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IMPACT OF ORGANIZED RETAIL ON UNORGANIZED SECTOR: A STUDY IN JAMMU REGION**URVASHI GUPTA****ASST. PROFESSOR (MARKETING)****BADDI UNIVERSITY OF EMERGING SCIENCES & TECHNOLOGY****MAKHNUMAJRA****ABSTRACT**

India with 15 million outlets is rightly referred to as a nation of shopkeepers. Retailing is the second largest employer after agriculture in the country. Indian organized retail sector is clocking impressive growth; currently valued at \$450 billion and is expected to reach \$640 billions by 2015. Currently, the organized retail constitutes around 9% of the total retail sector and may touch 16% by 2011-12. Government of India study besides many others on the effect of organized retailing on traditional retailers (pop-n-mom / Kiranas / Nukkad stores) have revealed that pop-n-mom/Kirana stores experienced a decline in business volume and profits especially in the vicinity of organized retailing outlets though the impact may weaken over time. ASSOCHAM study has also suggested that mall culture has not been able to penetrate as per the expectations. At present, limited research on retailing has been reported in India. Keeping in view the increasing importance of organized retail and its penetration in select product category (food, grocery, FMCG & apparels) a preliminary study examine demographic profile of customers and impact of organized retail on Kiranas establishments was carried out in Jammu. While Jammu has yet to feel the impact of organized retail yet some tremors felt in this study are reported and discussed in this paper.

KEYWORDS

Organized retail, Traditional Kiranas, Retail penetration.

INTRODUCTION

India is sometimes referred to as a nation of shopkeepers. Traditionally, retailing in India can be traced back to barter system since Indus valley civilization, Indian grocers were perhaps among the earliest in the world to acquire professional retailing skills which lead towards various retail formats like mandis, melas and haats and presently in the form of Kirana stores. In the fifties there were only about 0.25 million retail outlets in India which had grown to about 5.13 million in 1997; equivalent to 5.55 shops per 1000 consumers.

Indian retailing is divided into two major segments: organized and unorganized retailing with former sharing 0.7% in 1999 to hardly 9% (2010) of the total trade volume. Though still in single digit figures the organized retail sector is estimated to be clocking impressive growth; currently valued at \$450 billion is expected to reach \$535 billion by 2013 and \$640 billions by 2015. It is likely to grow at a much faster pace of 45-50% per annum and may quadruple its share in total retail to 16% by 2011-12. The present scenario of share of organized retailing in the total retail volume in India is far below other countries as it is 20% in China, 25% in Indonesia, 35% in Philippines, 40% in Thailand, 50% in Malaysia and around 80%, in U.S.A. 70%, in Europe and on the whole around 20% in Asia.

A research report by Research and Markets indicates that Indian retail sector accounts for 22 per cent of the country's gross domestic product (GDP) and contributes to 8 per cent of the total employment. It was as early as the year 2000 that AT Kearney from the global management consultancy had put a figure of Rs. 400,000 crore worth retailing which was estimated to grow with an annual increase of 20 per cent to touch the level of Rs. 800,000 crore by the year 2005 including Rs.20,000 crore as organized segment. IMAGES F&R Research had also estimates organized retail market in India touched a volume of Rs1, 200,000 crores in the year 2006 which increased to Rs 1,330,000 crores during 2007(at prevailing market prices). Indian retailing is expanding and is expected to reach at US\$637 billions by 2015. According to Booz and Co (India) Pvt. Ltd., the retail market in India is worth Rs 18,673 billion (US\$ 401 billion) as of 2010. Global consultancy firm Price water house Coopers (PwC) expects Indian retail sector to be worth US\$ 900 by 2014 in its report 'Strong and Steady 2011'. Food and grocery (F&G) a basic need segment comprises 62 per cent of the \$ 270 billion (Rs 1,200,000 crore) Indian retail market (India Retail Report, 2007) with only 0.8 per cent of it in the organized sector.

