

A STUDY ON IMPACT OF ORGANISED RETAIL ON UNORGANISED RETAIL IN BHOPAL DIVISION

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ABSTRACT

The evolution of shopping in India, particularly in the organized retail sector, reflects a significant shift in consumer behavior and shopping formats. This transformation has brought about intense competition within the retail industry, making it a pivotal and flourishing sector in the Indian economy. Several actors contribute to the success of the retail industry in India. Availability of quality retail space, a diverse range of products, and effective brand communication plays crucial roles in driving the growth of retail industry. To adapt to changing customer expectations, the retail sector frequently adjusts its strategies. Customer satisfaction is a fundamental aspect, and retail outlets are increasingly focusing on delighting customers to enhance their satisfaction levels. Some retail establishments have even adopted the strategy of customer delight,

recognizing its impact on fostering customer loyalty and commitment over the long term. Apart from contributing to economic growth, the retail sector has played a vital role in generating substantial employment opportunities. The organized retail segment, in particular, has experienced rapid growth, shaping the landscape of the Indian retail industry. This evolution signifies the importance of understanding and catering to the evolving needs and expectations of consumers in the dynamic retail market of India. This study is an effort to examine the changes in retail due to impact of organized retail over unorganized retail. This study examines pattern of the consumer behavior of retailers in five cities of Bhopal Division, i.e. Bhopal, Sehore, Raisen, Vidisha and Rajgarh. FMCG products are considered for this research. Grocery shop, General shop, Petty shop, Fruit vendor, and Vegetable Shop are considered as retail stores.

Key words: *Consumer behavior, organized retail, unorganized retail.*

INTRODUCTION

The retail industry in India is not only one of the largest but also a major source of employment in the country. It is a dynamic sector undergoing significant changes not only within India but also on a global scale. Retailing, in essence, is a distribution channel function where organizations procure products from manufacturers or suppliers and then directly sell these to consumers.

India's retail industry has gained attention as a potential goldmine for investors worldwide. Recent research has ranked India as the top destination for retailers seeking attractive emerging retail markets. The appeal of India lies in its vast middle-class population

and the untapped potential of its retail sector. With well over 5 million retail outlets, India presents a significant market opportunity, even though the retail industry in the country is still evolving and lacks a fully developed modern sense of retailing.

The key attraction for global retail giants looking to expand is the growing middle-class consumer base in India. This segment of the population is becoming increasingly affluent and is a driving force behind the demand for diverse and quality retail offerings. The untapped potential of the retail industry in India makes it an attractive destination for international retailers seeking to enter new markets.

Despite having a large number of retail outlets, India is yet to develop a retailing industry in the modern sense, providing an opportunity for growth and innovation. The parallel growth of the economy and consumerism in India suggests that the evolution of retail in the country may follow similar phases as witnessed in developed countries. Indian retailers can draw valuable lessons from their global counterparts to enhance their strategies, operations, and customer experiences.

One notable advantage for retailers in India is the absence of a legacy of assets, allowing for the possibility of leapfrogging. Retailers can adopt advanced technologies and innovative business models without the constraints of outdated infrastructure. This presents a unique opportunity for Indian retailers to embrace modern practices and stay ahead in the rapidly changing retail landscape.

In conclusion, the Indian retail industry is a vibrant and evolving sector, offering immense potential for growth and investment. With a focus on learning from global best practices and

leveraging technological advancements, retailers in India can position themselves for success in the dynamic and competitive retail market.

Customer satisfaction and delight are key attributes that contribute to the loyalty and commitment of customers. Retailers are investing in measures to ensure customer satisfaction, recognizing its role as a foundation for building customer loyalty. The emergence of a new form of organized retail within the industry has accelerated the growth of the Indian retail sector.

