CHAPTER 1
INTRODUCTION AND DESIGN OF THE STUDY

1.1 Significance of the Study

The retailing environment has seen a tremendous growth in the size and market dominance of the larger players, with greater store size, increased retail concentration, and the utilization of a range of formats (Hollingsworth, 2004)\(^1\). This has intensified the level of competition in retail business, stimulating retailers to reposition and diversify their retail formats, and innovate in their distribution systems. The maturity of core markets, the erosion of traditional shopping patterns through urbanization, and social and demographic changes of developed markets, have stimulated several major players to focus more on establishing a presence in developing markets (Euromonitor, 2005; Planet Retail, 2006)\(^2\).

The global retail industry has been growing at a brisk pace during the last few decades. Retail sales through modern formats have been rising faster than total retail sales; the share of modern retail has risen from about 45 per cent in 1996 to over 52 per cent in 2006. However the spread of organized retailing in different countries varies depending upon the socio-economic factors related to the country. In the developed economies, organized retail is in the range of 75-80 per cent of total retail, whereas in developing economies, the unorganized sector dominates the retail business. The share of organized retail varies widely from just 1.00 per cent in Pakistan and 4.00 per cent in India to 36.00 per cent in Brazil and 55.00 per cent in Malaysia. Modern retail formats, such as hypermarkets, superstores, supermarkets, discount and
convenience stores are widely present in the developed world, whereas such forms of retail outlets have only just begun to spread to developing countries in recent years. In developing countries, the retailing business continues to be dominated by family-run neighbourhood shops and open markets.

The arrival of modern retail in developing countries occurred in three successive waves (Reardon and Hopkins, 2006; Reardon and Berdegue, 2007)\(^3\). The first wave took place in the early to mid-1990s in South America (e.g., Argentina, Brazil, and Chile), East Asia outside China (South Korea, Malaysia, Philippines, Thailand, and Taiwan), North-Central Europe (e.g., Poland, Hungary, and Czech Republic) and South Africa. The second wave happened during the mid to late 1990s in Mexico, Central America (e.g., Ecuador, Colombia, and Guatemala), Southeast Asian countries (e.g., Indonesia), Southern-Central Europe (e.g., Bulgaria). The third wave began in the late 1990s and early 2000s in parts of Africa (e.g., Kenya), some countries in Central and South America (e.g., Nicaragua, Peru, and Bolivia), Southeast Asia (e.g., Vietnam), China, India, and Russia. Thus, the third wave countries which include China, India and Russia are late comers in the diffusion of modern retail. Table 1.1 indicates the percentage of organised trade in various countries.
Table 1.1

Percentage of Organized Trade in various countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Organised trade %</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>4</td>
</tr>
<tr>
<td>China</td>
<td>17</td>
</tr>
<tr>
<td>Poland</td>
<td>20</td>
</tr>
<tr>
<td>Indonesia</td>
<td>30</td>
</tr>
<tr>
<td>Russia</td>
<td>33</td>
</tr>
<tr>
<td>Brazil</td>
<td>35</td>
</tr>
<tr>
<td>Thailand</td>
<td>40</td>
</tr>
<tr>
<td>Malaysia</td>
<td>55</td>
</tr>
<tr>
<td>USA</td>
<td>85</td>
</tr>
</tbody>
</table>

With the changing demographic features and improvement in quality of life of urban India, the Indian retail sector is witnessing a tremendous growth. The total retail sales in India are expected to grow from US$ 353.0 billion in 2010 to US$ 543.2 billion by 2014 (The BMI India Retail Report, May 2010). Strong underlying economic growth, population expansion, the increasing wealth of individuals and the rapid construction of organized retail infrastructure are key factors behind the forecast growth. As well as an expanding middle and upper class consumer base, there will also be opportunities in India’s emerging cities. The greater availability of personal credit and a growing vehicle population to improve mobility also contribute to a trend towards annual retail sales growth of 11.4 per cent. The growth in the overall retail market will be driven largely by the explosion in the organized retail market.
As per AT Kearney’s annual Global Retail Development Index (GRDI), 2010 India is ranked third in the list of most attractive market for retail investment. India has one of the largest numbers of retail outlets in the world. Of the 12 million retail outlets present in the country, nearly 5 million sell food and related products. The market is witnessing a migration from traditional retailing to modern/Organised retailing formats, with an explosive proliferation of malls and branded outlets. Modern retailing outlets in India are increasingly becoming global in standards and are witnessing intense competition. With a share of over 95 per cent of total retail revenues, traditional retailing continues to be the backbone of the Indian retail industry. Over 12 million small and medium retail outlets exist in India, the highest in any country. Traditional retail is highly pronounced in small towns and cities, with a primary presence of neighbourhood 'kirana' stores, push-cart vendors, 'melas' and 'mandis'.

