

# Unorganized Retail Trade In India : Changing Experiences

## Abstract

This paper has been devoted to understand the heights into new experiences of the unorganized retail traders with emergence of the organized retail traders. For, the liberal policy towards the organized retail trade has facilitated the growth of organized trade in Indian set up. It is expected to increase further in near future. Divergent opinions are evolving regarding the impact of organized retail trade on the functioning and existence of unorganized retail trade. Some see towards the negative impacts and others are in favor of the organized retail trade. It is an attempt to analyse the changing scenario of unorganized retail trade under the impact of organized retail trade. 100 unorganized retailers spread over Patiala and Ludhiana are surveyed. This survey is basically concerned about seeking the opinion of traders in the context.

**Keywords:** Unorganized, Resources, Customers, Apprehensions, Retail Trade, Business.

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## Introduction

Unorganized retailing, by business definition, is the non-licensed and conventional format of low cost retailing. It includes the local Kirana shop and restaurant, general and provision stores. Single owner manned medical store, the local dhobi and even the hand cart and pavement vendors. These unorganized retailers are the core of trade and commerce in this country. They manage their inventory quite well and run profitable businesses without any external funding. They provide personalized service to their customers and optimize their resources in the best way possible. It has been established in the previous that organized retail trade has substantially crept into the Indian system. This sector is, basically, dominated by the unorganized retail trade. Hence, there is a question of co-existence of organized and unorganized trade formats. The liberal policy towards the organized retail trade may reflect in the future increase in the share of this segment. Any change in the existing setup, especially when variety of people are stake holders, may have scares, apprehensions and questions of survival for the unorganized sector in the retail trade. Consequently, it is a matter of concerns for the policy makers, academia and politicians.

Divergent opinions are evolving regarding the impact of organized retail trade on the functioning and existence of unorganized retail trade. Efforts have been made to establish that organized retail trade will, gradually, eat the unorganized retail trade. They will be out of business in due course. The organized retail trade is owned by large corporate sector firms and they have strong financial and capital strength. The scale of business is very large; hence, economies of scale are available to the organized retailers. Besides, they run the business on professional lines with the support of professionals and high end technology with horizontal and vertical controls. Moreover, they have strong supply chains and are able to acquire things at lesser costs. They may indulge in predatory prices also. So, there is always a question mark on the designs of the organized retail traders.

## Review of Literature

Ghoshal Moloy (2014) analyzes the role of FDI in economic development for only developing and under developing countries. This research paper will try to find out the fact and fiction about the probable impact of FDI in retail sector upon the small businessman. Allowing healthy FDI in the retail sector would not only lead to a substantial surge in the country's GDP and overall economic development which the unorganized sector has undoubtedly failed to provide to masses employed in them.

Sowmyakethireddi (2015) analyze the consumer behavior towards organized and unorganized retailing. Availability of quality, retail space, wider availability of products and brand communication are some of the

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factors that are driving the retail in India. The rationale of the study is to examine the nature of changes in the retail sector taking place due to organized form of retailing. The growth in the Indian organized retail market is mainly due to the change in the consumer's behavior and culture.

Shinde N.D. (2016) study the elements of marketing mix play an important role in strategic decision making which is necessary for competitive advantage. This paper is focused on describing the use of marketing mix by organized and unorganized retail shops to market their goods and services. The study conducted in Aurangabad gave the satisfaction level of customers towards marketing mix adopted by organized and unorganized retail stores. The marketing mix engages in the decisions making process related to the products which will be made available at a particular price, distributed through channel by making enough promotion among the customers.

Lavaya R. (2016) retailing is currently the flourishing sector of the Indian economy. This research paper based on respondents who buy their products at organized and unorganized retail outlet. Through this study tried to find out consumer behavior of respondents when they visit retail outlets and to study the reasons for preference of retail outlets for example to know the availability of quality, retail space and wider availability of products. Both organized as well as unorganized retailers need to add value added services to make the shopping experience more comfortable and value oriented.

Chandrashekar H.M. (2016) found that traditional food and grocery segment has seen the emergence of supermarkets, grocery chains, convenience stores and hypermarkets. An attempt is made in this article to know the consumer behavior towards organized and unorganized retail outlets in Mysore city. In this study found most of the consumers prefer to go for both organize as well as unorganized retail formats according to need.

On the other hand, there are optimistic views too that justify the entry and existence of organized retail trade. Organized retail trade has put a pressure on the unorganized retail traders to perform. They are also inclined to learn and use the business models and technology. Moreover, sooner or later, it is imminent that system has to be standardized. So,

unorganized retail traders are expected to change the way of doing business.

