Changing Consumer Preferences from Unorganized Retailing towards Organized Retailing: A Study in Kanchipuram Town

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ABSTRACT
Retail industry is divided into unorganized and organized sectors. In India, unorganized retailing has been predominantly in the form of local Kirana shops also called Mom-n-Pop stores, owner/manned general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors, etc. Organized retailing on the other hand refers to licensed retailers, who are registered for sales tax, income tax, etc. including corporate-backed hypermarkets. The retail industry in India is emerging as a one of the largest industries estimated to account for more than 10 per cent of the country's GDP and around 8 per cent of the employment. It has emerged as one of the most dynamic and fast paced industries with several players entering the market. The future looks promising, the market is growing, government policies are becoming more favorable and emerging technologies are facilitating operations. The most recent matter of concern however is that, the big players like ‘Reliance Retail’, ‘Spenser’s’ and ‘Hyper city’ are going ahead with their plans of heavy investments in the Indian Retail Market.

INTRODUCTION
Modern retail sector is at the crossroads where the growth of organized retailing and growth in the consumption by the Indian population is going to take a higher growth trajectory. It is undergoing a major transformation as entry of global players and watchful expansion by major Indian retailers has opened new vistas of joint ventures, tie-ups and franchise offering new formats, services, private labels, locations and recently to diverge from metros to smaller towns. A lot of international retailers and

brands are most likely to look at India, as global markets have stabilized and the Indian economy has proved to be better than most other countries. With the changing retail scenario, the consumers are bound to look beyond traditional retail stores towards organized outlets may be with some reservations. This necessitates study of the factors which influence the consumers to move towards the organized retailing from unorganized one besides most prioritized attributes which attract the consumers towards either of them.

1.1 Organized vs. Unorganized
Retail in the developed economies, organized retail is in the range of 75-80 per cent of total retail, whereas in developing economies, the unorganized sector dominates the retail business. The share of organized retail varies widely from just one per cent in Pakistan and 4 per cent in India to 36 per cent in Brazil and 55 per cent in Malaysia. Modern retail formats, such as hypermarkets, superstores, supermarkets, discount and convenience stores are widely present in the developed world, whereas such forms of retail outlets have only just begun to spread to developing countries in recent years. In developing countries, the retailing business continues to be dominated by family-run neighborhood shops and open markets. As a consequence, wholesalers 1 Planet Retail estimates. 4 and distributors who carry products from industrial suppliers and agricultural producers to the independent family-owned shops and open markets remain a critical part of the supply chain in these countries.

1.2 Unorganized Retailers
✓ Kirana outlets need to focus on proper shelf display so that customer gets awareness of products and variety available in the shop.
✓ Unorganized retailers may focus more on maintaining hygienic conditions in their outlets.
✓ By giving wide range of product assortment unorganized retailers can target those customers which were loyal to them but the switched to modern retail outlets.
✓ Special promotional activities may be started by Kirana shops also.
✓ Credit and home delivery system may be strengthened further to provide better service and retain loyal customers.

1.3 Overview of Global Retail Industry
Retail has played a major role in world over in increasing productivity across the board especially in consumer goods and services. The impact is significant in countries like U.S.A., U.K., Mexico, Thailand and china. Economies of countries like Singapore, Malaysia, Hong Kong, Sri Lanka and Dubai are also heavily assisted by the retail sector. Retail is the second-largest industry in the United States both in number of establishments and number of employees. More than 22 million Americans are employed thereby generating about $3 trillion in retail sale annually. The organized retailing share in the total retail volume has been estimated as 20% in China, 25% in Indonesia, 35% in Philippines, 40% in Thailand and 50% in Malaysia against less than
double digit in India. The proportion of organized retailing in US is around 80%, in Europe it is 70 %, while as in Asia on the whole it comes to around 20%.

