CHALLENGES AND SUCCESS MANTRAS BY UNORGANIZED RETAILERS TO COPE WITH ORGANIZED RETAILERS IN INDIA

(A CASE STUDY OF PUNJAB)

Dr. Sanjeev Bansal[1] and Pankaj Kumar[2]

(Email: pankajgoyal.sliet@gmail.com)
[1] Professor, [2]Ph.D. Scholar (Management)
Department of Management and Humanities
Sant Longowal Institute of Engineering and Technology
(A Govt. of India Established Deemed University)
Longowal–148106
District: Sangrur
PUNJAB

ABSTRACT

Retail is India's biggest industry. It represents more than 10 % of the India's GDP and around eight percent of the occupation. Retail part is one of India's quickest developing segments with a 5 for every penny aggravated yearly development rate. India's enormous white collar class base and its undiscovered retail industry are key attractions for worldwide retail titans wanting to enter more up to date markets. In 2013, we conducted interviews with 200 rural retailers who were running their businesses successfully from more the 20 years. Each business owner conducted business in one of three rural communities with populations between 2,000 and 5,000 and shared their market with at least one organized retailer. We asked participants to answer open-ended questions concerning their marketing, merchandising, and customer relations to learn if they were practicing what Stone had recommended and whether they believed these strategies contributed to their success. Our participants shared the following marketing, merchandising, and customer service strategies they believed made a difference in their business.

Keywords: Small Retailers, Strategies, Organized retailers etc.

INTRODUCTION

Retailing consists of all activities involved in selling goods and services to consumers for their personal, family, or household use. It covers sales of goods ranging from automobiles to apparel and food products, and services ranging from hair cutting to air travel and computer education. [1] The word "Retailing" starts from a French-Italian word "retailer". Which means Retailer is the person who cuts off or refers to one of the fundamental retailing activities which is to buy in larger quantities and sell in smaller quantities. Retailing is the sited of exercises the activity that sell the goods or services to last customers for their own or family consumption. This thing takes place by arranging their accessibility on a generally large scale and supplying them to clients on a moderately small scale. Retailer is a Person or Agent or Agency or Company or Organization who is instrumental in coming to the Goods or Merchandise or Services to the End User or Ultimate Consumer.

Retail business is one of those businesses which play a significant role in Indian economy. It is always been big employment pool and source of income. In 2012, According to A. T. Kearny India has been identified

asthe fifth most attractive retail destination globally from the thirty emerging markets (US-based global management consulting firm A T Kearny 2012). The report demonstrates

that the share of retail sector in Indian market is Rs. 2850055 crore ($ 516 billion) in 2012. It also states that India will remain a high potential market with accelerated retail growth of 15-20 percent over the next five years expectedly.[2]

The Indian Retail Industry on the whole is divided into organized and unorganized sectors. Organized Retailing refers to marketing activities undertaken by licensed retailers who are registered for sales tax, income tax and, whose business is corporate, who implement management techniques managed by professionals as a firm or limited company or cooperative. These include corporate-backed hypermarkets and retail chains, and also privately-owned large retail businesses. Hence, organized retail which now constitutes 8% of the total retail sector is growing at much faster pace of 45-50% per annum than unorganized retail as per the findings of Indian Council for Research on International Economic Relations (ICRIER).[3]

Unorganized/Traditional retailing refers to the traditional formats of low-cost retailing, for example, the local kirana shops, owner manned general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors, etc.[4] From the table it is clear that India occupies first place in the unorganized retailing.

