

“CHANGING PERCEPTION OF CONSUMERS FROM UNORGANIZED TO ORGANIZED RETAIL WITH SPECIAL REFERENCE TO INDORE CITY”

Ms. Neha Tiwari

(Research Scholar IMS, DAVV)

ABSTRACT

Retail, according to Oxford English Dictionary, is the ‘sale of goods to the public for use or consumption rather than for resale’. Retailer is someone who cuts off or sheds a small piece from something. 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. Retail is India’s largest industrial hub. The sector has witnessed an immense growth in the last few years. The main factors responsible for the retail boom have been the change in consumer profile and demographics, increase in the number of international brands available in the Indian market, economic implications of the government, increasing urbanization, credit availability, improvement in the infrastructure, increasing investments in technology and real estate building a world class shopping environment for the consumers. Objective of this study is to identify the factors influencing the perception towards organized retailing from unorganized retailers. The primary data was gathered by administering a structured questionnaire with 100 customers selected purposively from Indore. The data analysis of customer attitude towards unorganized and organized retailers shows that there is a difference between the consumer’s perception towards both organized retailers and unorganized retailers regarding their store image, range of products, brand choices, price, store atmosphere, credit availability, and shop proximity. The data has been collected with the help of structured questionnaire containing close and open ended questions. Statistical software and MS excel were used for analyzing the data collected. The rationale of the study is twofold: First, to examine the shift in perception in the retail sector taking place due to organized form of retailing. Secondly, the area has remained largely an unexplored part of research till date especially in Indore.

Keywords: Retail Industry, Organized Retailers, Perception, Indore, Unorganized Retailers.

INTRODUCTION

Retailing goes back to centuries; it started as a very primitive business but today has grown tremendously. First people were doing businesses with their neighbors. Goods were exchanged between them. Gradually people began to collect themselves to a given neighborhood, which provides a geographical place to do the exchange. This not only increases the exposure of a given good but also helps a lot towards the development of a more formalized system. Gradually, a few more start to get together to a place that in turn creates a need for a common place. Later this common place was called a fair. With the passing of time the number of people doing businesses in a given fair increased, issues like security, transportation becomes a matter of concern. This semi-formalized system then gave birth to small-scale groceries, where

people start to provide more combinations in their own neighborhoods. Then came the issue of choice in given grocery, the choices the customer had was limited, this was the beginning of the concept of “everything under one roof”. As time passes, joint family changes into nuclear family. There too both members started earning which resulted into a new way of lifestyle. From then instead of mom-and-pop type of stores organized retail stores came into existence.

Retailing in India is one of the pillars of its economy and accounts for 14 to 15 percent of its GDP. The Indian Retail market is estimated to be US\$ 450 billion and one of the top five retail markets in the world by economic value. India is one of the fastest growing retail markets in the world, with 1.2 billion people.

In India the vast middle class and its almost untapped retail industry are the key attractive forces for global retail giants wanting to enter into newer markets, which in turn will help the India Retail Industry to grow faster. Indian retail is expected to grow 25 per cent annually. Modern retail in India could be worth US\$ 175-200 billion by 2016. The Food Retail Industry in India dominates the shopping basket. The Mobile phone Retail Industry in India is already a US\$ 16.7 billion business, growing at over 20 per cent per year. The future of the India Retail Industry looks promising with the growing of the market, with the government policies becoming more favorable and the emerging technologies facilitating operations.

GROWTH DRIVERS OF THE RETAIL SECTOR

The Indian retailing sector is at an inflexion point where the growth of organized retailing and consumption by the Indian population is going to take a higher growth trajectory. The Indian population is observing a noteworthy demographics change. An increasing young working population under age of 24 years, sharp rise in the per capita income, an increase of dual income nuclear families in the urban areas, along with increasing working women population, internet revolution and emerging opportunities in the services sector are going to be the key growth drivers of the organized retail sector in India. The whole model of shopping has altered in terms of format and consumer shopping behavior pattern, which ultimately could lead to a shopping revolution in India. The Indian retail industry is divided into two sectors- organized and unorganized.

Organized retail sector refers to the sectors undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the corporate retail formats of the exclusive brand outlets, hypermarkets, supermarkets, departmental stores and shopping malls.