The food and beverages segment accounts for the largest share, at more than 70 per cent of the total retail pie. Traditional retail dominates food, grocery and the allied products sector, with grocery and staples largely sourced from kirana' stores and push cart vendors. “Food and grocery constitutes the bulk of Indian retailing and its share is about 60%” (Images, 2008). Organised retailing accounts for about less than 2 percent of the food retailing industry in India. However, the share of organised retailing in food and grocery segment could grow to 15-20% if the current trends in expansion of organised retail continue (Reardon and Gulati, 2008). Nilgiris, established in 1905 as a dairy farm near Ootacamund in South India could perhaps be the first organised supermarket in India. Though Spencers has been part of Indian retail landscape since 1863, it began selling groceries only in 1920. Safal,
established in 1988 by the National Dairy Development Board (NDDB), was the first Organised retailing venture for fruit and vegetables in North India mainly Delhi. Establishment and expansion of the “Food World” outlets by the RPG Group starting with the first outlet in Chennai in 1996 led to enhanced corporate interest in food retailing. RPG (Spencers), Reliance (Fresh), ITC (Choupal Fresh), Aditya Birla (More). Heritage (fresh@), Pantaloon Retail (Food Bazaar), Bharti (Easy day), Express Retail (Big Apple), are some of the major corporate houses currently active in food retailing in India. Much of the expansion in food and grocery retailing in India is currently concentrated in the southern states, in and around Chennai, Hyderabad and Bangalore (Rasheed Sulaiman V N.J. Kalaivani, Jatinder Handoo, 2010)⁷

What is the impact of this expanding corporate retail of agricultural products, especially fruits and vegetables on producers, intermediaries and consumers in India? The evidence is limited and the opinion seems to be divided. The focus of discussions is around livelihood losses of street hawkers and neighbourhood stores who currently sell more than 98% of food and groceries. The ICRIER (2008) study found that the unorganized retailers situated near the organised retailers were experiencing a decline in their volume of business and profit in the initial years after the entry of large organised retailers. The impacts are expected to be “larger in the long run, when the Organised retailing of food and grocery reach at least 25-30% of the total sales” (Reardon and Gulati, 2008)⁸. However, the consumers are gaining from low prices offered at the shops of Organised retailers (Gaiha and Thapa, 2007; ICRIER, 2008)⁹.
Organised retail in India is largely restricted to urban regions with consumer exposure to modern retailing formats such as malls and standalone stores, etc., for specific product categories. While India’s top 20 cities account for just 10 per cent of the country’s population, they earn more than 30 per cent of the country’s income and spend 21 per cent of the country’s total income. From the point of view of India’s marketing firms, the top 20 cities and their growth are clearly of paramount importance.

The emerging and potential cities are projected to contribute about US$ 27 billion to retail revenues in 2009-2010. The combined retail potential of these cities is expected to soar to US$ 33 billion by 2012–13. 52 leading towns are likely to emerge as retail hubs by 2011 with tier-III towns gaining the market potential to host five or more hypermarkets. The retailers are now selectively focusing on smaller cities of India like Chandigarh, Ludhiana, Jaipur, Lucknow, Kochi, Nagpur, Indore, Nasik, Bhubaneswar, Visakhapatnam, Coimbatore, Mangalore, Mysore and Thiruvananthapuram.

Among the upcoming cities of Andhra Pradesh, Visakhapatnam has been rated as emerging city with high potential for retail growth due to envisaged economic development.

1.2 Need for study

As evident from the above narrative that with the changing demographic features and improvement in quality of life of urban India, the Indian retail sector is witnessing a tremendous growth. The growth in organized retailing has been the national trend over the last decade, with many organized retail chains developing larger stores that specialize in providing a wide selection of
produce in a particular product range, lucrative pricing, one stop shopping etc. Most organised retailing activity in India is still overwhelmingly concentrated in India's two largest metros - Delhi/NCR (National Capital Region) and Mumbai (Jones Lang LaSalle Meghraj, 2007). Whilst the report concludes that there are considerable opportunities in these two vast cities, increasing competition combined with the growing opportunities in India's regional markets is encouraging retailers to move into new and potentially more rewarding markets. Organised retailing in India's other main cities, such as Bangalore, Kolkata, Hyderabad, Pune and Chennai is growing rapidly, but such is the pace of change, that many smaller third tier cities are now firmly on the radar screen of the retail sector and mall developers.

With around 50 cities of over one million populations, many of which are still largely untapped, there are clearly substantial opportunities for the retail sector in these cities. Domestic retailers and shopping mall developers are moving aggressively into India's smaller cities in order to gain first mover advantage, to capture growing consumer markets and to respond to the strong demand for branded goods. There is clearly a significant requirement from the retail sector to know where India's next growth opportunities are likely to be concentrated.

The above study classifies the top 50 cities of India into maturing, transitional and emerging cities on the basis retail and property landscape. While the maturing cities such as Delhi and Mumbai are almost at the risk of saturation in some market segments, the transitional cities such as Bangalore, Kolkata, Hyderabad, Pune, Ahmedabad and Chennai are now firmly making their mark on the retail sector. New retailers (both national and international) are still
largely focused on India’s main cities, but expanding domestic retailers and
mall developers are now selectively focusing on smaller cities like
Chandigarh, Ludhiana, Jaipur, Lucknow, Kochi, Nagpur, Indore, Nashik,
Bhubaneshwar, Visakhapatnam, Coimbatore, Mangalore, Mysore and
Thiruvananthapuram. These cities due to growing consumer markets,
considerable latent demand for branded goods and lower property costs
provide ideal environment for the growth of retailing.

