ISSN No : 2455–7595 (Online)
International Journal of Research in Management Studies
A Peer Reviewed Open Access International Journal
www.ijrms

Problems and Prospects of Unorganised Retailers

Prof.P.Venkateswarlu
Department of Commerce and Management Studies
Andhra University
Visakhapatnam, India

V.V.Devi Prasad Kotni
Research Scholar, PhD (Part Time Program)
Department of Commerce and Management Studies, Andhra University
Visakhapatnam, India

Abstract
Retailing in India is expanding quickly and spreading consumer preferences throughout the nation. Market liberalisation and changing consumer behaviour have also indicated the beginnings of a retail transition. Retail productivity is increasing thanks to new technologies, and sales are at an all-time high. Retailers face a variety of difficulties even if there are many opportunities to launch new businesses in the sector. The competition between current shops in this potential market is the major obstacle. With the Indian government's decision to encourage FDI in India's multi-branded commerce, competition is now at an all-time high.Unorganized retailing is the term used to describe the conventional low-cost retailing formats, such as neighbourhood grocery stores, general stores run by their owners, convenience stores, hand cart and sidewalk sellers, etc. The retail industry in India is incredibly fragmented, with unorganised retailers controlling 97% of the market. These 97 percent unorganised retailers are impacted by FDI entry. Therefore, it is suggested to research the issues and future possibilities of these traditional and unorganised shops.

Keywords: Prospects – Problems – Retailing – Indian Retailing – Unorganised Retailing.

1. Introduction

The Indian retail industry is mainly divided into Organised Retailing and Unorganised Retailing. Organised 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 privately owned large retail businesses. Unorganised retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, the local grocery shops, owner manned general stores, convenience stores, hand cart and pavement vendors, family-run retail stores etc.

Indian retailing is growing fast and imparting the consumer preferences across the country and Market liberalization along with changing consumer behavior have shown the seeds of a retail transformation. The retail sales are at the highest point in history and new technologies are improving the retail productivity. Though there are many opportunities to start a new retail business, retailers are facing numerous challenges. The biggest challenge is the competition among existing retailers in this promising sector.

Cite this article as: Prof.P.Venkateswarlu & V.V.Devi Prasad Kotni, "Problems and Prospects of Unorganised Retailers", International Journal of Research in Management Studies (IJRMS), ISSN 2455–7595, Volume 6 Issue 6, June 2022, Page 1-8.

ISSN No : 2455–7595 (Online)
International Journal of Research in Management Studies
A Peer Reviewed Open Access International Journal
www.ijrms

Now the competition is at peak with decision taken by the Indian government had increased FDI in India multi branded retailing. Unorganised retailing refers to the traditional formats of low-cost retailing, for example, the local grocery shops, owner manned general stores, convenience stores, hand cart and pavement vendors, etc. The Indian retail sector is highly fragmented with 97% of its business being run by the unorganised retailers.

2. Objectives of the study

As mentioned earlier the Indian retail industry is mainly divided into Organised Retailing and Unorganised Retailing. Organised retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax etc which includes the corporate-backed hypermarkets and retail chains, and also privately owned large retail businesses. Unorganised retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, the local grocery shops, owner manned general stores, convenience stores, hand cart and pavement vendors, etc. The Indian retail sector is highly fragmented with 97% of its business being run by the unorganised retailers: (ey.com, 2012). Due to the 100% of FDI entry, these 97% unorganised retailers are get affected. Hence it is proposed to study the problems and prospects of these unorganised and traditional retailers.