Unorganized retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, hand cart and pavement vendors, & mobile vendors, the local kirana shops, owner manned general stores, paan/beedi shops, convenience stores, hardware shop at the corner of your street selling everything from bathroom fittings to paints and small construction tools; or the slightly more organized medical store and a host of other small retail businesses in apparel, electronics, food etc.

ORGANIZED VS UNORGANIZED RETAILING

Criteria	Organized Retailing	Unorganized Retailing
Ownership	Corporate business house	Household business

Size of operation	Comparatively large	Small store
Selling price	Less than MRP	MRP
Nature of employment	Hired members	Generally family members
Store ambience	Excellent	Poor
Location	Distantly located	Located round the corner
Product availability	Wide range of branded and non branded products	Selective range of branded and non branded products
Promotions	Joint promotions	Company Promotions only
Tax payments	Greater enforcement of taxation mechanism	Evasions of taxes
Market experience	Short term	Long term
Range	Wide range of products	Limited products

(Source: Asian journal of management research (volume 2 Issue 1, 2011))

LITERATURE REVIEW

Anu Nagpal Chopra (2014) Factors affecting Purchase behavior of Women grocery consumer-An Insight. Women are most powerful consumers in the world as they control almost 80 percent of the household spending. The role of women in the society and their effects has changed. Most of the marketers know that ‘women are different’, but we actually need a deep rooted understanding of how and why they are different. This study makes an attempt to understand the women’s purchase behavior along with an attempt to know what factors play a significant role in her purchase behavior.

Sriparna Guha (2013) conducted a research study on “The changing perception and buying behaviour of women consumer in Urban India”. The working women segment has significantly influenced the modern marketing concept. The objective of this paper is to identify the changing perception and comparison of buying behaviour for working and non-working women in Urban India. It suggests that women due to their multiple roles influence their own and of their family members’ buying behavior. The study also reveals that working women are price, quality and brand conscious and highly influenced by the others in shopping.

S. Varadaraj and S. Kumar (2013) conducted a research study on “A Study on Buying Behavior of Women Customer’s towards Jewellery Products with Special Reference to Tirupur City”. The purpose of this research is to find out buying behavior of women customer’s towards jewellery products with special reference to Tirupur city. The objective of the study is to get the feedback about various factors affecting Buying behavior of Jewellery products, Evaluate the brand awareness and buying attitude of the women customer’s in purchasing of gold at the various jewellery retail stores. The results may help the management of Jewellery retail stores to understand about the factors that influence the satisfaction of customers towards retail stores.

Nagunuri Srinivas (2013) conducted a research study on “women consumer’s preferences on grocery items – a study with reference to Hyderabad city”. The purpose of this study is to examine the “women consumer’s preferences towards branded and unbranded grocery items in Organized/Unorganized Retail Environment” and also aim to study the changing market scenario i.e. transition from unorganized sector

to an organized one, Due to increasing self-service and changing consumers’ lifestyle the interest in branding and stimulator of impulsive buying behaviour is growing increasingly.

Prof Krishna Mohan Sharma (2012). The Study of Changing Buying Behaviour of Consumer in Growing Economy of India, Specific to FMCG Segment, and Its impact on Unorganized Retailers. The goal of this research is to investigate the relationship between Customer’s choice of traditional Kirana shops v/s modern organised retailer in Mall and Super store environment. The objective of this study is to analyze consumer shopping behaviour in different retail format. Consumer shopping behaviour includes attitudes towards modern retail stores and traditional stores, intention and shopping habits.

Dr.M.Subrahmanian (2011) examine in his study “buying behaviour of the new aged Indian women” in the city of Chennai” with respect to the age, marital status, occupation, professional status factors, etc. to identify the decision maker and the influencer for the purchase made by the women. According to this study the women’s value perception is multi-faceted and they are more quality oriented. When it comes to the price attribute women do not opt for the products even if it is heavily priced or low priced but to the maximum prefer when it is reasonably priced within the affordable range.

Zeb, Hareem; Rashid, Kashif; Javeed, M. Bilal (2011) in their study “Influence of Brands on female consumer’s buying behaviour in Pakistan” attempted to examine Pakistani female consumer’s buying behaviour and understand the key factors of branded clothing which influence female consumer’s involvement towards trendy branded clothing. The results show that all the factors discussed in the literature account for their impact on the consumer involvement in fashion clothing.