The prognosis of the above analysis could be that in the next phase of
expansion of retail sector in India will be focused on the emerging cities of
India which promise excellent opportunity for organized retailers. And a closer
look at the cities of Andhra Pradesh indicates that, while retailing has made
considerable inroads in Hyderabad which has been categorized as transitional
city, organized retailing in Visakhapatnam is still emerging and that in
Vijayawada is still in its nascent stages. The traditional markets of
Visakhapatnam and Vijayawada are still dominated by unorganized retailers
and organized retailing has just entered in the foray in the beginning of
millennium.

Organised retailers entered Visakhapatnam in early 2000 and today there are
over 50 organized retail outlet at Visakhapatnam, which contribute to very
meagre share in the overall retail business. Despite the tremendous potentials
such as low property value, growing income levels, changing socio-economic
profile and large percentage of young population, which promotes organized
retailing the growth of organized retailers in Visakhapatnam has been modest
during the period 2006-09.
This prompted a study to establish the potentials of Visakhapatnam for the growth of retailing with the focus on consumer preferences and behaviour. Further, since the city is dominated by traditional retailers, the study also attempts to establish the impact of organized retailers on unorganized sector in Visakhapatnam with respect to the purchase behaviour of consumers of food and grocery (The outlets which sells food, grocery, household items, toiletries and cosmetics).

Towards this, relevant feedback from the retailing neighbourhood shops were obtained by the investigator from unorganised retailers and customers of organised and unorganised retailers in and around Visakhapatnam through pre-designed questionnaire. On the basis of the topic and the area of the investigation, survey method of research was chosen after careful consideration.

1.3 Hypotheses for the study

In this section, an explanation is given for the formulation of hypothesis and later tested it by using the data collected by means two extensive schedules which was administered to unorganized retailers and customers.

1.3.1 Evaluation of Unorganized Retailer Business

Food and grocery segment comprises 62 per cent of the $ 270 billion (Rs. 1200000 crore) Indian retail market (India Retail Report, 2007)\(^1\). Only 0.8 per cent of this segment is in the organized sector and witnessed a year-on-year growth of 30.8 per cent in 2005-06 as against 2.2 per cent growth of the total food and grocery retail market (India Retail Report, 2007). This indicates huge opportunities in organized retail. Although traditional retail currently
constitutes over 95 per cent of the total sales in the country, smaller kiranas that are unable to compete with new age retailers in terms of variety and scale have begun losing volumes in several parts of the country (Vijayraghavan and Ramsurya, 2007)\(^\text{12}\). Political concerns over the loss of livelihood by lakhs who run mom and pop stores also need to be addressed (Bureau, 2007a; Jha and Guha, 2007)\(^\text{13}\). To address the growing concern over the loss of livelihood, organized large scale retailers like Reliance Fresh is inviting small retailers as well as individuals to become franchisees on a revenue sharing model (Thakkar and Bhatt, 2007)\(^\text{14}\) and the newly-formed Bharti-Wal-Mart venture too intends to follow the same model by offering employment opportunities to 60,000 people by 2015 (Times News Network, 2007)\(^\text{15}\). Internationally, while some studies suggest that large scale retailers like Wal-Mart are responsible for widespread closings of mom & pop stores (Wal-Mart Watch, 2005; Basker, 2005)\(^\text{16}\), other studies suggest that the process of creative destruction unleashed by Wal-Mart has had no statistically significant in long-run impact on the overall size and profitability of the small business sector in the United States (Sobel and Dean, 2006)\(^\text{17}\). The Prime Minister’s Office (PMO) of India has already initiated a study on the impact of retail giants on small retailers and this move has been welcomed by the Confederation of All India Traders (CAIT).

These observations suggest the first research question to find out the impact of organized retailer on unorganized retailer. The study has been conducted by delivering a detailed questionnaire to 200 unorganized retailers from five areas of Visakhapatnam who sells food and grocery items.
The analysis is based on the retailer’s performance against five determinants for store choice by a customer. They are:

1. Product categories dealt by the retailer.
2. Facilities available in the outlet,
3. Various services offered by the retailer,
4. Retailer’s adoption to the changing market trends
5. Readiness to face the competition of organized retailer

Therefore the proposed first set of hypothesis is as follows.

**Hypothesis- I**

1. The age group of the retailers is not significant in dealing with above mentioned determinants of store choice.
2. The educational qualification of unorganized retailers is not significant in dealing with the above mentioned determinants of store choice.
3. The type of retail outlets is not a deciding factor in dealing with the five determinants of store choice.
4. The size of the shop is not significant in dealing with the five determinants of store choice.
5. There is no relationship between number of years of experience in the business and the five determinants of store choice.

