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Perceptions of unorganised retailers in Chennai city on organised retailing

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ABSTRACT

Retailing is an interface between manufacturer & consumer, who insures the easy flow of goods to the customer. Retailing is one of the largest sectors in the global economy and is going through an evolutionary stage in India. Retail is currently a flourishing sector of the Indian economy. The Indian Retail industry has grown at a 14.6% CAGR during FY 07-12. This growth can be directly credited to the emergent Indian economy as well as increase in Private Final Consumption Expenditure (PFCE) and bring revolution in Indian peoples' consumption pattern. This tendency is expected to continue for at least the next two-three decades, magnetizing huge attention from entrepreneurs, business heads, investors as well as real estate owners and builders segments of the economy. Consumers' perceptions about these retailers are determined by number of factors like format or size, proximity, varieties available as well as intangible factors like the store atmosphere, complaint handling, etc. It is essential to examine perceptions of unorganized retailers on organized retailers because most of unorganized retailers and unorganized retailer's forums argue against organized retailing. This study is an attempt in this regard.

Introduction

Retailing encompasses the business activities involving goods and services to their consumers for their personal family / household use. Retailing is the largest private industry in the world with total sales of US $ 6.6 trillion. The retail sectors play a significant role in the world economy because of the contribution that it makes to the economy of the country.

Retail, according to concise Oxford English Dictionary, is the 'sale of goods to the public for use or consumption rather than for resale'. Retailing is derived from the French word 'retailer' meaning 'breaking bulk', specifically, breaking bulk quantities into smaller saleable units. Usually, a retailer buys goods or products in larger quantities from manufacturers or importers, either directly or through a wholesaler and then sells individual items in small quantities to general public or the end users. As such, retailing is the last link that connects the individual consumer with the manufacturing and distribution chain.

The world over retail sector has been growing rapidly with increasing sophistication and modernization of the life-style of households and individuals and also with increasing globalization of trade. The retail sector has strong backward and forward linkages with other sectors like agriculture and industry through stimulating demand for goods and through mass marketing, packaging, storage and transport. Moreover, it creates considerable direct and indirect employment in the economy. Also, the consumers have benefited in terms of wide range of products available in a market.

The retail industry in India is of late often being hailed as one of the sunrise sectors in the economy. A.T. Kearney, the well known international management consultant, recently identified India as the second most attractive retail destination globally from among thirty emergent markets.

The Retail sectors have become one of the most dynamic growing sectors in recent times. Retailing has always been an integral part of economic development. Nations with strong retail activity have enjoyed greater economic and social progress. It contributes to the development by matching the individual requirements of the population with the producers and suppliers of merchandise. By bringing the product to the customers, they are helpful in creation of demand of new offers leading to expansion of market. The Indian retail industry is not only one of the most fragmented in the world, but also the most challenging due to its unorganized nature.

The retail sector is broadly classified in to two groups; organized and unorganized retail sector. The organized retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sale tax, income tax, etc. These include the corporate – backed hypermarkets and retail chains, and also privately owned large retail businesses. It is not just stocking and selling but is more about efficient supply chain management, developing vendor relationships, quality customer service, efficient merchandising and timely promotional campaigns. On the other hand the unorganized retailing refers to the traditional formats of low-cost retailing, for example, the local kirana shops, owner managed general stores, convenience stores, hand cart and pavement vendors, etc. This market is characterized by typically small retailers, more prone to tax evasion and lack of labour law supervision. This market is more common in developing countries.

An important aspect of the current economic scenario in India is the emergence of organized retail. There has been considerable growth in organized retailing business in recent years and it is poised for much faster growth in the future. Major industrial houses have entered this area and have announced very ambitious future expansion plans. Transnational corporations are also seeking to come to India and set up retail chains in collaboration with big Indian companies. However, opinions are divided on the impact of the growth of organized retail in the country. Concerns have been raised that the growth

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of organized retailing may have an adverse impact on retailers in the unorganized sector. It has also been argued that growth of organized retailing will yield efficiencies in the supply chain, enabling better access to markets to producers (including farmers and small producers) and enabling higher prices, on the one hand and, lower prices to consumers, on the other.