Verma and Madan (2011) in a study conducted in Indian context highlighted that retailers are offering newer service dimensions to create unique shopping experiences for the customers. However, whether consumers are able to perceive newer service dimensions and getting affected for store patronage in new store formats or not, remains to be found out. The study attempted to find out the key factors that are perceived as important to Indian consumer in evaluation of a retail format.

Ramanathan & hari (2011) observed from 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.

Research Methodology

OBJECTIVES OF THE STUDY

1. To study the factors influencing the consumers to buy from organized/unorganized retail in Indore city.
2. To study the influence of demographic factors on buying decisions from organized and unorganized retail formats.
3. To study the perception of customers towards organized and unorganized retail formats.

HYPOTHESIS:

1. There is no significant difference between the choices of retail format across shopping items.

2. There is no significant difference in the choices of retail formats across the family income level.
3. There is no significant difference between the choices of retail format across various shopping factors.
4. There is no significant difference between the choices of retail format across the respondent's age.
5. There is no significant difference between the choices of retail format across the Respondent's gender.

RESEARCH DESIGN:

- Descriptive Research
 - **Sample Design:** Consumers who purchase from both organized as well as unorganized retailers at Indore.
 - **Sampling Unit:** Consumers from different age groups, gender, locations, income levels and educational backgrounds.
- **Sampling Size:** 100 customers of Indore city.
- **Sampling Methods:** Purposive sampling
- **Data Collection Methods:**
 - **Primary Data:** The primary data was gathered by administering a structured questionnaire with 100 customers selected purposively from Indore.
 - **Secondary data:** The secondary data for this particular study were collected through national and international journals, periodicals and other existing reports that were based on the subject.
- **Statistical Tool Used:** Chi square test, Weighted Average

Table 1 (Demographic Profile of Sample Respondents)

DEMOGRAPHIC		NO. OF RESPONDENTS	
		Frequency	Percentage
Gender	Male	45	45
	Female	55	55
Total		100	100
Age - group	Less than 20 years	17	17
	20 – 30 years	42	42
	30-40 years	27	27
	40-50 years	11	11
	Above 50 years	3	3
Total		100	100
Marital Status	Single	53	53
	Married	47	47
Total		100	100
Educational Qualification	12th	20	20
	Graduate	35	35
	Post Graduate	31	31

	Professional	14	14
Total		100	100
Occupation	Student	30	30
	Private Employee	25	25
	Government Employee	12	12
	Business	17	17
	Housewife	16	16
Total		100	100
Family Nature	Nuclear	35	35
	Joint	64	64
Total		100	100
Monthly Family Income	less than 20000 Rs.	22	22
	20000-30000 Rs.	34	34
	30000-40000 Rs.	23	23
	Above 50000 Rs.	21	21
Total		100	100

The demographic characteristics of the respondents (Table 1) show that majority of respondents (55%) were female. It is further revealed that most of the respondents (42%) belong to 20- 30yr age group with 27% of the respondents falling in the age group of 30-40 year. Students comprise of a maximum portion of 30%, followed by private employees with 25%. Most of the respondents were single (53%). A majority of respondents (35%) were graduates, followed by post graduates (31%). This revealed that education level also played a dominant role in the preference of retail formats.

Table 2 (Frequency of Visit for Shopping Needs)

Source of Purchases	No. of Respondents	Percentage
Organized Retailers	37	37
Unorganized Retailers	63	63
TOTAL	100	100
Under the Organized Retail Format		
Supermarket	19	51
Chain Stores	14	38
Departmental Stores	4	11
TOTAL	37	100
Under the Unorganized Retail Format		
Conventional Stores	10	16
Neighborhood Stores	44	70
Others	9	14
TOTAL	63	100

From the table 2, it can be concluded that 37% of the respondents shop for essentials at organized retail formats and 63% of the respondents purchase from unorganized retailers. It further revealed that 51% of the respondents“ buy from Supermarkets, 38% from Chain Stores and 11% from Departmental Stores.

Around 16% of the respondents preferred to buy from conventional stores, 70% and 14% preferred to buy from neighborhood stores and from other places like kirana stores etc.

Ho1: There is no significant difference between the choices of retailers' format across various shopping items.