1.4 Indian Retail Scenario

Several authorities and surveys conducted by different agencies have given current as well future projections of retail trade in India. Currently, India is one of the fastest growing economies in the world and by 2030, India would be one of the Top 5 economies in terms of GDP. The India retail market is estimated at US$ 470 Bn in 2011, accounting for ~35% of GDP and is expected to grow to US$ 675 Bn by 2016, @ CAGR of 7.5% and retail chains besides the privately owned large retail businesses. The retail sector is expanding and modernizing rapidly in line with India’s economic growth and recent Government of India’s initiatives. The BMI India Retail Report for the first quarter of 2011 forecasts that the total retail sales will grow from US$ 392.63 billion in 2011 to US$ 674.37 billion by 2014 whereas its report for the first quarter of 2012 estimated that the total retail sales will grow from US$ 422.09 billion in 2011 to US$ 825.46 billion by 2015. The report highlights strong underlying economic growth, population expansion, increasing disposable income and rapid emergence of organized retail infrastructure as major factors behind the forecast growth. The growing wealth with the middle-class in India, the population size and the big percentage of population being in 30s, makes immense possibilities for entrepreneurial growth in the retail sector.

Estimated the category wise share of different consumer items traded under both unorganized and organized retail in India as on 2012,2014 and projections of 2016.The details of these estimates are given as under:

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Category</th>
<th>2012</th>
<th>2014</th>
<th>2016</th>
<th>CAGR%2012-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Food and Grocery</td>
<td>217</td>
<td>325</td>
<td>425</td>
<td>5.50</td>
</tr>
<tr>
<td>2</td>
<td>Restaurants &amp; Food Junction</td>
<td>4.6</td>
<td>8.8</td>
<td>15.8</td>
<td>12.50</td>
</tr>
<tr>
<td>3</td>
<td>Apparel</td>
<td>25</td>
<td>35</td>
<td>50.2</td>
<td>7.50</td>
</tr>
<tr>
<td>4</td>
<td>Furniture &amp; furnishings</td>
<td>6.5</td>
<td>9.1</td>
<td>17.1</td>
<td>13.50</td>
</tr>
<tr>
<td>5</td>
<td>Healthcare &amp; Fitness services</td>
<td>0.4</td>
<td>1.8</td>
<td>2.5</td>
<td>20.00</td>
</tr>
<tr>
<td>6</td>
<td>Consumer Electronics &amp;Information Technology</td>
<td>16.5</td>
<td>22.7</td>
<td>42.8</td>
<td>13.50</td>
</tr>
<tr>
<td>7</td>
<td>Pharmacy</td>
<td>8</td>
<td>13.9</td>
<td>23.4</td>
<td>11.00</td>
</tr>
<tr>
<td>8</td>
<td>Jewellery, Watches etc</td>
<td>16.5</td>
<td>25.6</td>
<td>44.2</td>
<td>11.50</td>
</tr>
<tr>
<td>9</td>
<td>Beauty Services</td>
<td>0.6</td>
<td>1.3</td>
<td>3</td>
<td>18.00</td>
</tr>
<tr>
<td>10</td>
<td>Footwear</td>
<td>3.6</td>
<td>4.5</td>
<td>8.3</td>
<td>13.00</td>
</tr>
<tr>
<td>11</td>
<td>Others</td>
<td>11</td>
<td>23</td>
<td>42.5</td>
<td>13.10</td>
</tr>
<tr>
<td></td>
<td><strong>Total US $</strong></td>
<td><strong>310</strong></td>
<td><strong>420</strong></td>
<td><strong>675</strong></td>
<td><strong>7.50</strong></td>
</tr>
</tbody>
</table>

Source: Computed from Technopak Advisors Pvt. Ltd data

From the above listed table it can be affirmed that Food and Grocery constitutes the bulk of Indian retailing and its share is estimated at US$ 325 Bn in 2011 (69% of the overall retail) and is expected to grow to US$ 425 Bn by 2016 (63% of the overall retail), @ CAGR of 5.5%.
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Apparel market in India is estimated at US$ 35 Bn in 2011 and is expected to grow to US$ 50 Bn by 2016, @ CAGR of 7.5%. The next in importance is clothing and footwear, the share of which has been about is estimated at US$ 5.5 Bn in 2012 and is expected to grow to US$ 8 Bn by 2016, @ CAGR of 8.5%. This has been followed by others like furniture, furnishing, appliances and services.

Though the share of organized retailing remains low but in few categories it is quite high. Categories like Apparel market which is estimated at US$ 5.5 Bn in 2012 and is expected to grow to US$ 8 Bn by 2016, @ CAGR of 8.5%The organized Food and Grocery retail market in India is estimated at US$ 9 Bn in 2012 and is expected to grow to US$ 34 Bn by 2016, @ CAGR of 30% At 35%, Food & Grocery has the highest share of organized retail. Food & Grocery along with Apparel, Jewellery & Watches and Consumer Electronics & IT accounts for ~80% of the organized retail market in India in 2011 which is likely to grow in 2016.

