers give first preference to good quality ambience or quality of service rendered. Against this insight, one could see the small retailers not doing much as compared to the ambience of the organized retail. But as per their understanding of the customers' expectation, they give prompt service to customers whenever they drop in and try to build on the familiarity and offering home delivery to customers buying in bulk.

Even though computerized billing was not found across majority of counters, the retailers were found to be swiftly doing the billing and thereby reduce the turnaround time for each customer.

Test Statistics:
The chi-square test result confirms that there is statistically significant association linking the retailers' business and the coping strategies adopted. To mention, displaying new products or variety of products, keeping refill packs which are cheaper. Discount offers for purchase of more products, convenient timings for home delivery, after sales service & exchange of products on demand. Advertisements, accepting credit cards and providing additional services (Xeroxing, couriers, water supplies, Sodexho coupons, etc) has an affirmative influence.

OBSERVATION AND FINDINGS:
There is no major concern among majority of small retailers with respect to rapid growth of organized retail. Bulk retailers have coped with the threat by successfully adopting new strategies.

Product Element of marketing mix has been the focal element of strategy. Commodities are mostly available in packs in keeping with the taste of progressive customers. Mobile Technology is successfully leveraged by the small retailers in reaching out to the customers. There has been a wider time window unlike earlier to accommodate the early morning and late evening requirement of persons working on shift basis. Most retailers have started giving discount to the bulk shopper. Payment through credit/debit card and Sodexho coupons seem to the order of the day unlike earlier time when cash only was the mode of payment.

A very small group of retailers are part of some kind of association to safeguard their interests. Majority do not feel the need for same.

CONCLUSION:
The study infers that Organized and unorganized retail sectors can co-exist in one location. To a larger extent, the increase in organized retail markets is mainly due to changing landscape of Indian Consumerism. The change has come due to increased income and changing lifestyles. Now, the consumer wants to shop at a place where he can get food, entertainment and shopping all in one roof. However, on the other hand the traditional (Kirana) retailers are cautiously taking care of the choice of the customers and coming up with diverse tactics as per the demand. They attempt to satisfy the customers with different strategies and at the same time maintain a good relationship to retain them and consequently convert them into their loyal customers. Therefore, it is quite doubtful that the organized retail will be ever able to overcome the unorganized retail completely.

Table 1: KIRANA RETAILER'S PROFILE AND BUSINESS DETAILS

Sl. No.	Details	Variables	Frequency	Percentage
1	The number of years in Retail business.	Less than 5 years	21	21
		5 to 10 years	34	34
		10 to 20 years	11	10
		Greater than 20 years	35	35
		Total	101	100
2.	Number of years the retail outlet in same location.	Less than 1 year	9	9
		1 to 3 years	32	32
		3 to 6 years	33	33
		Greater than 6 years	27	26
		Total	101	100
3.	Retail outlet owned or rented.	Owned	20	20
		Rented	20	20
		On lease	61	60
		Total	101	100
4.	Approximate area size of retail outlet (area in Square feet)	Less than 200	18	18
		200 to 400	52	51
		400 to 600	29	29
		Greater than 600	2	2
		Total	101	100
5.	Taken bank loan for opening retail outlet.	Yes	36	36
		No	65	64
		Total	101	100
6.	Working timings of retail outlet.	6am to 9pm	16	16
		6am to 11pm	20	20
		10am to 6pm	9	9
		4pm to 11pm	56	55
		Total	101	100
7.	Pattern of sales labor force engaged in outlet.	Self-employed family labor	20	20
		Employees	12	12
		Mixed employment	69	68
		Total	101	100
8	If sales labor force is not family members, then the number of years they are employed in outlet.	Less than 1 year	23	23
		1 to 2 years	43	42
		More than 2 years	35	35
		Total	101	100
9	Employment of Sales labor force happens only in:	Peak Times	7	7
		Through Out the year	26	26
		When there is a need to substitute family labor	68	67