While local Kirana stores continue to retain their existence and dominate the retail trade the organized retailing in the form of modern shopping malls, departmental stores, one stop shopping centers and hypermarkets have entered the scene. These modern forms of outlets sell essential commodities along with luxury items and branded products of both domestic and international manufacturers for each and every section of the society under one roof. The traditional retailers (pop-n-mom,/ Kiranas and/ nukkad stores) in the vicinity of organized retailers have been reported to experience a decline in business volume and profits to varying degrees which may persist for different durations of time.

Jammu, the historical town and winter capital of the Jammu & Kashmir state has also starting recording ripples of the organized trade entry in the city. Jammu district having a population of 15.72 lakh with its density of 508 per sq. km as per the 2001 census has about 484989(2010) shopping outlets of all shades and hue with over 26000 persons employed in these outlets. The city has a shopping mall called "City Square" exposing Jammuites to all the latest brands and accessories under one roof besides being a major hang out spot for youngsters in its food joint. The city has two (2) Vishal outlets; one located in Bahu Plaza complex, Gandhi Nagar and the other in Bakshi Nagar area. Recently Bharti Walmart has opened its first cash-and-carry store in Jammu.

NEED OF THE STUDY

Keeping in view the increasing importance of organized retail and its penetration in select product category (food, grocery, FMCG & apparels) a study was conducted to examine impact of organized retail on Kiranas establishments in Jammu. In the study under report City Mall and both the Vishal outlets have been concentrated upon.

OBJECTIVE

The main objective of this study was to examine impact of organized retail on business volume, employment generation and sustainability of Kiranas establishments.

REVIEW OF LITERATURE

Review of existing literature and different reports which are published from time to time are flashing that to-date there is very little understanding of what the impact of organized retail will be on so called unorganized retail sector particularly small father and son stores.

According to panelists at the recent Wharton India Economic Forum, the propensity and capacity for Indian consumers to spend depends on a unique blend of price and value, and retailers that understand this complexity stand to reap enormous benefits of scale.

Graham Jones (2008) has opinion that India has one of the largest unorganized retail markets in the world. More than 96% retailers function in less than 500 Sq.Ft of area. India's per capita retailing space is thus the lowest in the world. Given the size, and the geographical, cultural and socio-economic diversity of India, there is no role model for Indian suppliers and retailers to adapt or expand in the Indian context.

Singh & Tripathi (2008) have reported a survey of 245 small retailers in Delhi and NCR area pointing out a substantial decline in the sales performance of small shops and ultimately resulting into the closure of these unorganized retail. However, small shops in the posh areas and in the inner streets were comparatively less affected by malls. For daily requirements and groceries, customers were still relying on small shops only. Maximum retailers in south Delhi and Central Delhi

reported no change in their sales performance. Research also revealed that retailers having small capital base i.e., up to 2 Lakhs and 2-6 Lakhs were highly affected by malls.

Results of a survey on 'Impact of malls on small shops and hawkers in Mumbai' reported by Kalhan Anuradha (2007) pointed out a decline in sales of groceries, fruits and vegetables, processed foods, garments, shoes, electrical and electronic goods in small stores. Only a few (14 %) were able to upgrade their services or were able to respond to changed circumstances. The sample in this study was restricted to Bhandup- Mulund and Lower Parel in Mumbai.

Trivedi et.al., (2007) have reported that due to overcrowded agricultural and manufacturing sectors, millions of Indians are forced to join the services sector. Given the lack of opportunities there it is almost a natural decision for an individual to set up a small shop or store, depending upon his/her means of capital, and thus a retailer is borne seemingly out of circumstances rather than choice.

A Centre for Policy Alternatives report entitled FDI in India's retail sector: indicates that India has 35 towns each with a population of over one million. If Wal-Mart were to open an average Wal-Mart store in each of these cities and these reached the average Wal-Mart performance per store; a turn over of over Rs 80,330 million (\$1.82 billion) is achieved with only 10,195 employees. Extrapolating this with the average trend in India, it would mean displacing about 4, 32,000 persons. As per the report if large retailers were to obtain 20 percent of the retail trade, 'this would mean a turnover of Rs 800 billion (\$18 billion) on today's basis and an employment of just 43,540 persons displacing nearly 8 million persons employed in unorganized retail sector.