#### **Objective of the Study**

To analyse the changing scenario of unorganized retail trade under the impact of organized retail trade.

This study also explores the opinion of unorganized retailers regarding the changes and impact of the organized retail on their business formats, volume and so on. In this regard, primary sources of data has been used through structured questionnaire i.e. sample is obtained from 100 respondents (shopkeepers) from Patiala and Ludhiana. The components of the questionnaire are as follows:

1. Changes in retail trade in response to the emergence of the organized retail trade have been examined. Respondents have been asked to respond on 5 point Likert's Scale in terms of their agreedness. They have been asked to demonstrate their opinion on structure, system, services, tastes, beliefs, options and loyalty and so on.
2. The impact of the organized retail trade (positive as well as negative) on the unorganized retailers has been assessed through various parameters. Respondents have been asked to respond on 5 point Likert's Scale in terms of their agedness. They have been asked to register their opinion on the parameters-space, billing system, ambience, credit card use, credit facility, high/low prices, parking, variety and brands, proximity, relationship, number of counters, helping staff, home delivery, discounts, advertisements and promotions.

#### **Changes in Retail Trade in Response to the Existence of Organized Retail Trade**

This has been established in the development theory that policy for one sector has the echo effect on the other sectors also. Hence, unorganized sector may not be exception. In this context, sampled 100 unorganized retailers have been enquired regarding the attributes of change in their business. They have been asked to respond on five point Likert's scale. They have been asked to mark 1 for strongly disagree, 2 for disagree, 3 for neutral, 4 for agree and 5 for strongly agree. The results so obtained are summarized in table 1.

**Table-1: Changes in the Retail Trade in Lieu of the Emergence of Organized Retail Trade (Perceptions of the Unorganized Retail Traders)**

Perception→ Attribute of Change↓	No. of Respondents						Average Rating	C.V.
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total		
Retailing Industry is Observing a Change in terms Structure	02 (2.0)	12 (12.0)	02 (2.00)	59 (59.0)	25 (25.0)	100 (100.0)	3.930	0.246
Retailing Industry is Observing a Change in terms System	00 (0.0)	12 (12.0)	06 (6.0)	61 (61.0)	21 (21.0)	100 (100.0)	3.910	0.221
Retailing Industry is Observing a Change in terms Services	00 (0.0)	21 (21.0)	03 (3.0)	47 (47.0)	29 (29.0)	100 (100.0)	3.838	0.280

Customers' Taste is Changing	02 (2.0)	09 (9.0)	08 (8.0)	52 (52.0)	29 (29.0)	100 (100.0)	3.970	0.241
Customers' Beliefs are Changing	00 (0.0)	19 (19.0)	16 (16.0)	47 (47.0)	18 (18.0)	100 (100.0)	3.640	0.271
Customers' having more Options	00 (0.0)	09 (9.0)	02 (2.0)	56 (56.0)	33 (33.0)	100 (100.0)	4.130	0.202
Customers' loyalty is Changing	01 (1.0)	22 (22.0)	07 (7.0)	57 (57.0)	13 (13.0)	100 (100.0)	3.590	0.280

Note: Figures in Parentheses are percentages

#### **Change in Structure of Retail Trade**

Change in policy and emergence of new formats may lead to change in the structure of the entire sector. It is obvious that unorganized retailers may be feeling change in the structure of the business. This opinion has been vindicated by the opinion of sampled small shopkeepers. Out of 100 individuals in the sample, 84 percent answered in affirmative. Rests of them are either neutral or disagree. Besides, the average rating (3.930) is also tilted towards the agreed segment with very low value of coefficient of variation (0.246) (table 1). That is there is homogeneity in the opinion of the respondents. It can be concluded that the structure of the unorganized retail trade is changing dramatically.

#### **Changes in the System of Retail Trade**

System of retail trade is also witnessing change. This has been proved in the opinionated survey of 100 shopkeepers. The table 1 reveals that 82 percent of the surveyed individuals have confirmed this opinion. However, 12 percent are disagreeing with this opinion but this is very small number. Variation in the opinion of the surveyed individuals is also very small. For, the value of coefficient of variation is mere 0.221. Therefore, it can be inferred that system of retail trade is changing with emergence of organized retail trade.

#### **Changes in the Form of Services**

Services provided by the organized retail trade are largely different from the traditional form of business. These services are gradually percolating in the entire retail trade business. As table 1 depicts that 76 percent have endorsed this opinion in the survey of 100 individuals. Though, 21 percent have disagreed with this opinion. But the overall rating is inclined towards the agreed segment. So, it has been established that the forms of services are observing changes with the existence of organized retail trade.