In this study, perceptions of unorganized retailers on organized retailers are analyzed in detail.

Review of literature

Ramanathan & Hari (2011) observed in their study that due to the recent changes in the demographic system of consumers, and the awareness of quality conscious consumption, consumers preferred to buy different products both from the organized and unorganized retailers.

Joseph, Soundararajan, Gupta, & Sahu, (2008) concluded that unorganized retailers in the locality of organized retailers were adversely affected in terms of their volume of business and profit. According to him with the emergence of organized outlets consumers gained through the availability of better quality products, lower prices, one-stop shopping, choice of additional brands and products, family shopping, and fresh stocks.

According to report of ICRIER "organized and unorganized retail not only coexist but also grow substantially". The reason behind that the retail sector is gradually growing on an overall basis hence the benefit of this growth goes to both the sectors.

Kearney, (2006) found that traditional markets are transforming themselves in new formats such as departmental stores, hypermarkets, supermarkets and specialty stores.

Martineau, (1958) first time used the concept of store image. This store image was partly based on functional attributes and partly on psychological attributes. In functional attributes he included variety of commodities, layout, location, price value relation, and service that consumers could independently compare with other stores. Whereas in psychological attributes attractiveness and lavishness symbolized special attributes of that store.

Munjal, Kumar, & Narwal, (2011) through 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.

Sivaraman.P, (2011) from his study concluded that the impact of organized retailers was clearly visible on the business of unorganized retailers in terms of sales, profit and employment. Due to their financial infirmity these small retailers continuously struggled to introduce changes in their existing retail practices. Some kind of intervention was required for their future existence.

Objectives of the study

The main objectives of the study are given below;

1. To identify and examine perceptions of unorganized retailers on organized retailing
2. To analyze perceptions of unorganized retailers on organized retailing in relation to their demographic and business related characteristics.

Research methodology

This study is based on primary data. The quality of data is invariably tied to the method and technique used for data collection. Hence, survey method through structured questionnaire is adopted to collect primary data for this study as it is found suitable for this research. Sample population of the study is unorganized retailers in Chennai city. Sample size is 384 which is determined on the basis of Krejcie and Morgan study.

Analysis and interpretation

Analysis of demographic and business related characteristics of the respondents

Table 1. Demographic and business related characteristics of the respondents

No	Particulars	No. of respondents	Percentages
1	**GENDER**		
	Male	174	45.3
	Female	210	54.7
	Total	384	100.0
2	**AGE**		
	Up to 21 years	165	43.0
	22 to 40 years	100	26.0
	41 to 60 years	087	22.7
	More than 60 years	032	08.3
	Total	384	100.0
3	**LOCATION OF BUSINESS**		
	Urban	130	33.9
	Semi urban	141	36.7
	Rural	113	29.4
	Total	384	100.0
4	**TYPE OF BUSINESS OWNERSHIP**		
	Sole proprietorship	130	33.9
	Partnership	146	38.0
	Any other	108	28.1
	Total	384	100.0
5	**NATURE OF BUSINESS**		
	Provisional store	100	26.0
	Vegetable shop	130	33.9
	Petty shop	088	22.9
	Fruit shop	055	14.3
	Stationary shop	008	02.1
	Others	003	00.8
	Total	384	100.0
6	**NUMBER OF YEARS IN CURRENT BUSINESS**		
	Up to 3 years	135	35.2
	4 to 7 years	118	30.7
	8 to 10 years	78	20.3
	More than 10 years	53	13.8
	Total	384	100.0
7	**STATE BEFORE ENTERING IN TO BUSINESS**		
	Studying	136	35.4
	Working	109	28.4
	Doing Business	087	22.7
	Working in retail shop	052	13.5
	Total	384	100.0

The important features of demographic and business related profile of unorganized retailers (the respondents) are summarized below;

1. More than half of the respondents (54.7) are female unorganized traders
2. 69% of the respondents are less than 40 years old.
3. 36.7% of the respondents have business in semi urban area, 33.9% of the respondents have business in urban area and 29.4% of the respondents have business in rural area
4. 38% of the businesses of the respondents are partnership, 33.9% of the businesses of the respondents are sole proprietorship and 28.1% belong to some other business ownership.
5. 33.9% of the respondents have vegetable shop, 26% of the respondents have provisional store, 22.9% of the respondents have petty shop, 14.3% of the respondents have fruit shop and 2.1% of the respondents have stationery shop.

