CHAPTER -2
UNORGANIZED RETAILING
2.1 INTRODUCTION

Unorganized retailing refers to the traditional formats of low cost retailing for example, the local kirana shops, owner manned general stores, paan-bidi shops, convenience store, hand cart and pavement vendors. Traditional or unorganized retailing continues to be the back bone of the Indian retail industry, with traditional retailing contributing to over 95% of total retail revenues. The prototypical ‘baniya’ outlets or the corner store comprise a key part of Indian retail store formats mostly run as small family business. The unorganized retailing comprises of ‘mom and pop’ stores or ‘kirana’ stores. These are very small shops located near the residential areas, popularly known as kirana shops. The unique marketing proposition of this store is location advantage. These shop owners in order to retain their customer can even go their customer’s house to get orders. Trading hours are flexible and the retailer to consumer ratio is very low due to the presence of several kirana stores in the locality. Credit facility varies from store to store and customer to customer. Customers’ reliability and relation with the shop kipper is enough to avail credit facility. Branding is not a criterion to attract the customers, as customers prefer low-priced products. More than 99% customers are price sensitive and not quality or brand sensitive at the same time they are brand conscious also. Further retailer’s suggestions and recommendation regarding any product or service plays a significant role in the customer’s purchase decision. More than 99% of retailers function in less than 500 Sq. Ft of area. The pricing was done on ad hoc basis or by seeing the face of customer. More than 99% customers are price sensitive and not quality or brand sensitive at the same time they are brand conscious also. Traditionally, retailers procure merchandise from whole seller in bulk and sell in small quantities to the ultimate customer. All the merchandise was purchased as per the test & fancies of the proprietor.

2.2 UNORGANIZED vs. ORGANIZED RETAILING.

Traditionally small Kirana shops are Omni present in rural as well as urban India. Small shops are having inseparable affinity with the local people and depends on the integrity will sell the goods on credit also. Daily wage earners will purchase provisions out of their daily earnings. Salaried people also purchased either on cash or credit. Hence, small shop owners are familiar with every face in that locality. “Repeated business is a always
business” since local customer will visit these small shops regularly, unOrganized retail business is thrilling. The FICCI – Ennest & Young 2007 report on “Wining with intelligent supply chains” says that retail sector in India is highly fragmented with over 12 million unorganized retailers across the country. More than 80% of these outlets are small family business using household labour.

With the entry of Organized retailers over the last few years, the share of Organized market has been growing rapidly to reach near about 5% of the total retail market. India is moving in the direction towards growth and maturity in the retail sector at a fast pace.

With the share of 95% of unOrganized retailing, the sector is considered as an avenue for self-employment. About 5 crore people are directly depends on this sector. Retailers are purchasing produces from the farmers in the season and sell throughout the year. For some goods or products they will relay on whole seller or distributor and take their margin.

Table – 23
Organized V/S Traditional Retail

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In the present economic scenario Government is giving priority to privatize all the possible works and now to get Government job is searching for water in dessert. When avenues are narrowed day by day unemployed
youth are desperately trying to stand on their own legs and small shops are among the several option available to them. Thus small shops in both rural and urban area are occupying significant status. Low capital, small space, reasonable prices, quality provisions, satisfactory services, personal attention are the successful pillars for small shops. All these shops are in the unorganized sector and having impact on Indian society.

Many companies are grasping the situation and due to the economic reform, retail is a facing competition from both domestic and international Organized retail giants. Corporate world has understood that the level of economic activity can be calibrated by the level of money supply. Since quality of work life is improved, standards of living are also refining. Due to government policies money is flowing in the society and people are willing to purchase modern articles.

In recent time big Organized retailer like Big bazaar, Reliance retail, ITC ltd. Etc. establish its retail store throughout the country and some of them expand its category like fruit, vegetable and FMCG retail and wholesale business by opening new outlets in rural areas also. These are the hyper markets which provide multiple services under one roof. Rising disposable income(especially among the middle class people) increasing consumer base in urban area, and a potentially strong rural consumer market will fuel this growth in the near future. India has been rated as the most attractive emerging retail market in the world for the third time in succession. The retail sector is expected to grow rapidly to reach US $ 30 billion by 2010-11 driven by the increasing number of nuclear families, working women, greater work pressure, easy accessibility and convince.

