

**To Study the Growth of Modern Organized Retail Sector in India and its Effects on the unorganized Retail Sector in Indian Retail Market**

**\*Ashvin Kumar**

**\*\*Dr. Prabhat Kumar**

\*Research Scholar, Department of Management and Commerce, Swami Vivekanand Subharti University, Meerut.

\*\*Professor & Dean, Department of Management and Commerce, Swami Vivekanand Subharti University, Meerut.

**Abstract**

Retail is currently the flourishing sector of the Indian economy. This trend is expected to continue for at least the next two three decades and its attracting huge attention from all entrepreneurs, business heads, investors as well as real estate owners and builders. Availability of quality, retail space wider availability of products and brand communication are some of that are driving the retail in India. Retail sector also supporting to create huge employment while a new form of organized retail sector has emerged with in the retail industry and it gave speedy phase to Indian retail sector. The rationale of the study is twofold. First is to study the growth of modern retail and second its effect on the unorganized retail. Today due to retail reforms the total concepts format and consumer buying behavior, ushering in revolution in shipping in the country. Due to changing in scenario of worlds economy retail sectors attracts the attention of scholar make some efforts relating to study of opportunity and challenges and social impacts and another objective of this study is to understand consumer behavior towards modern organized and unorganized retail stores and The perception of the traditional retailers about the modern retailing.

Key words: Modern organized retail, unorganized retail, social impact, effects of modern organized retail ,growth, challenge, opportunity, supply chain management, impact on life style, consumer behavior and consumer satisfaction.

**Introduction**

In India the vast middle class and its almost untapped retail industry are the key attractive forces for global retail giants wanting to enter in to newer markets, which in turn will help the Indian retail industry to grow faster. Indian retail is expected to grow 25% annually. Retail in India could be worth us\$ 175-200 billion by 2016. The food retail industry in India dominants the shopping basket. The mobile phone retail industry in India is already a US\$ 16.7 billion business, growing at over 20% per year. The future of India in retail industry look promising with the growing of the market with government policy becoming more favorable and the emerging technologies facilitating operations. Retailing is the final step in the distribution of products for consumption by the end consumers. It consists of all activities involved in the marketing of goods and services directly to consumers for their personal family or household use. Retail is India's largest industry. The sector has witnessed an immense growth in the last few years. Unorganized retail sector is still predominating over organized sector in India. It constituting 98%(twelve million) of total trade while organized trade accounts only for 2% modern trade organized retailers with in modern

trade, we have the discounters (Subhiksha, Apna Bajar, Margin free) . (ii) The value for money store ( Nilguries). (iii) The experience shop (Food world trinethra) . (iv) The home delivery (Fab mart) tug of war.

### **Modern Organized Retail Sector and unorganized Retail Sector**

Future of retail sector in India is swerving on one side organized retail is marching in to life of urban consumers, while on the other our own neighborhood “Grocery stores” are resisting fiercely with their existing strong foot hold. In unorganized retailing shoppers have free hand and finally carry the items along with them after final scale transaction is completed. Indian retail industry is one of the fastest growing industries especially over the last few years. The following reasons of the growth of organized trade in India are:

- 1) RAPID INCOME GROWTH: - Consumers have a greater ability to spend.
- 2) INCREASING UNBANIZATION: - Larger urban population that value convenience, coupled with the higher propensity of urban consumers to spend.
- 3) GROWING YOUNG POPULATION: - Growth of the post liberalization maturing population, with the attitude and willingness to spend.
- 4) SPEND NOW Vs SAVE EARLIER: - Consumers are willing to borrow for present consumption, which has resulted in the emergence of big retail chains in most metros, mini metros & towns.

Swear further express that global retailers like wall-mart, gap, Tesco, JC penny, seas and Carrefour are trying to establish themselves in Indian market. Impact wall-mart and Tesco has been opened their stores with Bharti and Tata in Indian market.

As per the study there are number of elements that characterize the retail industry in India and these are follows:-

- 1) It is people-centric industry.
- 2) A highly service-oriented sector.
- 3) Demand drivers are more location specific.
- 4) When there is a holiday or festival for the general public. It is peak-time for retailers.