**1.3.2 Buying Behaviour of Organized Retail Consumers:**

The study of consumer behavior focuses on how individuals make decisions to spend their available resources (time, money, effort) on consumption-related items (Schiffman and Kanuk, 1997)\(^\text{18}\). The field of consumer behavior
covers a lot of ground. According to Solomon (1996) consumer behavior is a study of the processes involved when individuals or groups select, purchase, use, or dispose of products, services, ideas, or experiences to satisfy needs and desires.

The official definition of consumer behaviour given by Belch (1978) is ‘the process and activities people engage in when searching for, selecting, purchasing, using, evaluating, and disposing of products and services so as to satisfy their needs and desires’. Behaviour occurs either for the individual, or in the context of a group, or an organization. Consumer behaviour involves the use and disposal of products as well as the study of how they are purchased. Product use is often of great interest to the marketer, because this may influence how a product is best positioned or how we can encourage increased consumption.

It is important to analyze the buying behaviour of the people with respect to an organized retail outlet in order to study the Impact of the organized retailing on unorganised sector of Visakhapatnam. It also facilitated the investigator in analyzing the factors influencing the respondent’s preference of a retail outlet. In this regard four hypotheses are given below and this forms the second set of hypothesis for the study.

**Hypothesis – II**

1. (a) There is no significant relationship between the distance of the respondent’s (organised retail customers) residence and the amount spent in the outlet.

   (b) The distance of the respondent’s (organised retail customers) residence will not have an impact on the purchase of different items
from the outlet.

2. (a) There is no significant relationship between the amounts spent by the respondents at the organised outlet and the mode of transport used by them.
(b) The purchase pattern of respondents of organized outlet is same irrespective of the mode of transport used by them to reach the outlet.

3. (a) There is no significant relationship between the amount spent in the organised retail outlet and frequency of purchases of the respondents.
(b) There is no significant difference in the frequency of purchase from the organised retail outlet and the different product category purchased by the respondents.

4. (a) There is no significant relationship between the average monthly household income of the respondents and their spending at an organized outlet
(b) The various products purchased by the respondents in an organized outlet are not dependent on their average monthly income.

1.3.3 Buying Behaviour of Unorganized Retail Consumers:

Since the major concept of the research is based on the impact study on unorganized retailers, it is important to analyze the buying behaviour of the customers with respect to an unorganized retail outlet. This is done to find out the variations in the purchase pattern of the customers if any. It also helped the investigator in analyzing the factors influencing the respondent’s
preference of a retail outlet. In this regard the various hypotheses assumed are given below and this forms the third set of hypothesis for the study.

**Hypothesis III**

1. (a) There is no significant relation between the amount spent by the respondents (unorganised retail customers) during one visit and the distance of their residence from the outlet.
   (b) There is no significant difference between the distance of respondent’s (unorganised retail customers) residence and the various products purchased by them.

2. (a) There is no significant relationship between the amount spent by the respondent at the unorganised retail outlet and the mode of transport used by them to reach the outlet
   (b) There is no significant difference between the purchase of various product categories by the respondents at the unorganised outlet and the mode of transport used by them to reach the outlet.

3. (a) There is no significant relationship between the amounts spent by the respondent during one visit and the frequency of purchases from the unorganised retail outlet.
   (b) There is no significant difference among the frequency of purchase and the different product category purchased by the respondent at the unorganised retail outlet.

4. (a) There is no significant relationship between amount spent by the respondent during the visit to the unorganized outlet and the average monthly household income of the respondents
There is no significant difference in the purchase of various product categories by the respondent at an unorganised outlet and their average monthly income.

1.4 Objectives of the study

The main objective of this study is to analyze the impact of growth of organized retailers on unorganized retailers in the food and grocery segment in Visakhapatnam. With this overall objective the sub objectives of the study are as follows.

1. To analyze the present retail scenario with respect to the share of unorganized retailers.
2. To analyze the factors affecting the buying behaviour of consumers with respect to food and grocery in retail business.
3. To analyse the perception of unorganized retailer on the entry of organized players based on performance of last two years.
4. To study the reasons for consumers patronizing unorganized retailer despite the existence of new organized formats.
5. To analyse the various factors influencing the preference of a retail outlet by a customer.
6. To identify the potential for the organised retailers in AP and suggest few strategies to unorganised retailers to compete with organised retailers.

1.5 Research Methodology

Descriptive research method has been used in the present study. Descriptive studies are designed to obtain pertinent and precise information
concerning the current status of phenomena and whenever possible, to draw valid general conclusions from the facts discussed.

The main purpose of the study is to find out the current performance of the Kirana shops in and around Visakhapatnam. An attempt is made to find out the impact of organised retailing on unorganised retailers who deals with food and grocery and to what extent they provide customer satisfaction.

The steps taken to complete this study were:

1. Literature review
2. Statement of the problem
3. Scope of the study
4. Preparation of the questionnaire used for the study
5. Sample Selection
6. Data Collection
7. Data Analysis

Each step is discussed in the subsequent paragraphs.