3. Prospects of Indian Retail Sector

Indian retailing is growing fast and imparting the consumer preferences across the country and Market liberalization and changing consumer behavior have shown the seeds of a retail transformation. According to India Retail Report (2007) [1], Indian retailing industry has been present in India through history and is considered as one of the largest sectors in the Indian economy, contributing to around 14% to the GDP and employing around 7% of the total population. The Indian Retail sector is estimated to have a market size of about $180 billion, but the organised sector represents only 4% share of this market and is likely to increase its share to over 30% by 2013. India has over 5 million retail outlets and today retailing is largest contributing sector to country's GDP i.e. 10% as compared to 8% in China, 6% in Brazil. Indian retail market is estimated to grow from $427 billion in 2010 and expected to reach $637 billion by 2015 (Srivastava 2008) [2]. The Indian retail market consists of 14 million outlets and has the largest retail outlet destiny in the world (Sinha and Uniyal, 2005) [3]. Organised retailing in India accounts for 4.6% ($ 12.4 Billion) of $ 270 Billion retail market with an expected 40% plus annual growth rate, and is expected to grow (India Retail Report, 2007). Arshad and Hisam (2007) [4] and Ghosh et al (2010) [5] presented that 47% of India’s population is under the age of 20 and this will increase to 55% by 2015 and this young population will immensely contribute to the growth of the retail sector in the country. Mulky et al (2003) [6] opined that the Indian retail sector is largely traditional, but stores in modern format are emerging. As compared to traditional stores, new format stores are pre-engineered retail outlets, characterised by well designed layout, ambience, display, self service, value added services, technology based operations and many more dimensions with modern outlook and practices.

ISSN No : 2455–7595 (Online)
International Journal of Research in Management Studies
A Peer Reviewed Open Access International Journal
www.ijrms

4. Organised Retailing Vs Unorganised Retailing

Traditional retailing is typically small family business (D'Adrea et al., 2006 [7]; Sim, 1999 [8]; Bianchi and Meena, 2004 [9]) linked with local culture (Goldman et al, 1999) [10] and non-organised distribution. Organised retail sector has also grabbed the attention of foreign companies, showing their interest to enter India, (Dalwadi, 2010) [11]. Aggarwal (2008), Bhardwaj and Makkar (2007) [13] stated that organised retail industry will mean thousand of new jobs, increasing income level, standard of living, better products, better shopping experience etc. Several demographic indicators show favorable trends for the growth of organised trade in India and these become the important drivers for retail industry in India like Rapid income growth, increasing urbanization, growing young population: Swar (2007) [14]. Satish and Raju (2010) [15] identifies major Indian retailers that highly contribute to the retail sector in India are Pantaloon, Tata Group, RPG Group, Reliance Group and A V Birla group etc. India is expanding internationally due to saturation of markets and challenges faced by international retailers. Partnership between Bharti and Wal-Mart is one of the successful expansions of international retail in India: Halepete et al (2008) [16]. Food and Grocery, Health and Beauty, Apparel, Jewellery and Consumer durables are the fastest growing categories of organised retail and fashion sector in India commands lion's share in the organised retail pie (Shukla and Jain, 2007) [17]. Growing middle class, large number of earning youth customers, increase in spending, and improvement in infrastructure, Liberalization of Indian economy and India's booming economy are the various opportunities for organised retailing in India. On the other hand, complexity of taxes, lack of proper infrastructure and high cost of real estate are the hurdles which need to remove for retail success in India: Dash and Chandy (2009) [18]. In India, a consuming class is emerging as a result of increasing income levels and dual career families with high disposable incomes: Goyal and Aggarwal (2009) [19].

5. Determinants of Retail Outlet Choice

Mishra (2008) [20] opined that mall space, demography, rising young population, availability of brands, rising retail finance, changing lifestyle, modern retail formats and foreign direct investment are the strengths and opportunities for modern retail model. On the other hand, real estate cost, improperly developed mall, lack of skilled personnel, underdeveloped supply chain and taxation hurdles are the weaknesses and threats for modern retail formats. Hino (2010) [21] observed that the emergence and expansion of supermarkets that gradually decreased the market share of the traditional formats by displacing them and the factors that helped supermarkets in gaining consumers favors over the traditional stores are the 'consumers economic ability' and the 'format output'. Goyal and Aggarwal (2009) [22] study indicated that the most appropriate retail formats for various items in India are: Food and grocery-Supermarket; Health and beauty care services-Supermarket; Clothing and Apparels'-Mall; Entertainment-Mall; Watches-Hypermarket; Pharmaceuticals-Hypermarket;

ISSN No : 2455–7595 (Online)
International Journal of Research in Management Studies
A Peer Reviewed Open Access International Journal
www.ijrms

Mobile, accessories & services-Hypermarket; Foot wares-Departmental store.