1.5 Need of the Study
- From the review of literature as well as appearance of organized retail in Kanchipuram town.
- There is a need to study shifting preferences of consumers towards various retail formats.
- Whether there is any relation between the demographic profile of the consumers and
- Preferred retail format and does income besides other family attributes play a role in selection of the retail formats.
- The problems faced by consumers shopping from organized as well as unorganized retail outlets also need a thorough study.

1.6 Objectives of the Study
- To identify the demographic profile of the customers visiting organized retail outlets and unorganized retail outlets.
- To analyse the factors which influence consumers to prefer organized retailing over unorganized retailing and vice-versa
- To identify the problems faced by consumers from organized as well as unorganized retail outlets.

1.7 Limitations of the Study
- The survey has been confined to Kanchipuram town; the winter capital of the town only whereas Sriperumbudur, the other main city has not been concentrated upon. Other cities of all the three regions including Punthamalli though less populated were not included due to time constraints.
- The sample size was restricted to 150 which is comparatively very less as compared to the entire population of the town /region
- Few respondents were unwilling to give an accurate response to certain questions and have replied as per their own perception and experience thereby the possibility of personal bias cannot be ruled out completely.
1.8 Review of Literature
✓ Mathew and Gupta (2008) while studying the impact of organized retailing on traditional retailing observed that with the increase in number of various formats for shopping like malls, departmental stores, hypermarkets etc.,
✓ RNCOS (2009) has stated that as per "Global Convenience Store Market Analysis", changing consumer preferences, lifestyle and rising income level, which is heavily influenced by economic growth, remains the major driving force for c-store industry in the Asian region.
✓ Dash et al., (2009) found that consumers in Bangalore coming of growing middle class besides large number of earning youth and increase in spending capacity may favour organized retail but in built deficiencies like inefficiency of distribution channels, internal logistical problem and retail shrinkage may shift the choice towards unorganized retailers.

METHODOLOGY
2.1 Sample Design
Primary data was collected from 150 respondents (75 shopping from organized retail outlets and 75 shopping from unorganized retail outlets. These 150 respondents were selected by convenience sampling technique of Probability random sampling.

2.2 Data Collection
The present study is based on primary data as well as secondary data. The secondary data was drawn from various books, journals, articles, and newspapers etc., Consumers shopping at organized retail outlets and unorganized retail outlets were interviewed to collect the primary data. Their answers were further looked into, in some detail to add value to this research.

ANALYSIS AND INTERPRETATION
Table – 1: Education Level and the Type of Store Visited for Shopping Needs (No / %)

<table>
<thead>
<tr>
<th>Educational Qualifications</th>
<th>Organized</th>
<th>Unorganized</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below metric</td>
<td>10 / 13.33</td>
<td>21 / 28.00</td>
</tr>
<tr>
<td>Undergraduate</td>
<td>10 / 13.33</td>
<td>17 / 22.67</td>
</tr>
<tr>
<td>Graduate</td>
<td>23 / 30.67</td>
<td>22 / 29.33</td>
</tr>
<tr>
<td>Post graduate</td>
<td>32 / 43.37</td>
<td>15 / 20.00</td>
</tr>
<tr>
<td>Total</td>
<td>75 / 100.00</td>
<td>75 / 100.00</td>
</tr>
</tbody>
</table>

Source: Primary data

The above the table shows that Education level and the type of store visited for Shopping Needs was also studied and the data given in the table, people who are below metric prefer to visit unorganized retail outlet whereas undergraduate and graduate feel the importance of both types of retail outlets but post graduated prefer to make their purchasing mostly from organized retail outlet due to factors listed in the table.
Table – 2: Occupation and Type of Store Preferred for Shopping Needs (No / %)

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Organized</th>
<th>Unorganized</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business</td>
<td>06 / 8.00</td>
<td>07 / 9.33</td>
</tr>
<tr>
<td>Government Service</td>
<td>18 / 24.00</td>
<td>23 / 30.67</td>
</tr>
<tr>
<td>Private service</td>
<td>25 / 33.33</td>
<td>24 / 32.00</td>
</tr>
<tr>
<td>Students</td>
<td>03 / 4.00</td>
<td>10 / 13.33</td>
</tr>
<tr>
<td>Homemaker</td>
<td>22 / 29.34</td>
<td>11 / 14.67</td>
</tr>
<tr>
<td>Any other</td>
<td>01 / 1.33</td>
<td>---</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>75 / 100</strong></td>
<td><strong>75 / 100.00</strong></td>
</tr>
</tbody>
</table>

Source: Primary data

The table exhibit that the Occupation wise customer’s preference for the type of store visited for shopping needs was also studied and it was found table that there does not seem to be a significant relation between occupation and type of store visited as consumers prefer both for their shopping.