### **Review of Literature**

Aggarwal (2007) highlights the emergence of organized retailing in India and views the catalytic effects of retail on Indian economy. Employment generation, growth of real state, increase in disposable income and development of retail ancillary market are the various catalytic effects on Indian economy. Mukherjee et al. Arpita (2006) highlighted the important study on retail modernization in develops countries and its effect on the broader food system has been a major focus of research under most visible banner of super market revolution. Which came various debate and discussion on the risks and competition within its retail industry? Shah and vankatesh (2009) highlighted the opportunities for food industry in India. Modern organized retail offer the small Indian farmer more competing venues to sell their products and increase income from less spoilage and waste. This study claims India’s post –harvest losses to exceed 25% on average every year for each farmer. Mehta and chatterjee (2011) recommended that different reasons behind the legal restrictions imposed by government of India on modern organized retail must be removed and the retail industry in India must be

opened to competition. Bahree and megha (2012) highlighted main issues on Indian retailers Arshad et Al(2007) and Ghosh et Al (2010) stated that 47% of India's population under the age of 20 and this will increase to 55% by 2015 and this young population will immensely contribute to growth of the retail sector in country. While the study by Ali and Kapoor (2010) indicate that higher income and education level of consumer influence their decisions on product and market attributes while gender and age seen to have no significant impact. The young consumer seeks more and more information about the new products available. "Purohit and Kavita" according those modern retailing will lead healthy competition in the market and will produce the sale volume and improve customer care service. "Shaoni Shabnam" it is important to height that in modern organized retail, the status of employment is much better than that in modern organized retail. Hence it is defiantly desirable that more and more labor employed in unorganized gets absorbed in this sector of retail. "Meeta Punjabi" according to this study modern value chains earn higher returns than selling to traditions market and modern supply chains have specific quality requirements which are easier to meet by the large and medium farmers and small farmers tend to get left out of these markets and several successful examples of linking small farmers to these modern value chain with efforts from govt. agencies, NGO's and development agencies. This knowledge presents strong grounds for a closer look at the emerging sector in India. "Mathew Joseph" according unorganized retailers in the vicinity of modern organized retailers experienced a decline in their volume of business and profit in the initial years after the entry of large organized retailers. There was no evidence of a decline in overall employment in the organized retailers.

### **Formats in Indian Modern Organized Retail Sector**

The central govt. has ultimately realized the need to remove the insulation out of the Indian retail sector. The format in Indian organized retail sector is following as:

- 1) It is the second fastest growing economy of the world.
- 2) Potential to be the third largest economy in terms of GDP in next few years.
- 3) Fastest growing tourist market in Asia.
- 4) Supermarkets, hypermarkets, department stores, modern format individual retailers, shopping malls and specialty chains.
- 5) Having almost 120000 shops, across the length and breadth of the country.
- 6) Offers highest shop density in the whole world and huge opportunity exists, especially in semi-rural and rural areas.
- 7) To invest US\$ 130 billion for the development of infrastructure by year 2010 and to attract US\$ 10 billion FDI for infrastructure development by the end of year 2008.
- 8) Bullish stock markets and hordes of foreign investors are thronging in to invest in Indian retail markets and highly educated English speaking young force.
- 9) Introduction of value added tax for VAT and tax reforms and high degree of professionalism and corporate ethics.

### **Growth Factors in Modern Organized Retail Sector**

The growth factors in Indian organized sector are various but it is mainly due to the fact that Indian economy is booming. Also the rise in the working population which is young, pay-packets which are hefty, more nuclear families in urban areas, rise in the

number of woman working more disposable income and customer aspiration, western influences and growth in expenditure for luxury items. All these are the factors for the growth in Indian organized retail sector. In fact, Indian retail industry is the fastest growing industry and it accounts for 10% of the country's GDP. In 2006, the retail industry in India amounted to US\$ 200 billion and out of this; the organized retail sector in India amounted to US\$ 6.4 billion. By 2010, the Indian organized retail sector is expected to rise to US\$ 23 billion. In 2003, the Indian organized retail sector accounted for more than 4.5 million sq. ft of space absorption my malls. Many Indian companies have entered the retail industry in India and this is also a factor in the growth of Indian organized retail sector. Reliance industry limited is planning to invest US\$ 6 billion in organized retail sector in India by opening 1500 supermarkets and 1000 hypermarkets. Bharti telecom is planning a joint venture worth about 750 million with Tesco a global retail giant. Pantaloons is planning to invest US\$ 1 billion in order to increase its retail space to 30 million sq. ft. such huge investments is also a factor in the growth of the organized retail sector in India. Global retail giants who are emerging the organized retail sector in India are:

- Wall-Mart
- Tesco
- Carrefour
- Metro AG

### **Opportunities in Indian Modern Organized Retail Sector**

The various opportunities in the organized retail sector in India are mainly there for the Indian consumers behavior pattern has changed. Now the Indian consumer gets more hefty pay-packages, is younger large number of woman are working ,western influences and more disposable income have opened a lot of opportunities in Indian organized retail sector. The Indian consumer wants to shop, eat and get entertainment in one place and have also given Indian organized retail sector an opportunity to grow. Many Indian companies seeing the various opportunities in organized retail sector in India have entered it. Pantaloons have decided to increase its retail space to 30 million sq. ft with an investment of US\$ 1 billion. Reliance industries limited is targeting for annual sales of US\$ 25 billion by 2011. It is planning to invest US\$ 6 billion in order to open 1500 supermarkets and 1000 hypermarkets. Bharti telecoms are planning a joint venture with Tesco a global retail giant worth about 750 million. So various opportunities increased by organized retail sector.

### **Challenges Facing by the Indian Modern Organized Retail Sector**

The challenges facing by the Indian organized retail sector are various and these are stopping the Indian retail industry from reaching its full potential. The behavior pattern of the Indian consumer has undergone a major change. These have happened for the Indian consumer is earning more now, western influences, and woman working force is increasing, desire for luxury items and better quality. He now wants to eat shop and get entertained under the same roof. All these have lead the Indian organized retail sector to give more in order to satisfy the Indian customer. The biggest

challenge facing the Indian organized sector is the lack of retail space. With real estate prices escalating due to increase in demand from the Indian organized retail sector. It is posing a challenge to its growth. With Indian retailers having to shell out more retail space it is effecting their overall profitability in retail. Trained manpower shortage is a challenge facing the organized retail sector in India. The Indian retailers have difficulty in finding trained person and also have to pay more in order to remain them. This again brings down the Indian retailers the Indian retailers profit levels. The Indian govt. has allowed 51% FDI in the India retail sector to one brand shop only. This has made the entry of global retail giants to organized retail sector in India difficult. So, all these challenges are facing the Indian organized retail sector.

### **Role of Supply Chain in Indian Modern Organized Retail Sector**

The role of supply chain in the organized retail sector in India should be a partnership between the retailer and the manufacture for this will create supply chain that is loss free. This will also give rise to top and bottom line growth. In the organized retail sector in India the presence of fresh produce (vegetables and fruits) is very small. This is so for the nature of supply chain is very fragmented. This shows the important role of supply chain in organized retail sector in India. it is the supply chain that ensures to the in all the various offering that a company decide for its customers, be it cost, service or the quickness in responding to ever changing tastes of the customer. The infrastructure in India in terms of road, rail and air links are not sufficient and so warehousing plays a major role as an aspect of supply chain operations. To overcome these problems, the Indian retailers is trying to reduce transportation costs and is investing in logistics through partnership or directly. The role of supply chain in Indian organized retail has expanded over the years with the boom in this industry.

### **Indian Modern Organized Retail Sector's impact on Life Styles**

The Indian organized retail sector's impact changed the lifestyle of the Indian consumers drastically. The Indian consumer's psyche has been changed. People have become aware of the value of the money. So consumers are well versed with the concepts about quality of products and services. So these demands are visible impacts of the Indian organized retail sector. Since the liberalization policy of 1990, the Indian economy and its consumers are getting which of the latest national and international products, with the help of print and media.

### **Impact of Organized Retail Sector on Unorganized Retail Sector**

Unorganized retailer in 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. According to the Indian council for research in impact of organized retailing on unorganized sector international economic relations (ICRIER), there would be no long term impact due to the entry of organized retail chain on the neighborhood Karana shop in the country. In clear terms the impact of organized retailing on unorganized retailing is as follows:

- The adverse impact on sales and profit weakness over time.
- There is some decline in employment in north and west regions which however also weakens over time.
- The rate of closure of unorganized retail shop in gross terms is found to be 4.2% per annum which is much lower than the international rate of closure of small business.
- The rate of closure on account of competition from organized retail is lower still at 1.7 per annum.