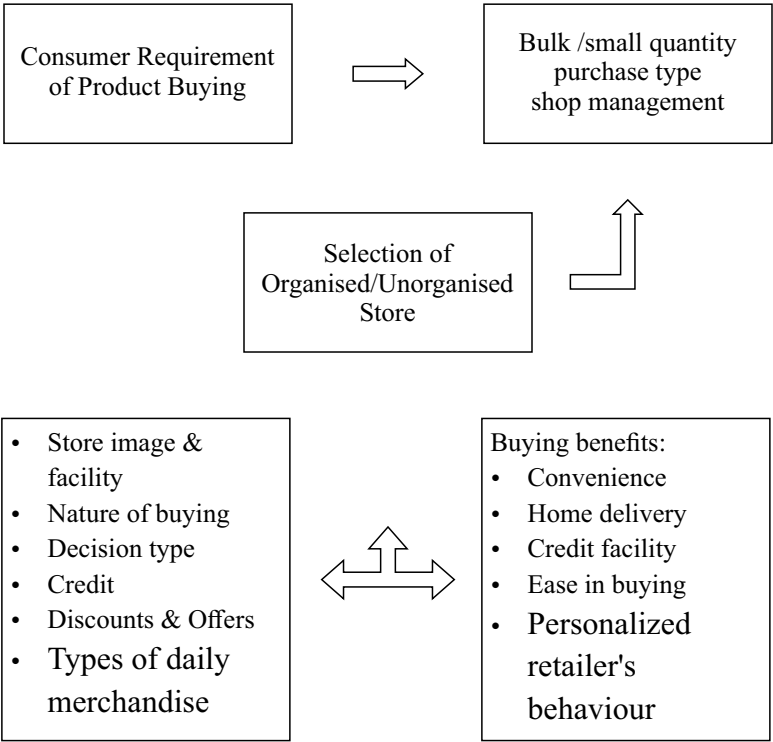
TYPES OF RETAIL FORMATS

1. Organised retail formats – Malls , Hyper markets, Super Stores etc.
2. Unorganised retail formats- Kirana, Pan/Beedi Shop, Haats, Mandis,

TABLE:01 RETAIL FORMATS

Traditional formats	Established formats	Emerging formats
Itinerant salesman	Kirana	Exclusive retail outlets
Haats	Convenience / Department stores	Hypermarkets
Malls	Company / Multi brand showrooms	Malls / Specialty malls
Mandis, etc	PDS / Fair Price shops	Internal retail
	Co-operative stores	Multiplexes
	Pan / beedi shops	Rural oriented formats

Figure 01: Consumer Behaviour in Retailing



Significance of Study

The significance of the retail industry in today's competitive business landscape is profound, and retailers have redefined their role within the overall value chain. Retailers now serve as gatekeepers, playing a crucial role in determining which new products make it to the shelves of their stores. This influence means that retailers have a strong impact on the success or failure of products and services launched by businesses.

Manufacturers often find themselves in the position of having to sell their products multiple times: first to their own company, then to the retailer, and finally to the end user. This highlights the pivotal role that retailers play in the distribution and success of new products. The quote from a product manager of household appliances underscores the challenges manufacturers face in getting their products accepted and promoted by retailers.

In the current business landscape, manufacturers are compelled to identify and select suitable retail formats to sell their products. The alignment of retail formats with business strategy is crucial for building and maintaining core competencies. This strategic approach ensures that the retail channels chosen by manufacturers complement their overall business objectives.

The role of retailers has become increasingly important in the face of a competitive environment, with external parties such as market intermediaries and supplying partners gaining more power. As a result, it is essential for marketers of consumer products to understand the needs and motivations of their partners in the marketing channel. This is particularly relevant when introducing new products to the market.

To enhance the success rate of new products, consumer companies should invest efforts not only in creating consumer value but also in establishing retail value. Recognizing the objectives of manufacturers and aligning them with those of retailers is crucial for the success of a product. If there is a misalignment of objectives between manufacturers and retailers, the success of a product may be jeopardized.

In conclusion, the retail industry plays a pivotal role in shaping the success of products and services in the market. Manufacturers need to carefully consider the needs and objectives of retailers, aligning their strategies to create a mutually beneficial relationship that contributes to the overall success of new products. The collaboration between manufacturers and retailers is crucial in the dynamic and competitive landscape of the retail industry.

REVIEW OF LITERATURE

Suraj Verma, Dr. Kuldeep Chand Rojhe, (2018) in their study sheds light on the various criteria influencing consumers when purchasing Fast-Moving Consumer Goods (FMCG) products. The findings indicate that consumers take into account several factors such as price, quality, brand, packaging, advertisement, and lifestyle when making their FMCG product choices. One notable observation from the study is the difference in criteria considerations between rural and urban consumers. Rural consumers, according to the research, tend to prioritize price more than their urban counterparts. This reflects the economic sensitivity and financial considerations prevalent in rural areas.

Bell, Ho and Tang (2001) observed on the premise that when choosing a store, consumers evaluate both the fixed and variable utilities of shopping. The fixed utility does not vary from trip to trip whereas the variable utility depends on the size and composition of the shopping list (basket size/purchase volume).

Levy and Weitz (2007) found that a good merchandise assortment should entice customers to move around the store to purchase more

merchandise than they may have planned originally. One method is to expose customers to a layout that facilitates a specific traffic pattern. Another method of helping customers move through the store is to provide variety; the store should be filled with little nooks and crannies that entice shoppers to wander around. A good layout should provide a balance between giving customers adequate space in which to shop. The breadth and depth of the assortment in a merchandise category can affect the retailer's brand image. In general, retailers need to display their merchandise effectively in order to satisfy the customer's need and maintain their brand image with respect to merchandise category. There is a belief that customers actually buy more if there are improvements in assortment.