6. 35.2% of the respondents have 3 years or less than 3 years experience in business, 30.7% have 4 years to 7 years experience, 20.3% have 8 years to 10 years experience and 13.8% have more than 10 years experience
7. 35.4% of the respondents were studying before entering in to business, 28.4% of the respondents were working before entering in to business, 22.7% of the respondents were doing some other business before entering in to this business and 13.5% of the respondents were working other retail shops before entering in to business.

Analysis of perceptions of the respondents on organised retailing

Retailing is an interface between manufacturer & consumer, who insures the easy flow of goods to the customer. Retailing is one of the largest sectors in the global economy and is going through an evolutionary stage in India. Retail is currently a flourishing sector of the Indian economy. The Indian Retail industry has grown at a 14.6% CAGR during FY 07-12. This growth can be directly credited to the emergent Indian economy as well as increase in Private Final Consumption Expenditure (PFCE) and bring revolution in Indian peoples' consumption pattern. This tendency is expected to continue for at least the next two-three decades, magnetizing huge attention from entrepreneurs, business heads, investors as well as real estate owners and builders segments of the economy.

Consumers' perceptions about these retailers are determined by number of factors like format or size, proximity, varieties available as well as intangible factors like the store atmosphere, complaint handling, etc.

It is essential to examine perceptions of unorganized retailers on organized retailers because most of unorganized retailers and unorganized retailer's forums argue against organized retailing. Therefore, the study has made an attempt to examine perceptions of unorganized retailers on organized retailing.

Table 2. Gender and perceptions on organised retailing

Gender	Mean Value	F value	t value	P Value	Result
Male	2.2569	.008	.093	.930*	Not Significant
Female	2.2488				

Source: Primary data
*At 1% level of significance **At 5% level of significance

Students' "t" test Table – 2 displays that there is no significant difference between gender and perceptions on organized retailing. From this result, one can understand that perceptions on organized retailing do not differ on the basis of gender. Further, it can also be understood from mean scores of the table that male and female have almost same level of positive perceptions on organized retailing.

Table 3. Age and perceptions on organised retailing

Age	Mean Value	F value	P Value	Result
Up to 21 years	2.4235	5.162	.002*	Significant
22 to 40 years	2.0946			
41 to 60 years	2.0632			
More than 60 years	2.4789			

Source: Primary data
*At 1% level of significance **At 5% level of significance

One way ANOVA Table – 3 reveals that there is a significant difference between age and perceptions on organized retailing. From the result, it is known that perceptions on organized retailing differ on the basis of age of the respondents. Mean scores indicate that the respondents aged more than 60 years (2.4789) have higher perceptions on organized retailing followed by the respondents aged 21 or less than 21 years (2.4235), the respondents aged 22 years to 40 years (2.0946) and the respondents aged 41 years to 60 years (2.0632).

Table 4. Location of business and perceptions on organised retailing

Location of business	Mean Value	F value	P Value	Result
Urban	2.2179	.172	.842*	Not Significant
Semi urban	2.2627			
Rural	2.2795			

Source: Primary data
*At 1% level of significance **At 5% level of significance

Table – 4 displays that there is no significant difference between location of business and perceptions on organized retailing. From this result, one can understand that perceptions on organized retailing do not differ on the basis of location of business. Further, it can also be understood from mean scores of the table that the respondents doing business in urban, semi urban and rural area have almost same level of perceptions on organized retailing.

Table 5. Type of business ownership and perceptions on organised retailing

Type of business ownership	Mean Value	F value	P Value	Result
Sole proprietorship	2.1971	.413	.662**	Not Significant
Partnership	2.2831			
Any other	2.2778			

Source: Primary data
*At 1% level of significance **At 5% level of significance

Table – 5 displays that there is no significant difference between type of business ownership and perceptions on organized retailing. From this result, one can understand that perceptions on organized retailing do not differ on the basis of type of business ownership. Further, it can also be understood from mean scores of the table that the respondents having business in all formats considered for the study have almost same level of perceptions on organized retailing.