### **Social Impact of Emerging Trends in Modern Organized Retail Sector in India**

- Investment opportunity
- Employment opportunity
- Multinational corporations
- Cultural development
- Human resources and GDP contribution.
- Education system, international products and local economy.
- Bridge gap, technological advancement, investment in supply chain and better life style.
- Modern retail structure.

### **Objectives of this Research**

1. To know the growth, challenges, opportunities and social impact of modern organized retail sector in India.
2. To know the effect of modern organized retail sector on the unorganized retail sector.
3. To find out the consumer behavior and satisfaction level towards organized retail stores to unorganized retail stores in India.

### **Hypothesis of this Study**

In order to achieve the defined purpose of the research study following has been considered.

H1- Is the modern organized retailing is facing any challenge and social impact in India.

H2- Is the impact of modern organized retail sector on the unorganized retail sector in India.

### **Research Methodology**

For this research paper the secondary data is collected from various books, journals, news papers, industrial website and government publications etc. The primary data has been collected by survey of retailers in March 2014 to august 2014.

### **Data Collection and Analysis**

The research has mainly focused its findings based upon the facts revealed in many business journals and national news papers. The data used in the paper covers the period from early 2000- till 2014. There is sampling method, questionnaire testing

reliability analysis. We take the sample size of 60 companies. There are many traditional and modern retailers were sent the 220.50 questionnaire which are in NCR. Questionnaire was filled by mostly retailers. The questionnaire was pretested on 45 retailers and data was fed in to SPSS software. Using SPSS reliability analysis was conducted. The validity of questionnaire was tested by using expert validity. This survey intends to analyses the impact of modern organized retailing on unorganized retailing in NCR. This research explicates various aspects like the perceived and expected level of satisfaction of the consumers at various areas in NCR like as Noida, Gaziabad, Delhi, Gurgaon. The data is collected by random sampling, as per as questionnaire, interview was conducted face to face who had just purchased grocery items from organized and unorganized retail outlets.

### **Result and Discussion**

#### 1) PREFERENCE OF CUSTOMERS TO RETAIL OUTLETS

42% Customers prefer unorganized retail shopping while 35% customers prefers organized retail shopping but 23% customer are still not sure.

#### 2) CUSTOMERS PREFERNCES TOWARDS THE RETAIL STORES FOR PURCHASE OF DAILY GROCERIES

35% Customer purchases daily groceries from local grocery stores while 25% customer shop from super markets, 22% customer from convince stores and least 18% customer prefer hypermarket. Thus highest percentage is still with local grocery stores however the difference between supermarket and local grocery is less.

#### 3) FREQUENCY FOR VISITING MALLS

45% Customer visit to the malls for various different purposes, 35% customers visit weakly and 15% monthly and rest 5% daily visiting mall.

#### 4) PURPOSE OF VISITING MALLS

35% Customer visit mall for shopping mall while 40% customer visit for entertainment and rest 25% visit for window shopping.

#### 5) CUSTOMER'S SATISFACTION ON THE BASIS OF PRICE STRATEGY ADOPT BY MALLS

67% Customer are satisfied with the pricing strategy of malls after considering various discounts sales and other offers, while 33% customers are not satisfied.

#### 6) CUSTOMERS PREFERENCE FOR BEST SHOPPING DEALS

It was found 60% customer find best shopping deals in malls with various discount offers, gift packages etc. 30% customers are satisfied with the shopping deals served by local grocery stores while 10% customer has no opinion.

#### 7) IMPACT OF ORGANIZED RETAILING ON SPENDING

50% Consumers declared an increase in spending, 30% indicated a decrease and rest 20% no change. Thus the arrival of organized retail has enhanced spending in general.

### **Key Findings and Recommendations**

The key finding of this research is follow:

A) Unorganized retailers in the vicinity of organized retailers have been adversely affected in terms of their volume of business and profit unorganized retail has maintained employment levels perhaps as a result of competitive response.

- B) The adverse impact on unorganized retailers tapers off over time.
- C) The major factors that attract unorganized retailers to consumer. To proximity good will, credit sales, bargaining, loose items, convent things and home delivery.
- D) There is clear evidence of a competitive response from traditional retailers who are gearing up to meet the threat from organized retailers.

