

Retail Store Attributes: Does Organized Retail Outperform Unorganized Retail in India?

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Abstract

Store loyalty leads to assured patronage, dependability and prolonged existence of business, effective competitive advantage, and an entry barrier, which does not wear away easily. Loyalty is also found to bring in an increased resistance to competitive messages, lower selling costs, decreased price sensitivity, and favorable word-of-mouth. There are several determinants and dimensions of loyalty, which merit attention. The findings of the study reveal that the organized retailers are outperforming their counterparts who are in the unorganized sector.

Keywords: Retail, Organized, Unorganized, Store Loyalty, Customer

Introduction:

Retailing is the largest private industry in India and second largest employment sector after agriculture. It contributes about 10% to the GDP of India and generates 6-7% of employment. The Indian retail industry is primarily divided into two segments—organized retailing and unorganized or traditional retailing. As per ICRIER (2005), any retail store chain that is professionally managed, can be termed as organized retailing in India if it has the following features—accounting transparency (with proper usage of MIS and accounting standards), organized supply chain management with centralized quality control and sourcing. Unorganized

Retail sector comprises of organized and unorganized sectors. Organized retailing refers to the corporate-backed hypermarkets and retail chains, and the privately owned large retail businesses. The traditional formats of low cost retailing e.g., the local *kirana* shops, owner manned general stores, handcart and pavement vend etc. comprise the unorganized retailing. People are purchasing their requirement from unorganized retail outlets since ancient times and many still prefer to visit these Moms and Pops shops due to advantages like personal care, price, location, trust, credit facility etc. However, it is being observed that with the emergence of factors like changing lifestyle, increasing purchasing power, increasing number of working women and double income group families in the society, more and more people in urban areas prefer to purchase their requirements from organized retail stores. Ensuring store loyalty has thus become very important for the survival of these retailers. It is also the key determinant of the success of the retail stores belonging to the organized sector. The concept of store loyalty is originally derived from the concept of brand loyalty, which refers to the tendency to repeat purchase at the same store

Past Research

Maintaining service quality and customer relationship management has become the most important challenge in Retail Marketing (Sathyapriya, Nagabhusana and Nanda, 2012). Retailers need to establish rapport with their targeted shoppers to gain insight into their characteristics. This would make it possible for them to be informed about the personal needs and desires of the shoppers by being aware about their opinions, values and

motivations (Wong, Osman, Said and Paim, 2014). Verma and Verma (2013) advise that retail outlets ought to send cards on occasions like birthday, anniversary, festivals etc. Location of a retail store is very important in determining its level of success (Anderson, 1972). A convenient location allows a retailer gain a sustainable competitive advantage over others besides being a critical factor in consumer selection of a store (Ailawadi, Borin and Farris, 1995). The costs incurred by the customer in reaching the store and the price of the product together make up the total cost incurred by the customer (Pauwels, 2007). The delivery time and the bill-settling time at the sales counter refer to the timeliness factor (Saji, 2002a). Store design revolves around atmospherics and ambience that draws customers by creating an enjoyable purchasing experience (Vazquez, 2002). It further involves developing certain areas and coming up with strategies that improve customer commitment in its course. Ambience, one of the prime store environment factors, affects overall shopping value of customers and in so doing provides an opportunity to initiate strategic adjustments, which in its wake can engender superior customer experience and increased value (Shukla and Babin, 2013). Chattopadhyay, Dholakia and Roy (2010) point that even as modern retailing makes rapid penetration in India, most small traditional stores (STS) are resilient and remain competitive by dint of their service mix. Indian Consumers have been found to be more inclined towards the unorganized retail format due to demographic, sociological factors like education, religious belief, type of purchase, the type of product they utilize, their daily requirement and technology in terms of the channel they select to purchase and buy (Bulsara and Trivedi, 2013).

Objective of the Study:

1. To assess the mean of store attributes for Organized and Unorganized Retail
2. To compare the mean difference using paired 't' test
3. To employ non-parametric tests to corroborate the findings of parametric tests
4. To integrate the findings and suggest suitable retailing strategies

Methodology:

The research intends to quantify the effectiveness of various store attributes and dimensions influencing store loyalty, and covers both the organized and unorganized sectors. Thus, it is a comparative study and an attempt to understand behavior of shoppers with regard to these two sectors. The research also makes an attempt to describe the attitudinal behavior of the respondents for their respective purchasing patterns.

After identifying the relevant attributes and dimensions of store loyalty and purification of the measurement items, the data for the study were derived from shoppers belonging to a cross section of population using a convenience sample of respondents. This was done using a survey with the help of a structured questionnaire. The data were collected from the four metros, New Delhi, Mumbai, Kolkata and Chennai. In addition, some tier I, II and III cities belonging to various regions of the country were also included to make the study more representative and to lend it a pan-Indian character viz. Bangalore, Hyderabad, Pune, Ahmadabad, Bhubaneswar, Ranchi, Guwahati, Jodhpur, Siliguri, and Darjeeling. The study administered questionnaires to 1600 respondents across the various locations. Out of 454 responses obtained through internet, direct mail and personally administered questionnaire, 43 responses were rejected due to errors of omission and commission bringing down the total figure of valid responses to 411. The data have been gathered by administering three items scales for various facets of store loyalty and the alpha values and factor loadings demonstrated the reliability and validity of scales.