Organized Retailing		Unorganized Retailing
India	8	92
China	20	80
Indonesia	30	70
Thailand	40	60
Malaysia	55	45
Taiwan	81	19
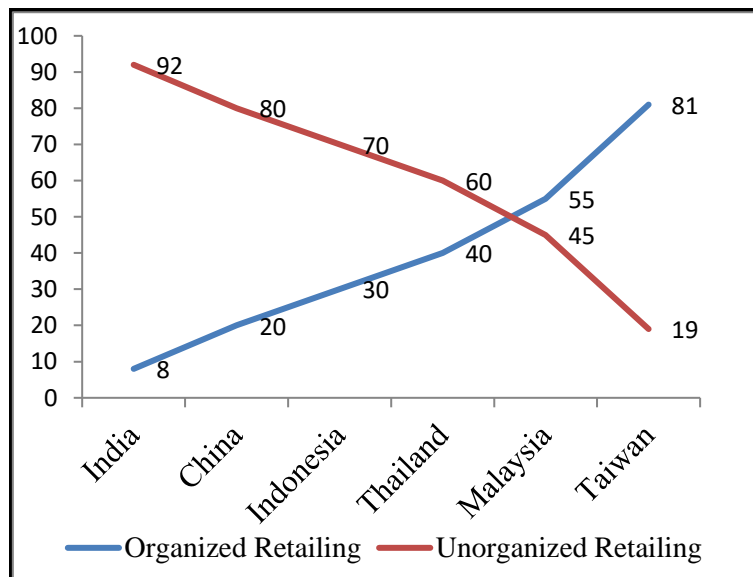
Source: A. T. Kearny, Booz & Company analysis, FICCI, 2012

CATEGORIES OF SMALL RETAILERS

✓ **Fruit & vegetable sellers –** Sells fruits and vegetables.

✓ **Food stores -** Result of bakery products. Also sells dairy and processed food and beverages.

✓ **Non-Vegetable Store** - Sells chicken and mutton.

✓ **Kirana I -** Sells bakery products, dairy and processed food, home and personal care and beverages.

✓ **Kirana II -** Sells categories available at a kirana – I store plus cereals, pulses, spices and edible oils.

✓ **Apparel -** Sells men's wear, women's wear, innerwear, kinds & infant wear.

✓ **Footwear -** Sells men's wear, women's wear, kid's wear

✓ **Customer durables & IT-** Sells electronics, durables & IT products.

✓ **Furnishing -** Sells home lines & upholstery.

✓ **Hardware -** Sells sanitary ware, door fitting and tiles.

✓ **General mechanize -** Includes lighting, stationery, toys, gifts & crockery.

Source: http://www.technopak.com/Retail/resources.aspx
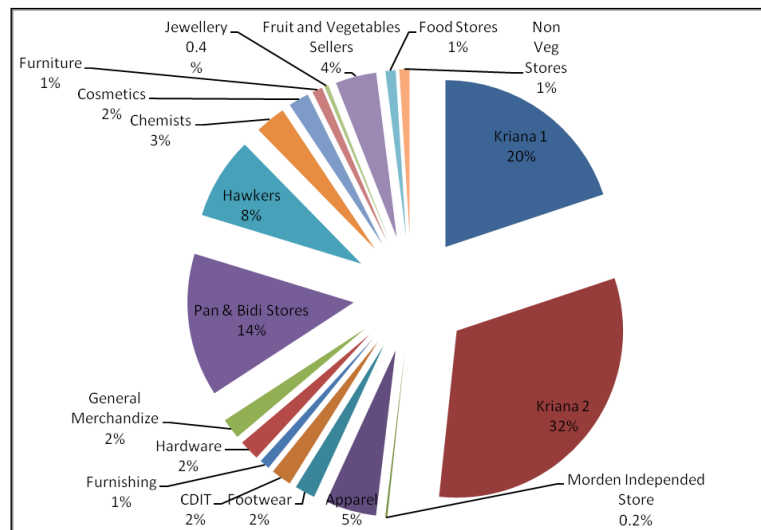
OBJECTIVES OF STUDY

The objectives of the study are given below:

➢ Find out the strategies of small retailers that can help them coexist with big market and make them exist in the market.

- ➤
- ➤ Find out the opportunities where they are able to change to compete with organized retail sector.

REVIEW OF LITER ATURE

To be able to formulate the problem precisely, it seems logical to present a brief review of the researches done on the problems what follow make no pretense of being an exhaustive review of all investigation done on this problem, rather it has been indicated in general way, all type of work done in this direction in India and abroad.