#### **Changes in the Taste of Customers**

The customers have different exposures in the new scenario of organized retail trade. This experience is percolating to the entire retail trade. In the survey of 100 unorganized retail traders, 81 percent have displayed their agedness. Rest of them were either disagree or neutral. Moreover, overall average rating was remarkably in the agreed segment (3.970). There was not much difference among the respondents in depicting this opinion. As, the value of coefficient of variation was very low (0.241) (table-1). Therefore, it can be concluded that the taste of customers is changing with the entry of the organized retail trade.

#### **Changes in Beliefs**

The entry of organized retail trade is expected to have changed the beliefs of the

unorganized retail traders as well as of the consumers. It is very obvious that Indian people have witnessed new scenario and ultimately may be reflected in changes in their beliefs. The results of the survey show that 65 percent of the surveyed individuals (100) are agree with the opinion of change in beliefs. Overall average rating is also tending towards the agreed segment. As the value of overall average rating are 3.640 with low levels of variation among the respondents. Though, 35 percent people are either neutral or disagree but cannot be denied that beliefs are changing.

#### **Customers are having More Options**

Availability of more options is a feature of modern markets. People have choice to visit different forms of retail trade formats (organized or unorganized). Such scenario may create an environment of competition and may change the entire structure and system of the retail trade. This has been proved true in our survey of 100 unorganized retail traders. 89 percent of the sampled individuals have endorsed the opinion of more options to the customers. This has, further, been vindicated by the high value of overall average rating (4.130) and opinions are not much diverging (CV=0.202). Therefore, there is no hesitation to conclude that customers are enjoying more options than before.

#### **Changes in the Customers' Loyalty**

With the emergence of the organized retail trade on the scene, the customers with wide range of purchasing power are not loyal to one type of retailers. They want to have new experiences and varieties. Therefore, it is not expected that they will maintain loyalty. This has been proved to in the enquiry of 100 unorganized retailers, for, 70 percent of the respondents are agreed to this opinion. Different opinion is also revealed in the 22 percent cases (table-1). Even then it can be concluded with authority that there is a tendency towards change in the loyalty of the customers. In other words, the customers do not stay with the same traders for long.

#### **Changes in Retail Format: Impact of Various Parameters**

Unorganized retail traders are ingrained in their traditional mode of doing business. They were not very aware of changing the style of business overtime. The entry of the organized retail trade has considerable impact on their thinking on what they already have. In this context 100 unorganized retail traders have been enquired to reveal their opinions regarding various parameters (shown in table-2). They have been asked to display their opinion on five point Likert's Scale. They have been asked to mark 1 for strongly disagree, 2 for disagree, 3 for neutral, 4

for agree and 5 for strongly agree. The survey results have been summarized in table-2.

**Table-2: Change in the Retail Format as an Impact of Various Parameters  
(Opinions of the Unorganized Retail Traders)**

Opinion→ Parameter↓	No. of Respondents						Average Rating	C.V.
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total		
Less Space	00 (0.0)	25 (25.0)	04 (4.0)	52 (52.0)	19 (19.0)	100 (100.0)	3.650	0.287
Billing System	00 (0.0)	40 (40.0)	12 (12.0)	40 (40.0)	08 (8.0)	100 (100.0)	3.160	0.332
Ambience	01 (1.0)	33 (33.0)	08 (8.0)	44 (44.0)	14 (14.0)	100 (100.0)	3.370	0.331
Credit Card System	04 (4.0)	33 (33.0)	10 (10.0)	40 (40.0)	13 (13.0)	100 (100.0)	3.250	0.358
Credit Facility	04 (4.0)	46 (46.0)	12 (12.0)	30 (30.0)	08 (8.0)	100 (100.0)	2.920	0.382
Costlier Commodity Prices	03 (3.0)	38 (38.0)	15 (15.0)	32 (32.0)	12 (12.0)	100 (100.0)	3.120	0.365
Parking Arrangement	02 (2.0)	14 (14.0)	07 (7.0)	59 (59.0)	18 (18.0)	100 (100.0)	3.770	0.257
Variety and Brands in Grocery	00 (0.0)	15 (15.00)	10 (10.0)	47 (47.0)	28 (28.0)	100 (100.0)	3.880	0.254
Proximity	00 (0.0)	31 (31.0)	27 (27.0)	32 (32.0)	10 (10.0)	100 (100.0)	3.210	0.310
Relationship with Customer	02 (2.0)	64 (64.0)	04 (4.0)	13 (13.0)	17 (17.0)	100 (100.0)	2.790	0.439
Loose Quality	03 (3.0)	50 (50.0)	12 (12.0)	30 (30.0)	05 (5.0)	100 (100.0)	2.840	0.370
No. of Counters	21 (21.0)	22 (22.0)	40 (40.0)	16 (16.0)	01 (1.0)	100 (100.0)	3.820	0.839
Helping Staff	00 (0.0)	35 (35.0)	09 (9.0)	33 (33.0)	23 (23.0)	100 (100.0)	3.440	0.346
Home Delivery	02 (2.0)	50 (50.0)	09 (9.0)	25 (25.0)	14 (14.0)	100 (100.0)	2.990	0.395
Discount	03 (3.0)	50 (50.0)	11 (11.0)	22 (22.0)	14 (14.0)	100 (100.0)	2.940	0.403
Advertisement and Promotion	00 (0.0)	23 (23.0)	04 (4.0)	41 (41.0)	32 (32.0)	100 (100.0)	3.820	0.293