6. Indian Shopping Behaviour

There are good number of studies which throws light on the shopping behaviour of Indians. Sinha (2003) [23] highlighted that with the increase in disposable incomes, abundant media choices, internet penetration and modern amenities, the shopping activity which used to be mundane necessity has become a pleasant activity for many consumers. Sinha and Uniyal (2005) [24] stated that on one hand impulse buying and brand switching behavior has become more evident and on the other hand unnecessary shopping has increased leading to consumers buying goods which are non-essential. Consumer choice of shopping malls over traditional market stores is influenced by various factors like ambience, assortment, sales promotion schemes and in-store services (Thang and Tan, 2003 [25]; Srivastava, 2008 [26]). Terblanche and Boshoff (2001) [27] opined that Modern retailers are using sophisticated and technologically enhanced clues to attract and hold the shoppers. A retail store experience involves activities such as browsing, price comparisons, search for merchandise, evaluating product variety and quality, and interaction with store personnel. These modern retail formats provide wide variety to customers and offer an ideal shopping experience with an amalgamation of product, entertainment and service, all under a single roof. The Malls, convenience stores, department stores, hyper/supermarkets, discount stores and specialty stores are the emerging retail formats that provide different shopping experience to consumers (Sinha and Uniyal, 2005) [28].

Kaur and Singh (2007) [29] stated that the young consumer seeks more and more information about the new products available and retailers need to communicate them more effectively. The consumer has multiple options to choose- ranging from the shopkeeper to the most sophisticated supermarkets, departmental stores, plazas and malls which provide the latest and better quality products and it made India the top spot among the favored retail destination (Gupta, 2004 [30]; Jasola, 2007 [31]; India Retail Report, 2009 [1]). Gupta (2004) [30] further observed the dynamics of Indian retailing have undergone a sea change. Product, place, price, promotion, people and process play important role in retailing. On the other hand, physical evidence is one aspect that does not need any emphasis at all due to changing consumers' mindset. Tendai and Crispen (2009) [32] indicated that enjoyable, pleasant and attractive in-store shopping environment increases the chances of impulsive buying among consumers. Popkowski et al (2001) [33] experimented and resulted that the changing retail structure has provided the consumers with more options in the form of formats and services such as less travel time, large variety of products and quality products etc. Jain and Bagdare (2009) [34] determined that the major determinants of modern retail formats are Layout, ambience, display, self service, value added services, technology based operations and many more dimensions with modern outlook and practices.

Dinesh (2008) [35] presented two powerful and highly effective strategic tools that retailers possess namely pricing and store format decisions. From the several strategic choices available for each decision, a retailer can choose any combination. Both decisions are specific to the consumers to whom the stores cater and the environments within which they operate. Gupta (2004) and Lather & Kaur (2006) [36] proposed six main indicators that play key role for retailers in choosing the type of retail formats that may help them to cope up with the changing preferences of consumers are price, sales personnel, quality of merchandise, assortment of merchandise, advertising services and convenience services. Fiore and Kim (2009) [37] empirically studied that shopping experience has expanded and reflecting the integrative (experiential and utilitarian) nature of shopping experience, they propose an overarching stimulus-organism-response based shopping experience framework. They offer a framework that integrates components of both the hedonic experience related consciousness-emotion-value model and the utilitarian experience-related cognition-affect-behavior model. Robinson (1998) [38] opined that there is a need for consumer orientation rather than product orientation for future developments in retailing.