Table 6. Nature of business and perceptions on organised retailing

Nature of business	Mean Value	F value	P Value	Result
Provisional store	1.5979	66.142	.000*	Significant
Vegetable shop	2.1019			
Petty shop	2.9190			
Fruit shop	2.8817			
Stationary shop	1.3667			

Source: Primary data
*At 1% level of significance **At 5% level of significance

One way ANOVA Table – 6 reveals that there is a significant difference between nature of business and perceptions on organized retailing. From the result, it is known that perceptions on organized retailing differ on the basis of nature of business of the respondents. Mean scores indicate that the respondents having petty shop have higher perceptions on organized retailing (2.9190) followed by the respondents having fruit shop (2.8817), the respondents having vegetable shop (2.1019), the respondents having provisional store (1.5979) and the respondents having stationery shop (1.3667).

Table 7. Experience in current business and perceptions on organised retailing

Experience in current business	Mean Value	F value	P Value	Result
Up to 3 years	1.5086	197.799	.000*	Significant
4 to 7 years	2.2129			
8 to 10 years	2.8136			
More than 10 years	3.4096			

Source: Primary data
*At 1% level of significance **At 5% level of significance

One way ANOVA Table – 7 shows that there is a significant difference between experience in current business and perceptions on organized retailing. From the result, it is known that perceptions on organized retailing differ on the basis of experience in current business of the respondents. Mean scores indicate that the respondents having more than 10 years experience have higher perceptions on organized retailing (3.4096) followed by the respondents having 8 to 10 years experience (2.8136), the respondents having 4 to 7 years experience (2.2129) and the respondents having 3 years or less than 3 years experience (1.5086). It can be observed that when there is more experience, there is a higher perception on organized retailing.

Table 8. State before entering in to business and perceptions on organised retailing

State before entering in to business	Mean Value	F value	P Value	Result
Studying	1.5110	195.559	.000*	Significant
Working	2.1999			
Doing Business	2.7840			
Working in retail shop	3.4127			

Source: Primary data
*At 1% level of significance **At 5% level of significance

One way ANOVA Table – 8 shows that there is a significant difference between state before entering in to business and perceptions on organized retailing. From the result, it is known that perceptions on organized retailing differ on the basis of state before entering in to business of the respondents. Mean scores indicate that the respondents were working in retail shop have higher perceptions on organized retailing (3.4127) followed by the respondents were doing business (2.7840), the respondents were working (2.1999) and the respondents were studying (1.5110).

Differences in perceptions of the respondents about organized retailing on the basis of demographic and business related variables are analyzed and discussed in tables – 2 to 8 using “t” test and one way ANOVA (F test). Based on such analysis, comprehensive conclusions can be drawn on perceptions of sample respondents on organized retailing which are as follows:

- The study results exhibit that an unorganized retailer aged more than 60 years, irrespective of location of business and type of ownership, having petty shop and more than 10 years of experience and worked in retail shop before entering in to business has higher level of perceptions on organized retailing.
- On the other hand, the study shows that an unorganized retailer aged 41 years to 60 years, irrespective of location of business and type of ownership, having stationery shop and 3 years or less than 3 years of experience and he/she was in to study before entering in to business has lower level of perceptions on organized retailing.

Conclusion

The study has made an attempt to examine perceptions of unorganized retailers on organized retailing. The respondents belong to Chennai city. The study reveals that an unorganized retailer aged more than 60 years, irrespective of location of business and type of ownership, having petty shop and more than 10 years of experience and worked in retail shop before entering in to business has higher level of perceptions on organized retailing. On the other hand, the study shows that an unorganized retailer aged 41 years to 60 years, irrespective of location of business and type of ownership, having stationery shop and 3 years or less than 3 years of experience and he/she was in to study before entering in to business has lower level of perceptions on organized retailing.

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