Dr. R. M. Daniel and Mr. Kumaran Thayumanavan(2014) The study conducted by Dr. R. M. Daniel and Mr. Kumaran Thayumanavan in April 2014 aimed to explore the impact of modern retail formats, particularly supermarkets, on traditional formats, with a specific focus on unorganized jewelry retailers. The findings highlight the strategies employed by unorganized jewelry retailers to maintain their customer base in the face of competition from organized retailers. According to the study, unorganized jewelry retailers distinguish themselves by adhering to specific strategies tailored to satisfy their loyal customer base. These strategies include providing facilities such as credit options, free home delivery, and offering assurances on the purchase of jewelry. Building trust with customers is identified as a crucial element, and unorganized retailers often give surety on the quality of purchased items. The study emphasizes the significance of customer loyalty, attributing it to the kind behavior and helpful nature of unorganized retailers. The personal touch and

relationship-building aspects play a vital role in retaining customers in the unorganized jewelry retail sector. Perceptions from unorganized jewelry retailers suggest that the consumption behavior of consumers has undergone changes due to the emergence of organized big jewelers with extensive advertisement campaigns. This shift in consumer behavior underscores the need for unorganized retailers to adapt and upgrade their outlets. To stay competitive, unorganized jewelry retailers are encouraged to invest in the latest designs and technology to meet the evolving preferences of consumers. In summary, the study suggests that unorganized jewelry retailers can enhance their competitiveness by focusing on customer-centric strategies, upgrading their outlets with modern designs and technology, and adapting to changes in consumer behavior influenced by the presence of organized retail formats in the market. This adaptation is crucial for the continued success and sustainability of unorganized retailers in the dynamic jewelry retail sector.

OBJECTIVES OF THE STUDY

The following are the important objectives of the study.

1. To study the impact of organized retailing on unorganized retailing.
2. To study the factors which are useful for effective retailing.

HYPOTHESES

The following are the hypotheses framed by the researchers.

1. Ho: There is no significant difference between latest technology

used by organized and unorganized retailers.

2. Ho: There is no significant difference between variety of products supplied by organized and unorganized retailers.
3. Ho: There is no significant difference between the number of employees and types of organized and unorganized retailers.
4. Ho: There is no significant difference between the area of business and the type of retail outlets of organized and unorganized retailers.
5. Ho: There is no significant difference between type of retail store and the level of business impact between organized and unorganized retailers.

RESEARCH METHODOLOGY

Research methodology deals with the design and methods used in the study. Business selected: for this research are Grocery shop, General shop, petty shop, mom and pop store, and Vegetable Shop.

Study Design: A mixed-methods approach will be employed, including quantitative surveys distributed to a diverse sample of consumers and qualitative interviews with retail industry experts. Descripted research design adopted for this study.

Sampling Techniques:

The purposive sampling technique

Sampling Size:

Bhopal -50, Vidisha -50, Raisen-50, Rajgarh-50 and Sehore-150
Total-250

Data Collection:

Primary data was collected through questionnaire, online platforms and in-person interviews. Secondary data will be gathered from industry reports, academic journals, and government publications. By distributing a well-structured questionnaire with a 7-point Likert scale, primary data has been collected.

Statistical Tool Used for Data Analysis:

Chi-Square (χ^2) test is used for analysis.

DATA ANALYSIS AND INTERPRETATION.

Table 02: Impact of organised retail sector

Sr. No.	Factor	Will affected No. of respondent (% value)	Not affected No. of respondent (% value)	Affected No. of respondent (% value)	Total
1	Impact of organized retail stores and the application of latest technology	65 (26)	25 (10)	160 (64)	250
2	Impact of organized retail variety of goods	59 (23.6)	38 (15.2)	153 (61.2)	250
3	Impact of work force and the type of retail business	42 (16.8)	35 (14)	173 (69.2)	250
4	Impact of business area in square feet and the type of retail stores	22 (8.8)	21 (8.4)	207 (82.8)	250
5	Types of retail stores and the level of impact in business	57 (22.8)	47 (18.8)	146 (58.4)	250

The modern day business is more governed and driven by the technology and which has a positive and negative implication on the business and hence the question relating to the impact of technology on the type of retail stores are gathered and the results are presented in the above table. From the above Table II shows that, 20 percent (50 respondents) feels that, unorganized retail stores will affected in future due to the entry of organized retail outlets and their application of new technology.