7. Problems of Indian Retail Sector

According to India Retail Report (2007) [39], Indian retailing industry has been present in India through history and is considered as one of the largest sectors in the Indian economy, contributing to around 14% to the GDP and employing around 7% of the total population. The Indian Retail sector is estimated to have a market size of about $180 billion, but the organized sector represents only 4% share of this market and is likely to increase its share to over 30% by 2013. According to India Retail Report (2009) [40], Organized retailing in India accounts for 4.6% ($ 12.4 Billion) of $ 270 Billion retail market with an expected 40% plus annual growth rate, and is expected to grow. Arshad and Hisam (2007) [41] and Ghosh et al (2010) [42] presented that 47% of India's population is under the age of 20 and this will increase to 55% by 2015 and this young population will immensely contribute to the growth of the retail sector in the country. Hino (2010) [43] observed that the emergence and expansion of supermarkets that gradually decreased the market share of the traditional formats by displacing them and the factors that helped supermarkets in gaining consumers favors over the traditional stores are the 'consumers economic ability' and the 'format output'.

Growing middle class, large number of earning youth customers, increase in spending, and improvement in infrastructure, Liberalization of Indian economy and India's booming economy are the various opportunities for organized retailing in India. On the other hand, complexity of taxes, lack of proper infrastructure and high cost of real estate are the hurdles which need to remove for retail success in India: Dash and Chandy (2009) [44]. Mishra (2008) [45] opined that mall space, demography, rising young population, availability of brands, rising retail finance, changing lifestyle, modern retail formats and foreign direct investment are the strengths and opportunities for modern retail model. On the

ISSN No : 2455–7595 (Online)
International Journal of Research in Management Studies
A Peer Reviewed Open Access International Journal
www.ijrms

other hand, real estate cost, improperly developed mall, lack of skilled personnel, underdeveloped supply chain and taxation hurdles are the weaknesses and threats for modern retail formats.

Indian retailing today is at an interesting crossroads. The retail sales are at the highest point in history and new technologies are improving the retail productivity. Though there are many opportunities to start a new retail business, retailers are facing numerous challenges. The biggest challenge is the competition among existing retailers in this promising sector. Now the competition is at peak with decision taken by the Indian government allowing FDI in India from 26% to 51% multi branded retailing. Recently NDA government allowed 100% FDI in retailing.

Conclusion

The existing studies in retail domain are mostly concentrating on organised retailing. The problems of unorganised and traditional retailers are not addressed as they were addressed in the case of organised retailers. The existing literature is focussed either on retail sector as a whole or on organised retailing, but not unorganised and traditional retailing as specific. Hence it is proposed to conduct a deeper study on the prospects and problems of unorganised and traditional retailers, both empirically and conceptually.

References:

[1] India Retail Report (2007), “Retailing in the creative economy”, An Images F&R Research, pp.330-333.

[2] Srivastava (2008), Changing retail scene in India, International Journal of Retail & Distribution Management, Vol. 36, No.9, pp 714-721.

[3] Sinha Piyush Kumar and Dwarika Prasad Uniyal (2005), Using Observation Research for Segmenting Shoppers, Journal of Retailing and Consumer Research, Vol. 12, pp. 35 – 48.

[4] Arshad, S.A. and Hisam, M.W. (2008), Issues in Retailing, Aneet and Ramanjeet Singh (Ed.), Research in Management and Technology, Deep and Deep Publications Pvt. Ltd., pp 109-118.

[5] Ghosh, P., Tripathi, V. and Kumar, A. (2010), Customer expectations of store attributes: A study of organized retail outlets in India, Journal of Retail & Leisure Property, Vol 9, No.1, pp 75–87.

[6] Mulky, Avinash, Nargundkar and Rajendra (2003), Modernization in Indian Retailing:Managerial and Policy Perspectives, Udyog Pragati, Vol 27, No 2, pp 1- 8.