Finally the growth in retail sector has driven a mall building boom across the country, with the total number of malls expected to increase to more than 600 by 2011 from an estimated 300 by 2007.
2.2.1 Advantages of Organized Retail

Quantity discount from supplier

Organized retailers are always exploiting their stranger viz. Bulk buyer from national & international supplier or marketer. As Organized retailer are in different position markets are suppose to provide them deep assortment of all the brands at very low rate. Such advantage is passed to the customer in form of flat discount. But all the Organized retailers are not following this practice major discount store format adopter are using such strategy which ultimately creates an advantage of loyal consumers.

Experience Shopping to grate Indian Middle Class

Shopping through Organized retailers is absolute difference as to purchasing to traders and retailers or shop keeper. Organized retailers understands the consumers psychology very well hence they treat whole family as a consumer great ambiance, excellent display of offering, attractive sales promotions scheme, availability of wide variety, comfort of feel touch smell of the product as well as allied services for the entertainment comforts the mall from service purchasing to enjoyable buying place. Not only this but various festival discount scheme almost all category of offering makes the mall or Organized retailers affordable as well as cannot place specifically for working couples and urban people.

Value added services

Organized retailers are providing value added services to its valued customers. Specifically speaking almost all the electronic equipment Organized retailers are concern specific value added services like zero percent finance, exchange offers, free home delivery, free installation in case of AC as well as easy transparent complaint management. It clearly distinguish traditional retailer in this regard.

Deep Assortment of product or broad choice to customer

Organized retailers are inseparable in terms of space availability as to retail conventional store. They are tries to offer, offerings of almost all the leading national brands along with private labels. Hence in case of FMCG, package food and grocery items almost all the deep assortments are available for the consumers. Not only this but now a days it is practice of providing offerings of every flavour, type and size. For example, in case of shampoos
and toilet soaps an arrange brand keep by Organized retailers is more than ten in case of shampoo and more than fifteen in case of toilet shop. Confidence level of customer is very high

Level of confidence of customer who are purchasing from Organized retailers is very high because of

- Computerized billing
- Transparent Exchange Policy
- Clear-cut price of the offerings
- A recognized product or product with ISI or Agmark.

High confidence among the customer spread publicity of respective Organized retailer out very fast.

Employment Provider

Organized retailers can provide employment at large level to society. As its every function storage, transportation, merchandise management, customer care, customer assistance management, control system, etc. requires skill and semi skilled personals. Not only these but Organized retailers are working at least at 12 hours or more period hence employees are working in two shifts. Hence it enhances the purchasing power of lower middle class unskilled or semi skilled workers.

One stop solution

Almost all the Organized retailers are trying to provide maximum offering under one roof which reduces the time & efforts of customer. One stop solution is really to be treated as blessing for the working couples as well as for senior citizens. Allied offerings in terms of food court place, space, medical store, gift shop, ATM etc. is to be treated as very good effort for attracting customers and providing offering plus services.

2.2.2 Disadvantages of Organized retailing :-

- Poor Customer Relationship Management (CRM)

In true sense CRM is not practiced as it should be by Organized retailers. Issuing membership card with specific credit limit or discount to regular customer could not serve the purpose. There is lack of regular customer contact with specific reference to charges inside the store, examine overall satisfaction level of consumer, any suggestion for seasonal grocery or improvement areas of the stores. There is lack of standard complaint
management procedure as well as very less efforts are made for converting negative attitude into either neutral or positive one.

One time visit place

Indian customers mind set towards the mall is not a serious purchase place but one time visit place at mall. Specifically dining weekends this type of mentality has been created due to many reasons like no discount or free gifts, on most preferred brands, window shopping encouragement at very high price in many cases youngsters who have got started coming as well as those who are single are treating such places as social and meeting place or family enjoyment place which ultimately increases the first fall but could not generate handsome sale.

- Footfalls can’t be converted into actual buyer

Organized retailers are sure full in bringing great Indian Middle Class at the doorstep of the mall through convenience, attractive ambiances and of course experience shopping but due to lack of serious and desirable sales promotion efforts which are expected by customers, visitors are not converted into buyers.

Long gestation period:

One of a remarkable disadvantage of the Organized industry is gestation period it means from the date of establishment to the date of break even point it requires at least 7 to 8 years due to heavy operational and heavy establishment expenses. Not only this but in recent cases many business houses who have diverted the cash flow in this area could not see the viability of their retail operations even after 3 years in Gujarat as decided to close their operations. It indicates child death in the industry.