REVIEW OF LITERATURE

- ➤ Archer and Taylor (1994) in his book *Up Against the Wal- Marts* argues that the small retailers can survive "in the shadow of the retail giants" the key being levels of customer service that the mega-retailers can't provide, their very size limiting their abilities in this area provide ten survival strategies for small retailers to consider in competing with mega-discount chains. These precepts are:
  1. Focus completely on satisfying the customers
  2. Study the success of others
  3. Gather and analyze management information regularly
  4. Sharpen marketing skills
  5. Increase the customer's perception of value
  6. Position the business uniquely
  7. Eliminate waste
  8. Find something to improve every day
  9. Embrace change with a positive attitude
  10. Pull the trigger and start the battle

- ➤ Berry (2001) in his article *The Old Pillars of New Retailing* argued that by using five well-documented retailing best practices, the "Five pillars of retailing", survival and success can be achieved. Berry's "Five Pillars" of retailing or best retail practices, components of his "retail model" are:
  1. Solve the customers problems
  2. Treat customers with respect
  3. Connect with customers' emotions
  4. Set the fairest (not lowest) price
  5. Save customers' time
- ➤ Brennan (1991), in his Report *An Analysis of Impact of Discounters on Retailing in Small Towns and Alternative Responses for Retailers and Community Leaders* In which he views on strategies adopted by the retailers opined that providing specialized services, offering better quality products and improved customer services were the most successful strategies, on the other hand, increasing sales and promotions, lowering prices and increasing advertising were least successful.

- Goswami P. and Mishra M.S. (2009) conducted the study *Would Indian Consumers move from Kirana Stores to Organized Retailers when Shopping for Groceries?* that was carried across four Indian cities- two major metros (Kolkata and Mumbai), and two smaller cities (Jamshedpur and Nagpur) with around 100 respondents from each city. The results suggest Kiranas would do best to try and upgrade in order to survive. Given that modern trade outlets have deeper pockets and can afford to make mistakes and get away with it in the short term, Kiranas have to stay alert, try to upgrade and continue to serve customers well, while concentrating on innovating, evolving and remaining efficient on retailer productivity scores.

- Gupta (2012) in her study *Customer Loyalty towards Kiranas in Competitive Environment: A Case study* concluded that store attributes like convenient operating hours and accessibility were the factors which lead to customer loyalty and not store appearance. Similarly, product attributes like freshness of the product and availability of products range according to the pocket were major determinant of loyalty. It was also evident that even today Kiranas are preferred by customers because of various reasons viz. convenient location, home delivery, personal relations with shopkeeper, giving products on credit, payment in installments.

- Joseph, Soundararajan, Gupta and Sahu (2008) in their research report *Impact of Organized Retailing on the Unorganized Sector* concluded that unorganized retailers in the locality of organized retailers were adversely affected in terms of their volume of business and profit. According to them, with the emergence of organized outlets, consumers gained the availability of better quality products, lower prices, one-stop shopping, choice of additional brands and products, family shopping, and fresh stocks.

- Kumar and Narwal's (2011) Research Paper *Sustainability of Modern Retail Via Comparative analysis of Organized and Unorganized sector* based on their research concluded that the "kirana shops being affected by malls is only a myth". He further concluded that in spite of the available opportunities to the organized retail to grow in India these kirana shops also were benefited from this growing economy.

- Kumar (2011) in his work *A Study on the Strategies of Unorganized Retailers with reference to Consumer Durables* found that a product strategy which means merchandise is the most important factor followed by price, distribution and promotion.

- Kushwaha (2011) in his research paper *Customer Perception in Indian Retail Industry: A Comparative Study of Organized and Unorganized Retail Industry* compared the perception of consumers in organized and unorganized retail market and found that factors like cleanliness, distance, price, quality, safety and space for shopping are the determinant factors for unorganized retail.

- Lindquist and Sirgy (2003) suggested that mental traits are somewhat harder to distinguish and think about crosswise over outlets. They incorporate such target contemplations as a feeling of having a place, sentiment warmth, or kind disposition, or sentiment energy. Buyers frame an outlet picture construct at the same time in light of useful and mental qualities.

- Lee and Johnson (1997) found that client desires of store ascribe likewise contrast as indicated by store sort. They watched that clients did not expect much client administration at rebate stores while

they expected broad administration from forte stores. With an end goal to decide how purchasers sort out their shopping excursions when confronted with an inexorably amplified arrangement of retail organizations, Ringer and Lattin (1998) has demonstrated that there exists a coherent relationship between a family's shopping conduct and store inclinations.