[7] D´Adrea, G., Lopez, B. and Aleman, A. (2006), Why retailers endure in Latin America, International Journal of Retail & Distribution Management, Vol 34, No. 9, pp 661-673.

[8] Sim, L.L. (1999), Restructuring the small-scale retail sector in Singapore, International Journal of Retail & Distribution Management, Vol 27, No 2, 83-90.

[9] Bianchi, C. and Mena, J. (2004), Defending the local market against foreign competitors: the example of Chilean retailers, International Journal of Retail & Distribution Management, Vol 32, No 10, pp 495-504.

[10] Goldman, A., Ramaswami, S. and Krider, R.E. (1999), The persistent competitive advantage of traditional food retailers in Asia: wet market’s continued dominance in Hong Kong, Journal of Macromarketing, Vol 19, pp 126-139.

ISSN No : 2455–7595 (Online)
International Journal of Research in Management Studies
A Peer Reviewed Open Access International Journal
www.ijrms

[11] Dalwadi, R., Rathod, H.S. and Patel, A. (2010), Key Retail Store Attributes Determining Consumers' Perceptions: An Empirical Study of Consumers of Retail Stores Located in Ahmadabad (Gujarat), SIES Journal of Management, Vol 7, No 1, pp 20-34.

[12] Aggarwal, V. (2008), The Era of Retail Revolution: Contribution to Economy, Aneet and Ramanjeet Singh (Ed.), In Research in Management and Technology, Deep and Deep Publications Pvt. Ltd., pp 429-442.

[13] Bhardwaj, R.K. and Makkar, U. (2007), Retail Revolution- Emerging Challenges and Issues, Journal of IMS Group, Vol 4, No. 2, pp 9-12.

[14] Swar, B.N. (2007), Challenges and Opportunities of Organized Retailing in India, Journal of IMS group, Vol 4, No 2, pp 53-61.

[15] Satish, D. and Raju, V. (2010), The Growth of Indian Retail Industry, Advances in Management, Vol 3, No 7, pp 15-19.

[16] Halepete, J., Seshadri, K.V. and Park, S.C. (2008), Wal-Mart in India: a success or failure?, International Journal of Retail and Distribution Management, Vol 36, No 9, pp 701-713.

[17] Shukla, A. and Jain, V. (2007), Paradigm shift of Indian Retailing: A Global Perspective, Journal of IMS Group, Vol 4, No 2, pp 29-36.

[18] Dash M, Chandy S (2009), A study on the challenges and opportunities faced by organized retail players in Bangalore, http://ssrn.com/abstract=1435218, retrieved during August 2014

[19] Goyal, B. and Aggarwal, M. (2009), Organized retailing in India- An empirical study of appropriate formats and expected trends, Global journal of Business Research, Vol , No 2, pp 77-83.

[20] mishra, S. (2008), New Retail Models in India: Strategic Perspective Analysis, Journal of Marketing & Communication, Vol 4, No 2, pp 39-47.

[21] Hino (2010), Antecedents of supermarket formats` Adoption and usage: A study in context of non-western customers, Journal of Retailing and Consumer Services, Vol 17, No 1, pp 61-72.

[22] Goyal, B. and Aggarwal, M. (2009), Organized retailing in India- An empirical study of appropriate formats and expected trends, Global journal of Business Research, Vol , No 2, pp 77-83.

[23] Sinha Piyush Kumar (2003), Shopping Orientation in the Evolving Indian Market, Vikalpa, Vol. 28, No. 2, pp. 13 - 22.

[24] Sinha Piyush Kumar and Dwarika Prasad Uniyal (2005), Using Observation Research for Segmenting Shoppers, Journal of Retailing and Consumer Research, Vol. 12, pp. 35 – 48.

[25] Thang, D.C.L. and Tan, B.L.B. (2003), Linking consumer perception to preference of retail stores: An empirical assessment of the multi-attributes of store image, Journal of Retailing and Consumer Studies, Vol 10, No 4, pp 193-200.