1.5.1 Literature Review

The literature research phase started three years prior to the study itself. The recent developments in the retail sector and the agitations of the unorganized retailers against the entry of the huge formats and the various government policies regarding the FDI in organized retailing etc; were of interest to the researcher well before the commencement of the study. Also various articles, reviews, proceeding of various conferences related to the topic were collected and reviewed in detail. When the formal study was commenced, an official
literature review process was initiated, which continued right through the four years of the research. The detailed literature review used for the study is explained in Chapter 3.

In addition, desk research at Indian institute of management (IIM) Ahemadabad, IIM Bangalore, Indian School of Business Hyderabad, Andhra University, Acharya Nagarjuna University were undertaken.

1.5.2 Statement of the Problem

Neighbourhood shops have achieved a remarkable success in retail markets in India. The Ministry of commerce and excise department of India is providing various schemes and development programs to cater to the needs and growth of retail merchants and business people, who are playing a vital role in controlling the market trends in the national scenario with their all-round performance. In the present scenario, customer motivation and satisfaction is under the control of business people and especially retailers. The situation of market and trends in price of commodities, mainly, under the control of these departments. They can raise the prices and they can down the prices according to the market situation.

The growth and development of any retailers are depending on their marketing skills and business performance. The marketing skills depend on two factors, i.e. nature of commodity and attitude of customer towards the commodity and the business performance depends on marketing situation and schemes introduced to attract the customers. These two factors are depending on role and performance of neighbourhood shops. It is necessary for a retailer to measure the sort and long term activities performed to attract
and motivate customers. This is very much needed in retailing especially
neighbourhood shops to develop significant sales of food and grocery to the
customers.

In this juncture the topic has been selected for the study is “The Impact of
Organised Retailing on the Unorganised Retailing: A Study on Buying
Behaviour of Consumers at Food and General Stores in Visakhapatnam.”

1.5.3 Scope of the Study

The Indian market has seen vast changes in political, economical and social
environment, which has a great impact on consumption. With the Indian as
well as international corporate entering into the Indian retail scenario the
market has been divided between the traditional and the organized sector.
The Indian retail scenario is presently facing the similar situations as the mom
and pop stores in the developing nations faced at the emergence big box
retailers. There are various issues that need to be addressed, like what
would be future patterns of consumption, which formats of retail would be
preferred by consumers and will the rise of organized retail affect the
traditional retailers (Mridula S. Mishra, 2008)²¹

Grocery industry is strongly driven by price competitiveness (Taylor, 2003)²².
Product selection, assortment and courtesy of personnel are also very
important in determining format choice with cleanliness being the most
important attribute regardless of format of grocery shops (Carpenter and
Moore, 2006; Teller et al., 2006)²³. In an earlier study by Solgaard and
Hansen (2003)\textsuperscript{24} found that assortment was found to be the most important single driver for the choice between store formats; price level and distance also being important drivers for consumers’ choice between store formats; although quality and service were not found to be differentiators between formats. Again, Singh and Powell (2002)\textsuperscript{25} found that grocery shoppers consider quality to be most important, followed by price, locality, range of products and parking. Fox (2002)\textsuperscript{26} found that shopping and spending vary much more across than within formats, and expenditures respond more to varying levels of assortment and promotion than price, although price sensitivity was most evident at grocers.

While supercenter primary shoppers of food identified low price and assortment more often as the reason for store choice traditional supermarket primary shoppers were less willing to trade off locational convenience or, in some cases, quality and assortment (Seiders et al, 2000)\textsuperscript{27}. Hence there is difference in the results of the studies of different authors as far as relative importance of attributes are concerned, which might be attributed to either changes in consumers over a period of time or to the place of study as grocery shopping patterns vary with culture (Shanon and Mandhachitara, 2005)\textsuperscript{28}.

The dimensions that are relevant for grocery store choice are: Price-consciousness, Assortment, Behaviour of the store personnel, Cleanliness, Quality, Deals/ Specials/promotions, Ease of Shopping, Time/ Day of Shopping, No of outlets visited, Location / Distance, Home Order/Delivery, Shopping list / Unplanned, Recreational / Time spent at store, Frequent buyer schemes, Payment/ Credit facility, Shopping companions, In-store specialty,
Store signage/ ambience, Parking, Expenditure/ no of times shopping, Apathy/ Stress, Refund / Exchange (Dr. Paromita Goswami, Dr. Mridula S. Mishra, 2008).

To discern the difference, if any, between customer perceptions of grocery store attributes for kirana stores and organized retailers, the present study has been conducted with 200 unorganised retailers and 400 customers of organized and unorganized retailers in five areas of Visakhapatnam. Such as sample will also facilitate analyse the impact of organized retailing in the unorganized sector.