Absence of usage of Technology

Organized retailing can be managed successfully with help of –

1) Excellent merchandise management
2) Real time delivery
3) Proper CRM with advent use of technology, inventory cost accounts for 40% operational cost which indicates that inventory is to be managed with great care. like wall market. Not only is that but in case of research and evaluation programme technology not used.
4) Very high establishment cost

Investment in real estate, storage, space for merchandise management and hiring of the level management personal are the major areas of huge investment in Organized retailing. Out of this in last 3 years rental of the premises in which such mall is to be established has been doubled. The 2nd most important component is high merchandise the investment and operational expenses is internal furniture, A.C., lighting, assortment display etc. Not only this but in case of India separate strategy and promotional scheme are offered on various events and festivals which also enhance its cost.

Psychological jolt due to financial meltdown

The important drawback in the Indian customer mindset is a direct reaction in terms of behavior due to financial meltdown in the western countries due to recession in U.S. and other western countries and reduction in joy. In several sectors of India arrange consumers' attitude towards spending for various products has been suspended as well as conservative approach has been followed for expenditure in electronic items and other consumer durables.

Inappropriate segmentation :-

Organized retailers are following different formats for different types of customers across India but it has been observed that there is lack of appropriate segmentation and improper and to certain extent failure to associate positioning strategy. Future Group at present adopting vast variety of format. Targeting to middle class to higher class of the country but merchandise availability in many format is similar. Which creates confusion and collision between two contradictory product, brand and strategy specifically with reference to central mall and Gulmohar park for apparels in Ahmedabad.

2.2.3 Advantages of Unorganized Retailer :-

Convenient Location

The most important advantage of unorganized retailers is convenient store location. In India total no. of provision store are more than total no of Organized retailing outlets in USA & UK combined. For daily necessity which required in low quantity near by grocery stores is very convenient not only this
but if the same items are to be purchased from the mall one has to spend at least ½ an hr. Most of the woman consumer or habituated with the kirana stores near to the residential area and frequently visited while purchasing vegetables and fruits. In case of mall distance, parking availability long a for bill payment etc. or bundles rather than benefits.

Advantage pass on to customer

It wrong impression that kirana walas are not preceding any type of discount. Many multi outlet unorganized kirana walas are providing flat discount which they get from manufacturers on daily bases, it is not provided by the malls on daily bases.

Personal touch

Unorganized retailer always has direct and personal touch with the customer. Which plays very important role in enhancing customer satisfaction level as well as resolving complains. Not only this but almost all kirana walas are contacting regularly to their valued and regular customer. In case of seasonal a rosary new arrivals festival season.

Credit period

The most important the unorganized retailer is attracting customer by enhancing their purchasing power through providing credit to regular customers. Due to these specific characteristic customers whose income is irregular as well as low cannot be attracted by malls. It creates store patronization.

Lower investment

In India unorganized retailing is easy to establish as well as it requires very nominal investment which is in the form of inventory and very basic display furniture low investment indirectly creates an advantage of high return and very less gestation period. Not only has this but it provided employment to unskilled workers.

Flexibility in operation

Traditional retail format in the form of kirana walas and provision store are enjoying the most important advantage of flexibility. As the organizational structure is narrow as well as design taking capacity with its owner provides flexibility in terms of the fashion not only this but as there is change in demand, trend, fashion as expectation of cost. One can easily make change
in display, offers, inside furniture and inventory such flexibility place very important role in creating and maintaining profitability of the store.

No requirement of skilled staff:

As the operations in the unOrganized retailing are of basic nature there is no requirement of specialized staff not only this but even the most unknown person can be train within short period of time. Indirectly speaking it is very well employment providing sector.

2.2.4 Disadvantages of unorganized retailer:

Non availability of quantitative discount

As the customer base is very low traditional retailer are not purchasing goods in bulk from marketers. They are not in position to obtain any quantities discount which ultimately results into non availability of flat discount to customer. Due to this factor large no. of consumers are diverted from unorganized retailers to organise.

In attractive ambiance

As compare to mall the product display, signage, felling overall layout and inside store ambiance is very poor in Organized retail stores but still they are not coming out of the mindset and still not preferring investment in the existing business.

Non availability of new arrival

Due to lack of availability of space as well as less important given by the manufacturer or marketer to the continental retailers new offerings are not provided to unorganized retailers in time which are ates low aridity about the product but at the same time the strategy of marketer with organized retailers is different which indicates priority to Organized retailers for new and specific segment oriented products. From the national brand view point unless & until new offering in terms of pouch is launched marginal small retailers are useless.

Lack of specialty products
In India FMCA products and personal care products are offered through many formats like kirana wala, medical store, paan gallah, electric stores and even ice-cream parlour but very few stores are there who specialized stores for particular merchandise are. Organized retailers are always putting themselves on advantages part in this area.