Kumar and Vishwas (2010) have observed that despite the rapid growth of large modern retail sector, the bulk of retailing in India continues to happen via the small and traditional general stores called Kirana stores in India. These stores take various locally adapted forms and names such as Tiendas in Latin America, sari stores in Southeast Asia and Kirana stores in India. Such stores continue to compete successfully even as modern retailing advances rapidly (Humphrey 2007, Trail 2006)

Chattopadhyay, Dholakia and Roy (2010) have stated that India is a home of (STS) Small traditional stores. Their research conducted on four cities Mumbai, Kolkatta, Aligarh and Vizag indicates that even as modern retailing makes rapid inroads in India, most STS outlets are resilient in terms of their service mix and remain competitive. Shoppers, even in large metro cities, are still loyal to neighborhood STS outlets.

A study by AT Kearney (2011) has found that people are rarely willing to travel more than 15 to 20 minutes from home to shop."Proximity, therefore, will always be a major differentiator and large hypermarkets cannot penetrate every urban area profitably,

Mukherjee & Patel (2005) have indicated a study sponsored by Indian Council for Research on International Economic Relations that highlighted a case for introduction of FDI in organized retail over a period of five to six years to boost the pace at which it is growing. An organized retail sector, they suggested, will ensure better quality, prices and service quality to the consumer. It will encourage investment in the supply chain, link local suppliers to large global markets and improve the quality of employment. Their sample of 301 respondents was spread over 14 types of participants in the retail sector, from domestic organized retailers, real estate developers, foreign players and manufacturers to unorganized retailers spread over eight cities. The sample, however, had only 64 domestic unorganized retailers, 50 workers in the unorganized retail and no hawkers. Since this sector generates 6 to 7 percent of the total employment in the economy, there is a need to focus some research on impact of organized retail on this segment alone.

METHODOLOGY

A sample of 120 small shops identified in terms of (size, inventory and employment) within one kilometer radius of a mall and Vishal retail outlets were chosen for pilot study. 40 of these shops were located in the catchment area of City Square Shopping mall near Jewel Chowk, 40 near Vishal Mega Mart in Bakshi Nagar area near to Medical College Jammu and 40 in Bahu Plaza Trikuta Nagar –Gandhi Nagar. The City Square mall and Vishal Mega mart were selected on the basis of time they have been in operation. All these outlets are 3-5 years old.

A questionnaire was administered to the shop owners and administrators in absence of the owners. The first half of questionnaire sought basic information on floor size, value of inventory and employment both family and non family. The second part of questionnaire sought data on impact on profits and sales, employment, working hours and high value customer lost, if any. This part of questionnaire asked the respondents to provide information after the shopping mall and Vishal Mega mart were opened in their vicinity. The third part asked the respondents to list causes for decline in sales especially during the time when certain sales promotion offers are being made by these organized retail outlets. The survey was completed in 25 days during June-July 2011.

RESULTS AND DISCUSSION

The floor area, inventory and employment wise details of the selected outlets are given in the Table-1(a,b&c) The results indicate that 68% of the sample establishments had area less than 300 sq.ft ; 80% of the shops have inventory less than Rs10 lakhs whereas 60% of the sample shops included family owned small business ventures without hired help.

TABLE 1-a DISTRIBUTION OF SAMPLE SHOPS BY FLOOR SPACES

| Floor area (Sq.Ft) | Number | Percent of total (approx) |
|---------------------|--------|---------------------------|
| < 100 sq.ft | 29 | 24 |
| 100-200 sq.ft | 27 | 23 |
| 201-300 sq.ft | 25 | 21 |
| 301-400 sq.ft | 22 | 18 |
| 400-550 sq.ft | 11 | 9 |
| More than 550 sq.ft | 7 | 5 |
| Total | 120 | 100 |