1.5.4 Preparation of the Questionnaire

As recommended by Patton (1987, 2002), this study utilized a Standardized Open-Ended Interview (SOEI) conducted among 600 respondents. Patton (2002, p. 346) states that there are four major reasons for using SOEI:

1. The exact instrument used in the evaluation is available for inspection by those who will use the finding of the study.
2. Variation among interviewers can be minimized where a number of different interviewers must be used.
3. The interview is highly focused so that the interview time is used efficiently.
4. Making responses easy to find and compare facilitates analysis.

In this study only one interviewer (the researcher) was utilized, to ensure consistency.
The very purpose of this research is to know the impact of organize retailing of food and grocery on neighbourhood shops in Visakhapatnam area and their practices of the business and the effect of trading in relation to customer purchasing practices in the retailing market. The study demands direct answers from the subjects, which without any ambiguity will determine the factors contributing positively or negatively for assessing the functioning and the effect of business in relation to retail shops and their impact organization.

The researcher has constructed two set of questionnaires for the purpose of the study.(See the Appendix I and II). The first questionnaire is aimed at collecting the data from the unorganized retailers from five constituencies of Visakhapatnam. The second questionnaire is aimed at collecting the data from the customers of both organized and unorganized retailers. The questions that were included in this study were prepared based on the literature collected on issues pertaining to unorganized retailer and purchase pattern of customers. Some of the key issues that emerged in the literature and which formed part of the questions were grouped under the following headings

**Questionnaire 1: Unorganized retailer survey**

Section - I: Owner’s Profile (2 questions)

Section –II: Outlet Type (7 questions)

Section- III: Employee and customer profile (7 questions)

Section – IV: Turnover and profit (8 questions)

Section – V: Sales Composition (4 questions)
Section –VI: Facilities and services (7 questions)

Section- VII: Market trends and dealing with competition (4 questions)

Section- VII: Impact of organized retail (7 questions)

**Questionnaire II : Customer Interview Schedule**

Section- I: Purchase Behaviour (14 questions)

Section II: Profile of the respondents (11 questions)

Initially, a pilot study has been conducted on 25 respondents each to pre-test the format and determine the relevance and depth of the data obtained in the interview. Necessary corrections were made to the questionnaire wherever required. In line with the conventional methodology founded and proposed by various authors (Carson 2001\textsuperscript{31}; Miles and Huberman 1987\textsuperscript{32}; Tesch 1990\textsuperscript{33}; Wolcott 1994\textsuperscript{34}), the final interview questions were created after a careful collection and analysis of literature in the field, and pilot study conducted with 25 respondents.

**1.5.5 Sample selection**

A sample is a small proportion of a population selected for observation and analysis. So much care has been taken while selecting the sample for the study. While explaining the importance of this method of sampling, John W. Best said “In addition to or instead of, socio-economic conditions, such characteristics as age, sex, extent of formal education, racial origin, religious or political affiliation or rural urban residence, might provide a bases for choosing a stratified sample”. (John W. Best, 1976)
Visakhapatnam is the second largest city in Andhra Pradesh and according to the 2001 census has a total population of about 15.12 lakhs. This is the highest growth rate both in population and area development and the city registered 74.3 percent growth in population and 229.56 percent in growth in area during 1981 – 91 and thus stands first among million plus population cities in India. Industrially and commercially Visakhapatnam is developing at a tremendous pace. The city is crowded with a good number of industrial units, commercial establishments, government offices, health care centers, educational institutions, tourism spots, etc. The city has a wide spectrum of population from various occupations and economic background. All these factors make Visakhapatnam City the ideal choice for the present study. Further, it was felt that proximity and familiarity would come in handy for data collection and also to facilitate follow-up studies, if necessary.

As data collection was not possible from the entire city of Visakhapatnam, due to paucity of time and resources, the researcher had concentrated only on the five main consistencies of Visakhapatnam district. They are Visakhapatnam (East), Visakhapatnam (West), Visakhapatnam (North), Visakhapatnam (South) and Gajuwaka. Further, it was observed that the five constituencies formed based on the concentration of population, covered the business and commercial centers of Visakhapatnam in a reasonably uniform manner. It was therefore considered that the constituency based study will adequately represent the pattern of the city. A sample of 200 unorganised retailers, 200 customers of organised retail and 200 customers of unorganized retailer were selected for the study giving equal representation of 40 each in all three categories to five selected
constituencies. All the respondents selected for the study are above 18 years of age. The sampling method so adopted was therefore an equal sampling method. The researcher is well aware of the areas and has good accessibility to the customers and neighbourhood shops selected for the study which in turn had helped in data collection.

The size of the sample is 200 customers (see table 1.2). The sample is chosen from five areas of Visakhapatnam city. The selection of sample is made from each area of Visakhapatnam by using simple random sampling technique. The details of the distribution of the sample data and their areas are presented in the following table.