Note: Figures in Parentheses are percentages

#### **Less Space**

The organized retail trades have large spaces to do business. They have considerable advantage of space. In this context, majority of the unorganized retail traders are feeling that they are doing business with very meager space and unable to demonstrate their full potential. For, 71 percent of the sampled individuals agreed that they are doing business with less space. However, 25 percent have refuted this opinion (table 2). Before the emergence of organized retail trade they were not having such feeling. Therefore, it can be concluded that unorganized retail traders are doing business with relatively less space.

#### **Billing System**

The organized retail traders adopt the mechanized/computerized billing system with complete transparent manner. This system has some influence on the unorganized retail traders. In this context, the opinion of unorganized retailers has been

sought. Out of the sample of 100 individuals, 48 percent have agreed that there is change in their billing system. However, 40 percent did not endorse this opinion and 12 percent have shown neutrality towards this opinion (table- 2). Hence, it can be inferred that there is tendency towards changes in the billing system in unorganized retail trade.

#### **Ambience**

The organized retail traders create an enjoyable ambience within the store. It may have considerable influence on the foot fall of customers. Foot fall is expected to be converted into actual purchase. The unorganized retail traders also have developed the opinion that ambience has considerable influence on the retail trade format. The large unorganized retailers are also striving to create such ambience. In the survey of 100 unorganized retailers, 58 percent are agreeing to this opinion; however, 33 percent did not agree (table-2). This can be concluded with some reservation that ambience have considerable influence on the trade format.

**Credit card System**

The use of plastic money has increased in the recent decades. This period coincides the growth of organized retail trade. The organized retail traders accept the credit and debit cards for payment. There is the emergence of new era. Such feature may have influence on the entire sector of retail trade. This has not been proved in the survey of 100 unorganized retailers. As, 37 percent of the sampled individuals did not agree with the use of credit card system influence the retail trade format. Though, 53 percent of the sampled individuals are agreeing with the opinion of 'credit card facility having influence on the retail format' even then it can be partially accepted.

**Credit Facility**

The unorganized retail trade, generally, extends credit facility to their customers to survive in business. Moreover, this facility provides the shopkeepers a niche market to persist on. To verify this aspect, 100 unorganized retail traders have been posed a question regarding the credit facility as strength of unorganized retail trade. Table 6.2 reveals that 38 percent of the respondents agreed that it is their strength. However, 50 percent have negated this fact and 12 percent did not give their decisive opinion. Moreover, overall average rating is also tilted towards disagreed segment. Here, it is inferred that, contrary to the established belief, credit facility is not strength of the unorganized retail traders.

**Costlier Commodity Prices**

The organized traders have the benefits of economies of scale and bulk purchases. They can cut the costs in many ways; hence, they are able to sell the products at lesser prices. Moreover, they also indulge in predatory prices. Therefore, unorganized retail traders are unable to compete with the organized retail traders so far as the prices are concerned. This has not been proved in the survey of 100 unorganized retailers. The table 6.2 shows that 44 percent have endorsed this opinion and 41 percent did not agree. Meaning there by, some have displayed their capacity to compete and others show their incapacity. It seems that unorganized retailers with better resources are able to compete with the organized retailers and traders with less resources failed to compete.

**Parking Arrangement**

The organized retail traders are established in open spaces with suitable parking arrangements. Such an arrangement may have considerable influence on the sales of the retailers. On the other hand, the unorganized are, generally, devoid of such facility and this might have negative effect on the sales prospects. This has been proved true in the survey of 100 unorganized retailers. Table 2 shows that 77 percent of the sampled individuals agreed to this opinion. However, 18 percent did not agree with this fact. The overall average rating (3.770) is considerably inclined towards the agreed segment. It can be deduced that lack of parking arrangements disfavour the unorganized retailers.