Table – 3: Family Size and Type of Store Visited (No / %)

<table>
<thead>
<tr>
<th>Number of members in the family</th>
<th>Organized</th>
<th>Unorganized</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 4</td>
<td>22 / 29.34</td>
<td>17 / 22.67</td>
</tr>
<tr>
<td>5-8</td>
<td>29 / 38.66</td>
<td>15 / 20.00</td>
</tr>
<tr>
<td>9-10</td>
<td>16 / 21.33</td>
<td>28 / 37.33</td>
</tr>
<tr>
<td>Above 10</td>
<td>8 / 10.67</td>
<td>15 / 20.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>75 / 100</strong></td>
<td><strong>75 / 100.00</strong></td>
</tr>
</tbody>
</table>

Source: Primary data

The above table reveals that Family Size and type of store visited data given in table above indicated that that as the family size increases the preference for Unorganized retail outlet also increases. In joint family system is still preferred and most of the day to day purchases are made by the elder members which have an inclination towards traditional shopping areas like Reliance and More for bulk purchase and Big bazar stores for petty household needs. However, nuclear families appear to prefer visit to organized retail outlets.

**FINDINGS**

The above the study have find out the followed findings regard the changing the consumer attitude towards the retail sector on Unorganized to Organized.

- Education level and the type of store visited for Shopping Needs was also studied and the data given in the value, people who are below metric prefer to visit unorganized retail outlet whereas undergraduate and graduate feel the importance of both types of retail outlets but post graduated prefer to make their purchasing mostly from organized retail outlet due to factors listed in the table.

- The Occupation wise customer’s preference for the type of store visited for shopping needs was also studied and it was found table that there does not seem
to be a significant relation between occupation and type of store visited as consumers prefer both for their shopping.

- The Family Size and type of store visited data given in table above indicated that that as the family size increases the preference for Unorganized retail outlet also increases. In joint family system is still preferred and most of the day to day purchases are made by the elder members which have an inclination towards traditional shopping areas like Reliance and More for bulk purchase and Big bazar stores for petty household needs. However, nuclear families appear to prefer visit to organized retail outlets.

SUGGESTIONS

Organized Retailers:

- The study indicates that the organized retailers should take effective steps to improve their billing as most of consumers complained about long queues for billing.
- Organized retail outlets may start home delivery to cater to the needs of consumers.
- A comprehensive credit scheme may be initiated to increase sales potential.
- The sales personnel may be educated to portray courteous behavior to make consumers shopping more effectual.
- As most of the respondents which visit shopping malls are young which are attracted towards branded products at reasonable prices and fixed prices but try to avoid bargaining. So organized retailers must ensure that there is availability of branded products with minimal need of bargaining.

CONCLUSION

This present study was conducted with a purpose of understanding the changes taking place in the minds of consumers towards modern retail formats and traditional retailers. It was observed that due to the changing demographics, increase in Dual income but no kids’ families, urbanization, and awareness due to electronic media especially internet the customers have multiple options to choose from modern retail outlets to neighborhood shops. Majority of the consumers are visiting organized formats for variety, easy availability, and cleanliness with additional facility of entertainment for children and convenient parking facility and restaurant etc. In case of unorganized outlets immediacy of the store, credit and bargaining facility balance some other families. Unlike higher age groups who prefer to visit Kirana stores, the younger generation has more inclination towards organized retail. Families with annual income less than 4.0 Lakh and having a single bread earner prefer shopping with nearby mom-n-pop stores. Customers with higher qualification were found to be more attracted towards organized retail outlets. It is indicated that unorganized retailers also need to add more product lines and focus on quality as well as variety to regain the vanished market share. The organized formats have entered into the tier-II cities and other small
cities and focusing on the middle class people as it had almost covered the metropolitan cities. Both organized as well as unorganized retailers need to add value added services to make the shopping experience more comfortable and value oriented.

REFERENCES


[21] www.retailntoday.com