TABLE 1-b DISTRIBUTION OF SAMPLE SHOPS BY SALE INVENTORY

| Sale inventory (Rs Lakh) | No of Shops | Percent of total(approx) |
|--------------------------|-------------|--------------------------|
| <1 | 12 | 10 |
| 1-5 | 45 | 37.5 |
| 6-10 | 39 | 32.5 |
| 11-20 | 17 | 15 |
| 21-50 | 7 | 5 |
| Total | 120 | 100 |

TABLE 1-c: DISTRIBUTION OF SAMPLE SHOPS BY EMPLOYMENT STATUS

| Employment status (Nos) | Number of shops and stalls | Percent of total |
|------------------------------|----------------------------|------------------|
| Self employed | 72 | 60 |
| Family members and employees | 48 | 40 |
| Total | 120 | 100 |

Study of sale performance indicator revealed that 67 % of the respondents reported decline in sales. Only 21 % of the shops offering stationery, photocopying and mobile phone in addition to grocery items /brands not available in the Mall and Vishal outlets witnessed an increase in sales. Some eateries close to the malls reported an increase in sales due to benefaction of mall employees (Table-2).

TABLE - 2: SALES PERFORMANCE SINCE THE START OF MALL

| Sales Level | No of Shops | Percent of total(approx) |
|-------------------|-------------|--------------------------|
| Increased | 25 | 21 |
| Declined | 80 | 67 |
| Remained the same | 15 | 12 |
| Total | 120 | 100 |

Similarly, extent of Decline in sales of sample shops since the start of City Mall / Vishal Mega mart Operations indicated that about 51% of the outlets reported loss of sales varying from less than 5.0 Lakh to 10.0 Lakh annually (Table-3).The decline was much prominent in unbranded garments and shoes which shows that there is a shift in the consumption pattern of Jammuites towards branded apparels and shoes.

TABLE – 3: EXTENT OF DECLINE IN SALES OF SAMPLE SHOPS SINCE THE START OF MALL / VISHAL MEGAMART OPERATIONS

| Sales Decline(Lakh Rs) | No of Shops | Percent of total(approx) |
|------------------------|-------------|--------------------------|
| <5 | 42 | 35 |
| 06 -10 | 19 | 16 |
| 11-15 | 11 | 09 |
| 16-20 | 8 | 07 |
| >20 | -- | -- |
| Total | 80 | |

The data in Table -4 below indicate that in case of unorganized retailers the maximum decline of about 76% was reported in the sale of branded apparels followed by shoes and grocery and others.

TABLE – 4: SALES DECLINE IN SHOPS BY BUSINESS TYPE DUE TO MALL CULTURE

| Business Type | Total no of shops | No of Shops showing sales decline | Sales decline(Percent) |
|--------------------------|-------------------|-----------------------------------|------------------------|
| Grocery | 35 | 23 | 66 |
| Processing food | 32 | 18 | 56 |
| Garments | 25 | 19 | 76 |
| Shoes | 20 | 15 | 75 |
| Electrical & Electronics | 8 | 5 | 62 |
| Total | 120 | 80 | |

The sample shopkeepers were also questioned about threat perceived by them due to functioning of the Malls and Vishal mega mart stores and 33% of the sample population did not feel any threat as they were hopeful to bounce back to their earlier levels of trade in due course of time. Only 11% of small shopkeepers confirmed in affirmative for shifting of kind of merchandise in case they are not able to retain a good turn over/profit margin.

There has however, been no case of closure of small retail outlet reported in all the three areas under study (Table-5). However, despite sales downturn there has been no significant refusal to employment except stray cases of job loss in some shops and establishments on other reasons.

TABLE – 5: EXTENT OF THREAT PERCEIVED BY SAMPLE SHOPS

| Perception of threat | Yes | No | Percent of total responding |
|---|-----|----|-----------------------------|
| Feel Threatened | 85 | 35 | 70 |
| Feel closure of retail outlet/shifting of kind of merchandise | 15 | | 13(approx) |
| No response | 20 | | 17(approx) |
| Total | 120 | | |

The study of area wise effects as given in Table-6 below indicates that the decline in the sale of small retailers has been reported at 60% in Gandhi Nagar area to 72.5% in area around Vishal outlet in Bakshi Nagar. While 7.5 % to 17.5% retailers in all the areas reported no change in the sale volume there has been increase in the sale figures of 10% in Bakshi Nagar area to 32.5% in areas around Gandhi Nagar Trikuta Nagar.