**Variety and Brands**

As we know, the organized retailers do the business on large scale and they provide variety of

products of various brands. It gives suitable choice for the customers. Hence, they are inclined to purchase from them. In contrast, the unorganized retail traders do business with less capital and less space. Therefore, they do not provide wide range of products. So, their sales are negatively affected. In this context, the survey of 100 unorganized retailers has revealed that they are disfavored due to less variety and brands. 75 percent of the sampled respondents agreed to this fact (table-2). So, the unorganized retailers are at the losers end due lack of variety and brands.

**Proximity**

The organized retailers are away from the customer's places. Therefore, customer favours the unorganized retailers in their proximity. Hence, we can say that proximity is strength of unorganized retail format. This question was directly posed to the 100 small shopkeepers in the survey. 42 percent of the sampled individuals favored this opinion. However, 31 percent did not agree. More interestingly, 27 percent could not give a decisive answer. But the overall average rating is inclined towards the agreed segment. It can be concluded that proximity to the customers is strength of the unorganized retailers.

**Relationship with Customers**

The organized retail traders do not develop personal relations with the customer's due nature of their business format. In contrast, unorganized retailers serve particular locality and develop close relations with the customers which are ultimately proved as loyalty of customers. The survey of 100 unorganized retailers did not vindicate this perception. As, 66 percent of the sampled individuals directly negated this opinion and four percent could not give their clear opinion. Others (30 percent) are agreed with this opinion (table-2). So, it can be inferred that relationship with customers is not any remarkable strength of the small retailers.

**Number of Counters**

It has already been proved that large business houses do the business in organized manner on large scale. The foot fall is also substantial. They have multiple sale and billing counters. Hence, they have advantage in terms of sale and growth. To confirm this view, the opinion of the sampled 100 unorganized retailers has been obtained. The survey did not confirm, meaning there by the number of counters do not have any role in the level and growth of the business of the unorganized retailers. For, 83 percent of the sampled individuals are either neutral in their response or disagree.

**Helping staff**

The organized retail traders deploy sufficient number of staff to help the customers at the store. Therefore, they are having edge. The unorganized retailers do not deploy such type of staff. It has been asked from the sampled 100 unorganized retailers. 56 percent of the sampled individuals confirmed this opinion that organized retailers have helping staff to support the customers. However, 35 percent did not agree. But the overall average rating is tilted towards agreed segment, as its value is 3.440. It can be concluded that helping staff is strength of the

organized retailers and the unorganized retailers are sufferers on this front.

#### **Home Delivery**

The organized retail traders hardly provide the service of home delivery. But this facility is commonly available at the unorganized retail trades. It is, generally, considered as strength of the unorganized retailers. This has been partially proved true in the sample survey of unorganized retailers .Of the 100 sampled individuals, 52 percent did not agree with the opinion; however, 39 percent displayed their agedness.

#### **Discounts**

It is generally felt that organized retailers give discounts to their customers and able to fetch the market. In this context, the opinion of the unorganized retailers has been sought. 53 percent of the 100 sampled individuals did not agree with the opinion that organized retailers give heavy discounts to the customers and 11 percent did not register their decisive opinion. And overall average rating also corroborate that discount is not a forte of organized retailers (table-6.2).

#### **Advertisement and Promotion**

The organized retailers have considerable financial strength and they can advertise and promote their business vigorously. Hence, it is in the favour of organized retailers to enhance their sales. However, advertisement and promotions are beyond the capacity of the unorganized retailers. This opinion has been proved true in the survey of 100 unorganized retailers. Of the 100 sampled individuals, 73 percent have agreed with this opinion that advertisement and promotions are in the favour of organized retailers (table-6.2).The overall average rating (3.820) also corroborate this finding.

#### **Conclusion**

This has been established in the survey results that the system, structure and services of the retail format are experiences changes with the emergence of organized retail trade. Moreover, the customers are enjoying more options than before. There is tendency among the customers to change

their loyalty from one form of retail trade to the other. That is, customers are not staying with the same trader for long. Besides, beliefs of the customers are also changing with coexistence of organized and unorganized traders. The unorganized traders feel that ambience within the store has considerable influence on business. And the organized retailers have edge over unorganized retailers. The organized retailers advertise and promote their business vigorously. Credit card facility which is generally provided by the organized retailers is in favour of organized retailers. Under the influence of the organized retail, the billing system is experiencing changes in the unorganized retails. The unorganized traders, generally, do the business with relatively less space; hence, may feel problem in facing the competition from the large business organizations.

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