Chi-square test used (At 5% Level of significance)

Table 3 (Respondents' Opinion of Products Purchased From Retailers)

Items Purchased	From Organized Retailers	From Unorganized Retailers
Grocery, Vegetables & Food items	5	18
Homemade Appliances & Electrical & Electronics	6	7
Textiles	10	9
All of above	16	29
TOTAL	37	63

χ^2 calculated = 4.8

χ^2 tabulated(at 5% degree of significant)=7.8

Interpretation: The above study shows that there is no significant difference between the choices of retailer's format across the shopping items while shopping and hence as the null hypothesis is accepted. On the basis of the shopping items these retailer formats is not considered by the respondents.

HO2: There is no significant difference in the choices of retail formats across the family income level.

Chi-square test used (At 5% Level of significance)

Income	Respondents' Opinion on Majority of Purchases	
	Organized	Unorganized
less than 20000 Rs.	5	17
20000-30000 Rs.	13	21
30000-40000 Rs.	8	15
Above 50000 Rs.	11	10
Total	37	63

χ^2 calculated =4.1

χ^2 tabulated(at 5% degree of significant) =7.8

Interpretation: The analysis provides enough evidence not to reject the Null Hypothesis. In other words, there is no significant difference in the choices of retailers' formats across family income levels.

Ho3: There is no significant association between the choices of retail format across various shopping factors.

Chi square test used (At 5% Level of significance)

Table 4 (Response for buying from Organized Retailers as well as from Unorganized Retailers)

Factors	No. of Respondents	
	From Organized Retailers	From Unorganized Retailers
Variety of product	8	10

Good quality	4	11
Attractive schemes and discounts	5	9
Mode of payment	3	3
For Grocery Items Only	0	10
Door delivery	3	4
Emergency Buying	0	6
Affordable price	0	7
Good relationship with store owner	0	1
Credit facility	1	2
Complaint Handling	5	0
Self service & satisfaction	8	0
TOTAL	37	63

χ^2 calculated =37.9

χ^2 tabulated (at 5% degree of significant)=19.7

Interpretation: As the null hypothesis is rejected we can conclude that there is significant difference between the choices of retailer's format across various shopping factors. These factors play a crucial role driving purchases made across retailer's format.

Table 5 (Opinion about the Quality & Price offered by Organized Vs Unorganized Retailers)

Factors	Organized Retailers				Unorganized Retailers			
	Quality		Price		Quality		Price	
	Total Weight	Rank	Total Weight	Rank	Total Weight	Rank	Total Weight	Rank
Grocery	1.38	3	1.68	3	1.57	4	1.57	4
Vegetables & Food Items	1.51	1	1.73	2	1.56	5	1.46	5
Homemade Appliances	1.22	6	1.49	6	1.62	3	1.84	2
Textiles	1.24	5	1.51	4	1.75	1	1.89	1
Electrical & Electronics	1.27	4	1.51	4	1.67	2	1.89	1
Casual Purchases	1.43	2	1.76	1	1.52	6	1.75	3

Regarding the preference of buying different products on the basis of quality from different retailers, under the category of organized retailers, most of the respondent preferred to buy products like vegetables and food items, casual purchases. Under the category of unorganized retailers, most of the respondents preferred to buy textiles (on both basis quality as well as price). But at the same time in comparison, under the organized retail stores, textiles were getting least preference. At the same, vegetables and food items, which were getting least priority under unorganized retail outlets (on basis of quality as well as price).

HO4: There is no significant difference between the choices of retail formats across the respondents' age level.

Chi square test used (At 5% Level of significance)

Table 6 (Majority of Purchase made by Respondents According to their Age)

Age	Respondents' Opinion on Majority of Purchases	
	Organized	Unorganized
Less than 20 years	5	12
20 – 30 years	18	24
30-40 years	10	17
40-50 years	3	8
Above 50 years	1	2
Total	37	63

χ^2 calculated =1.5

χ^2 tabulated (at 5% degree of significant) =9.5

Interpretation: As the null hypothesis has been accepted, we can conclude that there is no significant difference between the choices of retail formats across age.

HO5: There is no significant difference between the choices of retail formats across the respondents' gender.