TABLE -6 AREA WISE SALE POSITIONS OF SAMPLE SHOPS IN VICINITY OF CITY MALL AND VISHAL OUTLETS (NOS/%)

| Particulars of sale position in Area | Decline in sales | No Change in Sales | Increase in Sales | Total |
|--|------------------|--------------------|-------------------|-----------|
| Bakshi Nagar area(near Vishal outlet) | 29 / 72.5% | 7 / 17.5% | 4 / 10% | 40 / 100% |
| Jewel Chowk area(near City Mall) | 27 / 67.5% | 5 / 12.5% | 8 / 20% | 40/ 100% |
| Gandhi Nagar ,Trikuta Nagar area (near Vishal outlet) | 24 / 60.0% | 3 / 07.5% | 13 / 32.5% | 40/ 100% |

In the present study the focus had been entirely on unorganized sector and the results are astounding. Even though mall culture is new in Jammu yet a shift in the shopping habits of Jammuites is quite visible. People have become more conscious about brands and are lured at the time of sales promotion offers made by these retail outlets. Most of the customers visiting these retail outlets are in favour of discounts or promotion schemes. These attractive price discounts attract the price conscious Indian customers to shop around. There was noticeable additional decline of around 5-15% in sales during the time of sales promotion offers made by these retail outlets This was found the major cause of worry among Kiranas and small shopkeepers.

Faced with tough competition from organized sale outlets the small retailers/Kirana and Mom and Pop stores owners have resorted to corrective measures and different strategy to boost their sale. It was found that 14 % of small retailers reportedly adopted new sales promotion initiatives like tele orders, home delivery and sales on credit besides adding new product lines and brands, better display, renovation of store, introducing self service etc. Few retailers also increased their working hours and opening seven days a week.

The Under mentioned table-7 gives an overview of the same:

TABLE-7 RESPONSE TO COMPETITION FROM ORGANIZED RETAIL OUTLETS (%AGE OF SAMPLED RETAILERS)

| | |
|---|----|
| Reduced Prices | 23 |
| Reduced expenses | 18 |
| Reduced staff | 8 |
| Adding new product lines | 35 |
| Increased number of brands | 54 |
| Better display | 55 |
| Introduced self service | 11 |
| Modernized store | 45 |
| Improved home delivery | 45 |
| Increased store space | 25 |
| Giving cash credit for more amount | 10 |
| Giving cash credit for longer durations | 15 |
| Added Computerized billing | 40 |
| Credit card machine | 25 |
| Electronic weight machine | 67 |
| Air conditioning | 10 |

It is too premature to draw any inference to the outcome of these corrective measures but the small retailers were very optimistic to bounce back to their earlier levels of business despite several deterrents.

CONCLUDING REMARKS

The preceding discussion discloses that modern retail chains do have a significant impact on the mom and pop stores, particularly on business outcomes such as sales and profit margins. Also the findings of this primary survey highlight the fact that the attractive price discounts at organized retail outlets are a major concern for small retailers and a hindrance to their successfully competing with modern retail chains. As the supply chains of organized retailers develop, they gain economies of scale leading to cost advantage which in turn allows them to attract price conscious Indian consumer by offering products at economical prices. A small fraction of Kiranas have modified their service module with extended credit facilities to retain their clientele. The base level retailers may feel the threat of shifting of merchandise to maintain a sustained margin of profit. Moreover, the employment opportunities generated by organized retail may be laudable in terms of better working conditions and better wages in coming years but a significant majority of people engaged in unorganized retail may not fit into employment basket in this emerging segment.

The study needs to be extended to other regions of the state including Srinagar and Ladakh, with control group of retailers as yet unaffected by organized retail to understand the impact on income and employment. The significant inferences drawn from this study may not be an enthusiastic situation for the country as far as survival of Kiranas vs organized retail is concerned.

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