Results and Discussions:

The descriptive statistics for both retail formats have been presented in Table I along with the standard deviation. The table is self-explanatory though a few peculiarities need to be explained in order to understand the perception of shoppers. With regard to trust, value for money, availability, ambience, display and loyalty the mean scores of organized retail scores better than unorganized retail. So far as unorganized retail is concerned, the level of satisfaction is a bit higher than the organized retail. In general, the consistency of response as measured by standard deviation is on the lower side for the unorganized retail.

The paired t test results are presented in Table II to discern the significant difference among the variables considered in the study. Among the variables considered in our study, significant differences have been observed for all the variables. The performance of organized retail is found to be much better than its unorganized counterpart. The probable reason behind these may be the sample that we have drawn from the metros and the major cities in India and the sample respondents have been drawn from mostly A1A2 segments of customers who are more accustomed in shopping from organized retail stores. The results may differ if the same study is considered in semi urban and rural population who belong to different socio-economic strata

Table I
Descriptive Statistics

Variable	Organized Mean	Std. Deviation	Unorganized Mean	Std. Deviation
Trust	12.87	2.361	12.4015	2.11888
Value for Money	12.44	2.227	9.9124	1.87594
Availability	11.48	2.116	10.6180	2.12822
Display	11.45	2.768	9.4088	1.71032
Ambience	11.43	2.836	10.0779	1.87594
Store loyalty	14.55	2.181	13.3674	2.12822
Satisfaction	9.91	4.698	9.4599	1.71032

Table II
Paired t test

Paired Differences	Mean	Std. Deviation	Std. Error Mean	t	df	Sig. (2-tailed)
Trust of Org - Unorganized Trust	.465	2.803	.138	3.361	410	.001
Org Value for money - Unorganized Value for money	2.526	2.469	.122	20.741	410	.000
Org Availability - Unorganized. Availability	.861	2.705	.133	6.456	410	.000
Display - Unorganized. Display	2.044	3.005	.148	13.790	410	.000
Ambience - Un Unorganized. org. Ambience	1.350	3.060	.151	8.946	410	.000
Org Satisfaction - Unorganized. Satisfaction	.226	2.058	.101	2.229	410	.026
Org Store Loyalty - Unorganized. Store Loyalty	1.187	2.821	.139	8.533	410	.000

It is revealed from the Wilcoxon signed rank test statistic that organized sector is doing better than its unorganized counterpart on all parameters.

Table III
Wilcoxon on signed rank test statistic

Wilcoxon on test statistic	Unorganized Trust – Org Trust	Unorganized Value for money – Org Value for money	Unorganized Availability – Org Availability	Unorganized. Display – Org Display	Unorganized. Ambience – Org Ambience	Unorganized .Satisfaction – Org Satisfaction	Unorganized Store Loyalty – Org Store Loyalty
Z	-3.238 ^a	-14.581 ^a	-6.020 ^a	-11.709 ^a	-8.137 ^a	-2.529 ^a	-8.015 ^a
Asymp. Sig. (2-tailed)	.001	.000	.000	.000	.000	.011	.000

The results of the Wilcoxon on test reveal that there are significant differences among the variables considered in our study to evaluate organized and unorganized retail stores based on the perception of the respondents. Similarly, the median test results reveal that the population differs with respect to all the store attributes considered in our study excepting unorganized satisfaction with respect to their occupation.

Table IV
Median Test Statistic (Occupation)

Test Statistic	Trust of Org	value for money	Availability	Display	Ambience	Satisfaction	Store Loyalty	Unorg. Trust	Unorg. VM	Unorg. Availability	Unorg. Display	Unorg. Ambience	Unorg. Satisfaction	Unorg. Store Loyalty
Median	13	13	12	12	11	10.	15	12	10	11	9	10	9	13
Chi-Square	42	9.4	60.7	23.0	19.4	8.9	14.8	55.4	27.3	15.6j	39.8	46.3l	2.2	29
Asymp. Sig.	.00	.02	.00	.00	.00	.02	.00	.00	.00	.00	.00	.00	.51	.00

Conclusions and Managerial Implications

This paper reviewed past literature to understand the facets that affect the patronage of various retail formats. Differences perceived by customers between the small stores and modern retailers are covered in the study to understand the influence of specific decision variables in the selection of a particular retail format. This understanding of the patronage behavior helps the modern retailers to strengthen the elements of their retail offerings, which the customers value more. The data collected and its analyses were able to provide answers for the research objectives of the study.

With regard to various attributes considered in our study, we find that the organized retailers are doing much better than the retailers who operate in the unorganized sector. With regard to trust value for money, availability, display ambience and store loyalty the organized retail definitely outperform the services rendered by unorganized retailers. As far as overall satisfaction is concerned, the unorganized retailers are in a better position to provide personalized service to their clients.

This study provides insights to the modern food and grocery retailers on how the urban consumer in India perceives their advantages/disadvantages, vis-à-vis traditional *kirana* stores. They would do well to strengthen the above detailed value enhancers in their retail strategy so that they are able to overcome all the advantages and the age-old habits which still make customer patronize the traditional *kirana* stores. On the other hand, the traditional retailers should also not become complacent and do well to come out of their conventional ways of serving customers by improving on important parameters like availability of wide range of assortments, pleasant ambience, strong customer relationship and the like to hold on to their loyal customers base in the context of fast changing retail scenario.

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