Table 03: The statement of response from unorganised retail on likert scale

		Rank 1-7, 1 -For Strongly Agree and 7- Strongly Disagree							
Sr. no.	Statement of response from unorganized retailer	7	6	5	4	3	2	1	Total
1	Your business faces a threat from the expanding presence of organized retail.	96	55	50	32	13	4	0	
		672	330	250	128	39	8	0	1427
2	Profit is decreasing as organized retailers are increasing in number.	106	59	39	27	10	7	2	
		742	354	195	108	30	14	2	1445
3	Organized retailers are exerting influence on the retail market through practices perceived as unfair competition.	23	53	83	44	30	12	5	
		161	318	415	176	90	24	5	1189

4	The sales turnover is declining as customers are progressively shifting to organized retail stores.	109	54	44	26	11	6	0	
		763	324	220	104	33	12	0	1456
5	Organized retailers achieve more competitive pricing for goods through larger volume operations.	97	58	42	28	18	4	3	
		679	348	210	112	54	8	3	1414
6	Organized retailers provide greater discounts and offers due to their engagement in a higher volume of consumer buying.	100	64	44	23	11	6	2	
		700	384	220	92	33	12	2	1443
7	The expansion of organized retail has heightened customer expectations regarding service and quality.	118	57	31	24	13	5	2	
		826	342	155	96	39	10	2	1470
8	With the rise of organized retail, customers now seek a greater variety of options.	93	57	40	24	18	12	6	
		651	342	200	96	54	24	6	1373
9	Customer now prefers home delivery for their preferred products	27	32	49	55	70	12	5	
		189	192	245	220	210	24	5	1085

10	Customer demand of branded merchandise is increasing due to growth in Organized retail.	109	59	38	26	11	6	1	
		763	354	190	104	33	12	1	1457
11	Several local retail businesses in my vicinity have closed down due to the increasing presence of organized retail stores.	66	76	54	34	13	5	2	
		462	456	270	136	39	10	2	1375
12	Small retailers are facing challenges and experiencing financial losses due to the growth of organized retail stores.	122	59	36	14	13	4	2	
		854	354	180	56	39	8	2	1493
13	Engaging in retail business has become more challenging as it demands additional capital, a consequence of the rising number of organized retailers in the market.	72	76	49	31	14	6	2	
		504	456	245	124	42	12	2	1385

Table 04: Analysis of Hypothesis

S. No.	Hypothesis (H ₀)	Table Value	Calculated Value	Degrees of freedom	Level of Significance	Result
1	There is no significant difference between latest technology used by organized and unorganized retailers.	09.49	18.48	4	0.05	Rejected
2	There is no significant difference between variety of products supplied by organized and unorganized retailers.	09.49	27.59	4	0.05	Rejected
3	There is no significant difference between the number of employees and types of organized and unorganized retailers.	09.49	47.11	4	0.05	Rejected
4	There is no significant difference between the area of business and the type of retail outlets of organized and unorganized retailers.	09.49	70.48	4	0.05	Rejected
5	There is no significant difference between type of retail store and the level of business impact between organized and unorganized retailers.	09.49	15.12	4	0.05	Rejected

1. The calculated value of Chi-Square (χ^2) value-18.48,
Table value of Chi- Square –09.49
Degrees of freedom- 4
Level of significance -.05,
Calculated value of (χ^2) > Table Value of (χ^2).
Hence the null hypothesis is rejected. Therefore, there is significant difference between latest technology used by organized and unorganized retailers.
2. The calculated value of chi-square (χ^2) value- 27.59,
Table value of Chi- Square –09.49
Degrees of freedom- 4
Level of significance -.05,
Calculated value of (χ^2) > Table Value of (χ^2).
Hence the null hypothesis is rejected. Therefore, there is significant association between the impact of variety of goods by organized retailers and the unorganized retailers.
3. The calculated value of chi-square (χ^2) value-47.11,
Table value of Chi- Square –09.49
Degrees of freedom- 4
Level of significance -.05,
Calculated value of (χ^2) > Table Value of (χ^2).
Hence the null hypothesis is rejected.
Therefore, there is significant difference between the number of employees and types of organized and unorganized retailers.
4. The calculated value of Chi-Square (χ^2) value-70.38,
Table value of Chi- Square –09.49
Degrees of freedom- 4
Level of significance -.05,

Calculated value of $(\chi^2) > \text{Table Value of } (\chi^2)$.

Hence the null hypothesis is rejected. Therefore, there is significant association between the business area in square feet and the type of retail stores of organized retailers and the unorganized retailers.