Chi square test used (At 5% Level of significance)

Table 7 (Majority of Purchase Made By Respondents According to their Gender)

S. No.	Gender	Respondents' Opinion on Majority of Purchases	
		Organized	Unorganized
1	Male	24	21
2	Female	13	42
Total		37	63

χ^2 calculated =9.4

χ^2 tabulated(at 5% degree of significant) =3.8

Interpretation: As the null hypothesis is rejected, we can conclude that there is a significant difference between the choices of retailer's format across gender.

Table 8: Preferences of respondents of organized retailers over traditional retailers

Factor	Ratings					Weight	Rank
	5	4	3	2	1		
Convenient	3	44	15	7	4	3.62	2
Proximity	12	52	26	9	1	3.16	5
Comfortable	35	41	18	4	2	3.7	1
Value Added Services	36	30	25	7	2	3.44	3
Services Better than Traditional Retailers	14	34	42	4	6	2.65	6
Entertainment	11	22	30	29	8	2.42	7
Quality & Quantity Up to Expectations	19	42	25	12	2	3.17	4

Thus the above table concluded that the consumer's perception towards organized sectors was high because of their comfortable shop atmosphere and convenience of shopping. The unorganized retailers could give adequate importance to value added services to create good relationship with customers that will help them to retain the existing buyers as well as to attract new customers.

FINDINGS & CONCLUSIONS

India is at the crossroads with respect to the retail sector. Both modern and traditional retailers will co-exist in India for some time to come, as both of them have their own competitive advantages. The *kirana* has a low-cost structure, convenient location and customer intimacy whereas modern retail offers product width and depth and a better shopping experience. One of the prime objective of this study was to find the perception of customer towards organized and unorganized retail formats across demographic profiles. This study indicated that Customers like to buy fruits & Vegetable from air-conditioned supermarkets because of its quality products but due to the high prices they still feel conservative to buy these kinds of products either from the local mobile vegetables seller or from the nearest bhaji market.

The study further revealed that Store Location was a major comparative advantage of unorganized outlets. Unorganized retail outlets are having a comparatively strong advantage because of their ability to sell loose items, provision of credit, bargaining and home delivery facilities. The organized retailers are having a greater advantage because of the store image, product availability, and price discounts.

From this study it was observed that due to changes in the disposable income and increased awareness of quality, the consumer's perception towards organized and unorganized retailers differ on the basis of quality and price. They preferred to buy different products from the organized and different from the unorganized retailers. From the study it was found that when compared to the unorganized retail format, most of the respondents had a good image about the organized retailers. Even the unorganized retailers had a good share in Market, but due to factors such as space, parking facility etc. a gap exists between both the formats. The customers wished for more outlets being opened. In spite of the enormous potential and growth opportunities available for the organized sector, it will not create a major impact on the unorganized retailers because of the mindset of the Indian consumers who cannot think of a life without having a local kirana store near their locality.

SUGGESTIONS AND RECOMMENDATIONS:

• For Unorganized Retail

1. Unorganized retailers should purchase variety of products from the single wholesaler to avail adequate discounts so that they meet the cost expectations and needs of their customers.
2. The unorganized retailers should continuously improve their display to compete with the organized sector.
3. The unorganized retailers should provide adequate self service facilities to the customers.
4. The unorganized retailers should offer cash discounts to customers on bulk purchases.
5. The unorganized retailers should offer attractive weekly or monthly schemes for groceries and other items and promote them through leaflets or pamphlets.
6. If they target only “category killer” customers, it could help them to retain customers.
7. Unorganized retailers should make remarkable changes in their store ambience to retain the existing customers and attract new customers with sophisticated facility and more space.
8. The unorganized retailers should make a strategy to retain their customers by providing quality goods and services because it is well said that “Quality is remembered long after the price is forgotten”

9. They should also go for collaborations within the regional level so that they can survive in this globally competitive world.

• **For Organized Retail**

1. The organized retailers should provide attractive offers to compete with the unorganized sector.
2. The organized retailers should offer lucrative schemes, discounts to generate consumer's stimulus.
3. The organized retailers should provide necessary arrangements for home delivery of products.
4. Organized retailers have been adding value to their products through prices, services and offers to attract and retain customers.
5. Organized retailers should organize efficient and effective loyalty programs. This could help in providing recognition to the customers.
6. Organized retailers should make necessary arrangements for consumer complaint management because customer complaints are the school books from which they could learn.

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