Sl. No.	Details	Variables	Frequency	Percentage
		Total	101	100
10	Variety of products stocked and sold in outlet (in Nos.)	100 to 200	6	6
		200-500	26	26
		500-1000	13	13
		Greater than 1000	56	55
		Total	101	100
11	The varieties of products kept for sale are as per the customer and location needs:	Yes	19	19
		No	82	81
		Total	101	100
12	The customers coming to retail outlet belong to the income group:	Low Income	6	6
		Middle Income	22	22
		High Income	6	6
		Mixed Categories	67	66
		Total	101	100
13	Joined small Retailers Association / Cooperatives to centralize the activities for bulk purchase at minimum cost	Yes	11	11
		No	90	89
		Total	101	100
IMPACT OF ORGANIZED RETAIL (On Sales and Turnover)				
14	Frequency of regular customers coming to outlet	Weekly	47	46
		Once in Fortnight	45	45
		Monthly	9	9
		Total	101	100
15	Change in the frequency of customers coming to outlet due to adjacent opened up organized outlets.	Yes	15	15
		No	86	85
		Total	101	100
16	Sales in retail outlet	Low	6	6
		Moderate	34	34
		High	61	60
		Total	101	100
17	Change in the sales and turnover of outlet due to organized retailers	Yes	15	15
		No	6	85
		Total	101	100
18	Annual Average turnover in retail outlet (in lakh rupees)	4 Lakhs	35	35
		6 to 10 Lakhs	54	53
		More than 10 Lakhs	12	12
		Total	101	100

Table 2: STRATEGIES ADOPTED TO OVERCOME THE COMPETITION

	STRATEGIES	Adopted		Not Adopted		TEST STATISTICS		
		No. of Retailers	%	No. of Retailers	%	Chi-square	Degree of Freedom	Asymp. Sig. (2-sided)
1	Small products and low priced packaging	89	88.1	12	11.9	1.38	2	.499
2	Displaying New products / Variety of products	69	68.3	32	31.7	12.41	2	.002*
3	High-end Branded products.	88	87.1	13	12.9	10.32	2	.006
4.	Low cost and cheap products (for low income groups)	71	70.3	30	29.7	1.28	2	.526
5.	Refill packs which are cheaper.	80	79.2	21	20.8	14.62	2	.001*
6.	Discount offers for purchase of more Products.	86	85.1	15	14.9	16.41	2	.000*
7	Free Home Delivery.	99	98.0	2	2.0	1.73	2	.420

	STRATEGIES	Adopted		Not Adopted		TEST STATISTICS		
		No. of Re-tail-ers	%	No. of Re-tail-ers	%	Chi-square	De-gree of Free-dom	Asymp. Sig. (2-sid-ed)
8.	Convenient timings for Home Delivery	12	11.9	89	88.1	10.65	2	.005*
9	Extension of Timings (keeping open)	78	77.2	23	22.8	4.42	2	.109
10.	Extension of time limit in case of Credit facil-ity / Giving on credit.	64	63.4	37	36.6	8.88	2	.012
11.	After sales service & Exchange of products on demand.	50	49.5	51	50.5	29.30	2	.000*
12	Adver-tisements are done. (Pamphlets and SMS)	82	81.2	19	18.8	16.05	2	.000*
13.	Allowing Mobile shopping	92	91.1	9	8.9	7.40	2	.025
14.	Started accepting credit cards	42	41.6	59	58.4	43.66	2	.000*
15.	Started Additional services (Xeroxing, couriers, water supplies, Sodexho coupons etc)	77	76.2	24	23.8	11.04	2	.004*

Source: Computed Data; (*) - denotes Statistically Significant.

REFERENCES

Dayanidhi, Sudhakar and Ranjit (2014), ' Survival Strategies of Unorganised Retailers(Kirana Stores / Mom And Pop Stores) in Coimbatore city' International Journal of Sci-entific Research, Vol 3, Issue 12, December 2014. | Gupta Himanshu, Dubey Neetu and PatniPawan (2012), 'Effect of Organised Retail on Unorganized Retail in Indian Retail Market', Research Journal of Management Sciences, Vol:1 (1), 7, 33, August, 2012. | Kanagaluru Sai Kumar (2012), 'A study on the strategies of unorganized retailers with reference to consumer durables' , International Journal of Business and Management Tomorrow , Vol. 1(1) January 2012. Issue | Mridula Mishra & Umakant Dash (2008), 'Importance of Retail Service Attributes: A Study on Indian Consumers', The ICFAIAN Journal of Management Research, Vol. VII, No.2, February, 2008, pp 7-20. | Prakash Nedungadi (2012), 'How Kirana Store Can Survive?, Economic Times, 21, September, 2012. | PriyaVij (2013), 'The Study and the Analysis: An Impact of Organised Retail onUnorganised Retail in India', EXCEL International Journal of Multidisciplinary Management Studies, EIJMMS, Vol:3 (7), July, 2013. | Vishal Kale (2012),'ICRIER Report on Organized Retail", Business Retail Socio-Economic Ramphings, Working_Paper222.pdf. Indian council for research on international economic relations, March 16th, 2012. |