## **Conclusion**

Retailing is one of the largest industry in India and one of the biggest sources of employment in the country. Numerous business groups are attracted in the past few years, including some renewed business groups like Bharti, Future, Reliance and Aditya Birla to establish hold, showing the future growth in terms to come. In addition organized retail sector has also grabbed the attention of foreign companies showing their interest to enter India. After looking these facts the paper strategically analyzed the Indian retail industry. Due to modern organized retailing change income, lifestyle and consumption pattern of people across the country including both rural and urban areas. The modern retailers would like to make substantial saving and through efficacy and pass this benefit to producers and to end consumers. Since the entry of foreign retailers would require substantial investments in supply chain system. It would possibly bring in innovative procurement and distribution system which will further play an important role in bringing more stability. The survey concluded that India's organized and unorganized retail sectors can co-exist and flourish the growth in Indian organized retail market is mainly due to the change in consumer's behavior. This change has increased income and pattern of democracy. Thus in India it is quite doubtful the organized retail will be ever able to overcome the unorganized retail completely. The values, culture and beliefs of the customers prompt them to go the same retail shop where they can get the product required at low price and with least waiting time for billing. No matter how lucrative is this sector and how bright is the market. The organized sector in retailing has to go a long way to understand the customer requirement.

## **References**

- 1) Retailing in India: A review of present scenario, chapter 4, 2011.
- 2) Mukherjee et al. ,Arpita (2006) FDI in retail sector in India, a report by ICRIER academic foundation ISBN 978-81-7188-480-3.
- 3) David Gilbert, retail marketing management, prentice hall, financial times, second edition, 2003.
- 4) Agarwal vaishali and Sanjay Mishra (2008), role of retailers in reducing inventory and improving customer satisfaction: An empirical study of consumer durables – Indian journal of marketing (2008).
- 5) Bhatnagar Gitanjali , retail revolution – Indian journal of marketing (2004).
- 6) Joseph Mathew, Nirupama Soundarajan, Manish Gupta and Sanghmitra Sahu impact of organized retailing on unorganized sector working paper ICRIER (2008).
- 7) Basar Amatual and G.Laxmi Prabha : Prospects and problems of Indian retailing – Indian journal of marketing (2007).

- 8) Dev Sumita, Shiksha Sondhi and Saket Ranjan Praveer, effectiveness of E-retailing in era of techno revolution in retailing with respect to vending machines – journal of marketing and communication.
- 9) Gupta C.P, Rajeev Agarwal and Madhulika Sinha organized retailing and its effect on consumer buying with special reference to Agra city- journal of marketing and communication (2008).
- 10) Ali J Kapoor S. and Moorthy J. (2010): Buying behavior of consumers for food products in an emerging economy- British food journal 112 (2), PP, 109-124.
- 11) Shah and Vankatesh (2009): the opportunities for food industry in India.
- 12) Mehta and Chatterjee (2011): the different reasons behind the legal restriction imposed by the government of India on modern organized retail sector.
- 13) Bahree and Megha (2012): highlighted main issues on India unlocks door for Indian retailers.
- 14) Aggarwal V (2008), the era of retail revolution: contribution on economy in research in management and technology Ed. By Aneet and ramanjeet singh publication pvt. Ltd.,PP 442.
- 15) Arshad S.A. and Hisam M.,W. (2008): Issues in retailing. Research in management and technology Ed. By Aneet and Ramanjeet singh , Deep & Deep publication pvt. Ltd. PP 109-118.
- 16) Vankatesh warlu H and C.V. Ranjani, small vs mall – Indian journal of marketing (2007).
- 17) Dixon T J: The role of retailing in urban regeneration, local economy (2005).
- 18) Goyal, B & Aggarwal, M (2009): Organized retailing in India –an empirical study of appropriate formats and expected trends, global journal of business research 3(2), pp 77- 83.
- 19) Gupta M. (2004): brand position of general stores from consumers' perspective - A comparative study on departmental stores and traditional shop. Proceedings of conference on IPR. Thaper University, Patiala, march 25-26, 2004.
- 20) Kotler P (2006): Marketing management prentice hall of India private limited, New Delhi.
- 21) Related current issue of business standard till 2014.
- 22) Related current news updates from economic times till 2014.