➢ Leung and Oppewal (1999) had led inquire about on the parts of store and brand names in buyers' decision of a retail outlet and presumed that an excellent brand or brilliant store is adequate to draw in the client to a retail location. The study additionally uncovered that store names have a bigger effect on store decision than the brand names of the items that these stores have on offer.

➢ Popkowski-Leszczyc and Timmermans (2001) found that consumers tended to choose a variety of stores and overall preferred to shop at specialty stores. Furthermore, consumers were increasingly likely to select a single store when prices were lower, parking costs were less, better assortments were offered, travel time was reduced and checkout lanes were shorter.

➢ Bread cook, Parasuraman, Grewal, and Voss (2002) examined how store environment signals impact buyers' store decision choice criteria, for example, saw stock esteem and shopping background.

➢ Paulins and Geistfeld (2003) opined that consumers' perception of store attributes influenced by retail formats, type of products, cultural value, shopping intention and customer base. Paulins and Geistfeld (2003) showed that apparel store preference is affected by type of clothing desired in stock, outside store preference, shopping hours and store advertising. Accordingly, consumer's perceptions of store attributes were found to vary by store type.

➢ McGee and Finney (1997) in their study *Competing against Retailing Giant: A Look at the Importance of Distinctive Marketing Competencies* stated that a unique competency is the particular instrument that can increase an SMR's competitive advantage. More importantly, they suggested that there are five factors in the area of distinctive competence. These are:

1. Quality image

2. Effective differentiation

3. Effectiveness of key merchandising practices

4. Civic involvement

5. Control of retail program

➢ Shils & Taylor (1997) in the article *Measuring The Economic and Sociological Impact of The Mega-Retail Discount Chains on Small Enterprise in Urban, Suburban and Rural Communities* mentioned that in the retail system, multinational chains have an advantage over smaller retailers by centralizing retail and distribution systems resulting in more competitive pricing and more distribution power over small local businesses. The power to control the production and distribution of products was transferred from large numbers of local retail businesses to small numbers of large business corporations.

➢ Solagaard & Hansen (2003) in his research article *A Hierarchical Bayes Models of Choice between Supermarket Formats* identified several store attributes that were considered important for the

consumer's evaluation of stores. These attributes were merchandise, assortment, merchandise quality, personnel, store layout, accessibility, cleanliness and atmosphere.

➢ According to V Ramanathan's (2009) paper *The New Face of Unorganized Retailers in India: From Convenience to Category Killer* the unorganized retailers need to be responsive to the competitive retail market dynamics created by the organized retail formats in order to sustain their business and serve their target customers in a profitable manner. The change process requires the unorganized retailers to reshape their existing business practices of dealing in a limited variety of product alternatives to offering the complete assortment in the product categories handled by them. This 'category killing' approach would become imperative for the continued survival of unorganized retailers. If the unorganized retailers adopt this approach, together with the various forms of convenience that they already offer, they would be able to stand up to the competition from the organized retail formats.

➢ Vijayraghavan K. and Ramsurya M.V., (2007) in the study *Mom & Pop Happy Letting a Rich Tenant Takeover* discussed the topic that it is a matter of debate as to whether Indian kirana stores would be able to survive in the face of competition from organized modern trade grocery retailers. Although traditional retail currently constitutes over 95% of the total sales in the country, smaller kiranas that are unable to compete with new age retailers in terms of variety and scale have begun losing volume in several parts of the country.

➢ Thenmozhi, D & Dhemapaul, D. (2011) in their study *Unorganized Retailing in India – A Study on Retail Service Quality* reveals six retail service quality factor namely store merchandise, Access, Personal Interaction, Problem Solving, Policy, and physical aspects. The findings of the study also confirm that retail service quality factor have a significant impact on customer satisfaction and customer loyalty in traditional retail outlets. The study also analyzes the association between demographic profile of the customers and their perception on retail service quality. These results have managerial implications for unorganized retailers which help them to formulate suitable strategies to satisfy and retain customers visiting their retail outlets as well as survive in highly competition retail sector.

RESEARCH FINDINGS

✓ **Know your market.** Retailers knew demographic information (age, gender, income) about their customers. They also shared that they thought they knew the type of service, merchandise, and level of loyalty of their customers.