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Area</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Visakhapatnam East</td>
<td>40 (20.0)</td>
</tr>
<tr>
<td>2</td>
<td>Visakhapatnam West</td>
<td>40 (20.0)</td>
</tr>
<tr>
<td>3</td>
<td>Visakhapatnam North</td>
<td>40 (20.0)</td>
</tr>
<tr>
<td>4</td>
<td>Visakhapatnam South</td>
<td>40 (20.0)</td>
</tr>
<tr>
<td>5</td>
<td>Gajuwaka</td>
<td>40 (20.0)</td>
</tr>
<tr>
<td></td>
<td>Total Sample</td>
<td>200 (100.0)</td>
</tr>
</tbody>
</table>

(Figures in the parenthesis indicates percentages to their row totals)

1.5.6 Data Collection

The data has been collected after preparation of the suitable questionnaire and subjecting it for pilot study, the final questionnaire was prepared and
administered for data gathering. The researcher had personally visited the retailer/customers and administered the questionnaire from the selected six hundred (600) samples i.e., 200 Unorganised retailers, 200 customers of unorganized retailer, 200 customers of organized retailer from five areas of Visakhapatnam (40 each of each category from one area). How the sample was contacted, and how the data was collected is explained under appropriate headings.

**How the sample was contacted**

The administration of the data collection was done by the investigator on the basis of random sampling method. The researcher has collected the necessary primary information from the customers by personal contact with the members and independently they have given their opinion through questionnaire.

The researcher gave an assurance to all respondents that the information would be kept confidential to create confidence among the respondents. It was also explained to each and every respondent that the information would be used for research purpose and identities will not be revealed.

As a part of interview process the study followed, the steps recommended by Carson et al. (2001) and Dick (1990) \(^{35}\), which included first point :-

- Contacting the respondent
- Explaining the research being undertaken
- Establishing rapport and neutrality
- Agreeing a time for the interview
B. How the Data was collected

The questions included in this research were prepared based on the literature review and theoretical framework emphasizing on the following components:

Questionnaire 1

- Profile of the respondents
- Type of the outlet
- Employee and customer profile
- Turn over and profit
- Sales composition
- Facilities and services
- Market trends and dealing with competition
- Impact of organized retail

Questionnaire 2

- Purchase behaviour
- Respondents profile

In depth interviews were used to gather primary data pertaining to the above mentioned components using structured interview schedules. The interviews were conducted over a period of one year. The interview process comprised of introducing opening question, recording of response, introducing subsequent questions and recording responses, probing questions, prompting a summary, conclusion of the interview, thanking the interviewee for the time and co-operation. Each in depth interviews with unorganized retailer lasted for
1 to 2 hours and for customers it lasted for 30 minutes. The response of each interviewee was recorded in the prepared interview schedule. Along with obtaining data from the interview process, the data was also obtained from direct observations.

Secondary data was also collected from various reports and studies conducted in India and abroad about the topic.

- RBI Hand Book on Indian Economy 2008-09.
- Annual Report 2007-08, Ministry of Human Development in India.
- Retail: Industry Profile, March 2009, CRIS INFAC.

Thus multiple sources of data were used in this study i.e. Interview based data, documented data and observation based data. The use of such multiple sources of data enhances the validity of the findings (Snow & Hambrick 1980; Yin 1984) and enables the researchers to cross check the information obtained (Sanday 1979). Geratt(1996) advocates a semi structured approach to indepth interview and open structure ensured that unexpected facts or attitudes for fully explored. Reliability of achieved when it is assured that the operations involved in the study can be repeated to arrive at the same findings (Kirk & Miller, 1986; Krippendorff, 1980).

In this study, an attempt has been made to enhance the reliability and validity of data in two ways. Firstly, during data collection, the facts, the conceptual
labels used to describe these facts; the researchers initial interpretation of what was observed at the emerging hypotheses were continuously cross checked during data collection. Secondly, a structural survey instrument was used to limit the variation among interviews. More in-depth probes and open ended questions which have been helpful to clarify opinions and thought processes. However, in this study a structured approach was used to increase reliability and validity in the responses obtained.

1.5.8 Data Analysis

According to Ely, Vinz, Knzul and Downing (1997), the new Webster’s dictionary meaning ‘to analyse’ “is breaking down in constituent parts, to resolve in elements”. The Random House dictionary of English language defines analysis as “the separating of material into its constituent elements…..studying the nature of something or its essential features and their relations” (Ely et al, 1997, P 2). This interpretation of analysis clearly explains the key role of researchers framework during the analysis phase.

Tesch (1990) provided the list of ten characteristics of qualitative analysis

1. Analysis is not the last phase in research process; it is concurrent with the data collection and is cyclic.

2. The analysis process is systematic and comprehensive, but not rigid.

3. Attending to data includes reflective activity that results in a set of analytical notes that guide the process.

4. Data is ‘segmented’ i.e., divided into relevant meaningful ‘units’, yet the connection to the whole is maintained.
5. The data segments are categorized according to an organizing system that is predominantly derived from the data itself.