5. The calculated value of Chi-Square (χ^2) value-15.12

Table value of Chi- Square –09.49

Degrees of freedom- 4

Level of significance -.05,

Calculated value of $(\chi^2) > \text{Table Value of } (\chi^2)$.

Hence the null hypothesis is rejected. Therefore, there is significant difference between type of retail store and the level of business impact between organized and unorganized retailers.

SUGGESTIONS AND FINDINGS

This study puts forth several important suggestions:

1. Unorganized retail stores should enhance their ambiance, diversify the range of goods, and strive to operate at a level comparable to organized retail stores, given the ease of this approach in the globalized business scenario.
2. The study area, predominantly consisting of numerous villages, represents a potential market for unorganized retail businesses, inaccessible to organized retail systems.
3. Across all study areas, there is a limited impact on the emergence of organized retail stores, which aim to expand nationwide. This should serve as a wake-up call for organized retailers to establish and sustain their presence in the business.
4. Embracing innovation and creativity is crucial for success.

Therefore, organized retail businesses must proactively introduce innovative and creative techniques to thrive in the business landscape.

5. The government should facilitate the understanding of its policies among unorganized retailers, educating and creating awareness to encourage them to adapt their businesses to the changing times.
6. Unorganized retailers should prioritize an affinity towards local culture, customs, traditions, and customers, recognizing the importance of adapting to changing market dynamics in the globalized era.
7. The unorganized retail sector should conduct a thorough study before investing in expansion and development programs, recognizing the significant challenge posed by retail space in the competitive business landscape.

FINDINGS OF THE STUDY

Unorganized retailers, primarily consisting of small neighborhood stores, experience adverse effects from the expanding presence of organized retail stores. Customers are increasingly shifting towards modern organized retail outlets, prompting unorganized retailers to enhance their competitive strategies through improved marketing and technological practices. The research underscores that there is ample room in the market for both forms of retail to sustain and grow. Key findings from the study include:

1. The study highlights that unorganized retailers located near organized counterparts suffer negative impacts on their business volume and profits.

2. Unorganized retailers contend that unfair competition from organized stores results in competitive pricing, reducing their profit margins.
3. Organized retailers, benefiting from economies of scale, offer more discounts and promotions, posing a concern for unorganized retailers.
4. Organized retailers raise customer service expectations, compelling small retailers to increase investments and operational costs to meet these elevated standards.
5. The availability of a wider variety and branded merchandise by organized retailers is a source of concern for small retailers in the unorganized sector.
6. Home delivery services offered by organized retailers, often requiring significant investment, pose a challenge for unorganized retailers with limited resources.
7. The study concludes that the retail business is becoming more challenging for small entrepreneurs due to increased capital requirements and rising operational expenses, driven by changing customer preferences with the rise of organized retail.
8. Some small shops have closed down directly due to the negative impact of organized retail stores, as evidenced in the study.
9. Despite maintaining employment levels through modernization, technology adoption, and improved services, unorganized retailers face perceived threats to their employment stability.
10. Unorganized retailers possess notable competitive strengths, including consumer goodwill, credit sales, bargaining flexibility, the ability to sell loose items, and convenient timings, as indicated in the study.

SCOPE OF THE FUTURE RESEARCH

This research aims to enhance our comprehension of the influence exerted by organized retailers on their unorganized counterparts. It encourages further investigation into various industry segments such as apparel and electronics. The study is centered on grocery shops, general stores, petty shops, fruit vendors, and vegetable shops in five districts of the Bhopal division in Madhya Pradesh. Future research could extend to encompass additional cities and geographical locations across the country. Additionally, a more in-depth analysis of the impact of organized retail on the supply chain is warranted. In the current retail landscape, online retailing represents a significant evolution, necessitating further exploration into how this shift will affect the overall retail market. This involves examining different segments within online retailing and understanding how these marketplace changes impact various stakeholders, particularly customers.

CONCLUSION

The retail sector plays a crucial role in a country's development, as evidenced by the study. Unorganized retailers acknowledge the impact of organized retailers on their sales, profits, and employment. However, they face challenges in adapting their retail practices due to financial constraints, adherence to traditional formats, lack of creativity, and similar obstacles. From a customer perspective, unorganized retailers have minimal advantages compared to the emerging organized counterparts. Interventions are needed to ensure the continued existence of the unorganized sector, considering the

evolving trends and preferences. Initiatives should be implemented to safeguard the interests of the unorganized sector, which not only holds employment potential but also has extensive market coverage, serves local populations, and provides opportunities for entrepreneurship development. Many retail outlets in this sector operate with investments below one lakh rupees and are owned by low-income families, demonstrating their social responsibility beyond mere profit-making.

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