✓ **Know what customers think about your store**. Retailers believed customers thought their stores were clean, safe, and liked the customer service provided. Retailers also indicated their store was a place for customer's to get their questions answered.

✓ **Improve store promotion.** Retailers provided promotional events for customers including but not limited to participation in trunk shows, open houses, downtown community events, demonstrations, and donations to community auctions and fundraisers.

- ✓ **Develop or improve power aisles/end caps**. Retailers had a power aisle or featured location within the store for promotional items.

- ✓ **Develop "no hassle" return policies**. Retailers had what they termed a "liberal" return policy. Liberal for many participants meant doing whatever the customer requested.

- ✓ **Shop the competition regularly.** Retailers looked at assortments and prices of competitors as well as level of product knowledge of sales associates; merchandise displays, customer services offered, and customer behaviors.

- ✓ **Fill competitor's voids**. When retailers carried products similar to those carried by big box retailers they were higher in quality. Retailers filled voids by offering a complete product line or exclusive items.

- ✓ They described their inventories as branded, high quality, and fashion forward.

- ✓ **Get out-of-stock merchandise quickly.** Retailers found a way to get merchandise quickly for their colleagues in the same business. A few even recommended other places to get the product.

- ✓ **Know your merchandise well enough to explain it**. Retailers indicated their sales associates were very knowledgeable about their merchandise. Some of the associates had been working at the store for over 10 years.

- ✓ **Provide a personalized shopping experience.** Retailers knew their customers often by name, cared about them, and provided them with a pleasant shopping atmosphere.

- ✓ **Offer something extra in comparison to big box retailers.** Retailers offered alterations, delivery/pick up service, and knowledgeable sales associates as the something "extra." A few provided seminars and classes, advice (e.g., design service), installation, and mailed customer's store notices.

- ✓ **Get employees involved in the store.** Retailers solicited employee opinions through store meetings. Some retailers assigned areas of the store to be managed by their employees or put employees in charge of store areas such as merchandise displays.

- ✓ **Control shrinkage.** Customers were acknowledged upon entry into the store and not allowed to shop unnoticed. In addition to customer contact, some retailers used security cameras and one-way glass to monitor customer behaviors.

CONCLUSIONS

Our research findings demonstrate that it is possible for small retailers to successfully coexist with organized/ big retail competitors. Take a moment to reflect on what marketing, merchandising, and customer service strategies you have in place. As you analyze your business consider what your strengths are and where are your opportunities for chang

REFERENCES

Baker, J., Parasuraman, A., Grewal, D. and Voss, G. B. (2002). The influence of multiple store environment cues on perceived merchandise value and patronage intentions. *Journal of Marketing*. 65(2),120-141.

Kumar, K. S. (2011). A study on the strategies of unorganized retailers with reference to consumer durables.

International Journal of Business and Management Tomorrow. 11(1), 1-13

Kushwaha, S. and Gupta, M. K. (2011). Customer perception in Indian retail industry: A comparative study of organized and unorganized retail industry. *Research Journal of Economics and Business studies.* 12(1), 61-73

Goswami, P. (2008). Would Kiranas in Urban India Survive the Modern Trade Onslaught? Insight from Efficiency Perspective. *Advances in Consumer Research.* 8(3). 44-67.

Paulins, V.A., Geistfeld, L.V., (2003). The Effect of Consumer Perceptions of Store Attributes on Apparel Store Preference. *Journal of Fashion Marketing and Management*, 7(4), 371-385.

Popkowski Leszczyc, P. T. L., & Timmermans, H. J. P. (1997). Store-Switching Behavior. *Marketing Letters*. 8(2), 193-204.

Lindquist, J.D. and Sirgy, M.J. (2003). *Shopper, Buyer, and Consumer Behavior*, 2nd edition, New Delhi: Biztantra.

Lee, M. and Johnson, K.K.P., (1997). Customer expectations for service at apparel retail outlets. *Journal of Family and Consumer Sciences*. 8(4) 26-30.

Stone, K.E. (1995). Competing with the retail giants: How to survive in the new retail landscape". *New York*: *Wiley & Sons*