[26] Srivastava (2008), Changing retail scene in India, International Journal of Retail & Distribution Management, Vol. 36, No.9, pp 714-721.

[27] Terblanche, N. S. and Boshoff, C. (2001), Measuring customer satisfaction with some of the controllable elements of the total retail experience: An exploratory study, South African Journal of Business Management, Vol 32, No 2, pp 35-41.

[28] Sinha Piyush Kumar and Dwarika Prasad Uniyal (2005), Using Observation Research for

ISSN No : 2455–7595 (Online)
International Journal of Research in Management Studies
A Peer Reviewed Open Access International Journal
www.ijrms

Segmenting Shoppers, Journal of Retailing and Consumer Research, Vol. 12, pp. 35 – 48.

[29] Kaur, P. and Singh, R. (2007), Uncovering retail shopping motives of Indian youth, Young Consumers, Vol 8, No 2, pp 128-138.

[30] Jasola, M. (2007), Emerging Trends in Retail Sector, Journal of IMS Group, 4(2), pp 22-28.

[31] Gupta, M. (2004), Brand Position of General Store from Consumer's Perspective- A comparative Study on Departmental Store and Traditional Shop, Proceedings of Conference on IPR , Thapar University, Patiala, March 25-26, 2004.

[32] Tendai, M. and Crispen, C. (2009), In-store shopping environment and impulsive buying, African Journal of Marketing Management, Vol 1, No 4, pp 102-108.

[33] Popkowski. L., Peter, T. and Timmermans, H. (2001), Experimental choice analysis of shopping strategies, Journal of retailing, Vol 77, No.4, pp 493-509.

[34] Jain, R. and Bagdare, S. (2009), Determinants of Customer Experience in New Format Retail Stores, Journal of Marketing & Communication, Vol 5, No 2, pp 34-44.

[35] Dinesh Kumar Gauri (2008), Understanding the Determinants of Retail Strategy: An Empirical Analysis, Journal of Retailing, Vol 84, No 3, pp 256-267.

[36] Lather, A.S. and Kaur, T. (2006), Shopping Malls: New Retail Formats keeping pace with the shoppers mood, The journal of Indian Management and Strategy, Vol 11, No 4, pp 56-65.

[37] Fiore Ann Marie and Kim (2007), An integrative framework capturing experiential and utilitarian shopping experience, International Journal of Retail & Distribution Management, Vol 35 (2), pp 421-442.

[38] Robinson, T. (1998), The role of retailing in a Russian Consumer Society, European Business Review, Vol 98, No 5, pp 276-281.

[39] India Retail Report (2007), "Retailing in the creative economy", An Images F&R Research, pp.330-333.

[40] India Retail Report (2009), "The India Retail Story", www.indiaretailing.com/india-retailreport-2009-detailed-summary.pdf, retrieved during August 2012.

[41] Arshad, S.A. and Hisam, M.W. (2008), "Issues in Retailing", Aneet and Ramanjeet Singh (Ed.), Research in Management and Technology, Deep and Deep Publications Pvt. Ltd., pp 109-118.

[42] Ghosh, P., Tripathi, V. and Kumar, A. (2010), "Customer expectations of store attributes: A study of organized retail outlets in India", Journal of Retail & Leisure Property, Vol 9, No.1, pp 75–87.

[43] Hino (2010), "Antecedents of supermarket formats` Adoption and usage: A study in context of non-western customers", Journal of Retailing and Consumer Services, Vol 17, No 1, pp 61-72.

[44] Dash M, Chandy S (2009), "A study on the challenges and opportunities faced by organized retail players in Bangalore", http://ssrn.com/abstract=1435218, retrieved during August 2012

[45] Mishra, S. (2008), "New Retail Models in India: Strategic Perspective Analysis", Journal of Marketing & Communication, Vol 4, No 2, pp 39-47.