6. The main intellectual tool is comparison.

7. Categories for sorting segments are tentative and preliminary in the beginning; they remain flexible.

8. Manipulating qualitative data during analysis is an assorted activity; there is no one right way.

9. The procedures are neither “scientific nor mechanistic”, qualitative analysis is ‘intellectual craftsmanship’.

10. The result of the analysis is some type of higher-level synthesis.

Miles and Huherman (1994) define data analysis as three linked sub-processes that involve:

- Data reduction
- Data Display
- Conclusion drawing and verification

Wolcott (1994) argues that qualitative data can be transformed in different ways and to different ends. He also breaks up the process into three types:

- Description
- Analysis
- Interpretation

Description follows the underlying assumption that data should speak for itself. The analytical account of data should stay as close to the data as it was originally recorded. Wolcott suggests that the question here is “what is going
on?” He does recognize that there is no such thing as pure description, as it takes a human observer to accomplish description. Nevertheless, the goal of description in Wolcott’s terms is to tell a story of the data in as descriptive a way as possible.

According to Wolcott, analysis is the process by which the researcher expands and extends data beyond a descriptive account. The analysis activity is also structured, formal, bounded, systematic, grounded, methodical, particular, carefully documented and impassive. The emphasis is on the search for the themes and patterns from the data. Analysis involves systematic procedures to identify essential features and relationships.

In this transformation of qualitative data, Wolcott (1994) is of the view that the researcher should attempt to offer his or her own interpretation of what is going on. In contrast to ‘analysis’ in Wolcott’s terms ‘interpretation’ is freewheeling, casual, unbounded, aesthetically satisfying, idealistic, generative and impassioned. Wolcott’s analytical approach was utilized for this study.

Primary data were entered using SPSS (Statistical Package for Social Sciences) software and STATISTICA. Uni-variate and bi-variate tables were generated and chi-square tests, F-tests and t-tests were carried out for testing the hypothesis. Regression analysis is used to find out the factors influencing the preference of outlet by the customers.
The $\chi^2$ test

The Chi-square ($\chi^2$) test is one of the simplest and most widely used non-parametric tests in statistical work. The symbol $\chi^2$ is the Greek letter chi. The $\chi^2$ test was first used by Karl person in the year 1900. The quantity $\chi^2$ describes the magnitude of discrepancy between theory and observation.

\[ (O - E)^2 \]

It is defined as: $\chi^2 = \sum \frac{(O - E)^2}{E}$

Where O refers to the observed frequencies and E refers to expected frequencies.

Regression Analysis

Regression Analysis enables is to estimate the effect of certain selected explanatory (independent) variables on the explained (dependent) variable. In our analysis we have taken the preference of the Consumer on a ten point Scale. The following in the Linear model with the list of explanatory variables.

The method of estimation is the Ordinary Least Squares (OLS), which is also explained below with all its assumption and Limitation.

The Model

\[ Y = a + bx_1 + bx_2 + bx_3 + bx_4 + bx_5 + bx_6 + bx_7 + bx_8 \] …………

The method of estimation of the regression equation in Ordinary Least Squares (OLS):

1.6 Limitations of the study
1. Sampling method has been adopted for the study due to the large population of the units involved. Even though measures have been taken to reduce sampling error, the marginal effect of this error cannot be ignored.

2. The success of any retail format depends on the total retail market strategy, financial strategy, retail locations, pricing, sourcing, consumer behaviour etc: The study primarily focuses on consumer behavioural aspects and does not cover other aspects logistics and supply chain, Store area etc.

3. The focus of the study is on the prospects and potentials of retailing in emerging cities in Andhra Pradesh based on the survey conducted at Visakhapatnam. While this is based on the similarities in social economic profile of population in emerging cities, the regional biases and preferences would have certain influences on the findings for other cities, which need to be addressed by detailed survey covering all cities.

4. The survey has been based on the division of the city according to the constituent assemblies as the census data was available for the same. An ideal case would have been to segregate as per the commercial and socio-economic features of the city.

5. As in the case of any study based on survey, there is an element of personal bias as inferences are drawn based on the response of consumers and unorganized retailers.

6. In this study the score of the objective factors measures with the help of response rendered by the respondents of the retailers on a
structured questionnaire and will be taken as an index of performance.

1.7 Plan of the Study

The total thesis is divided into six chapters. The chapter wise plan along with the brief description is as follows:

**Chapter 1** - Introduction and Design of the Study: The introductory chapter describes briefly Significance of the study, Need for the study, Hypothesis, Objectives of the study, Research Methodology, Limitations of the study and scheme of presentation.

**Chapter 2** - Indian Retail Business: An overview: The chapter examines the features of Indian Retail sector and the growth of the sector in the last few years. It also looks into the advantages to India. As the organized retail exists in different formats, the chapter looks into various retail formats and the policy frameworks which regulate the retail business in India. The major trends of retail in India along with the key drivers are explained in this chapter.

**Chapter 3** - Review of Literature and Earlier Studies: A detailed review of literature is carried out at the various stages of the study. Various reports, journals, articles, text books had been reviewed regarding the evolution of retailing, retailing strategies, Retailing Strategies, theories of retail change, changing Indian Retail Scenario, buying behaviour of Indian Retail customer: Organized Vs Unorganized

**Chapter 4** – Demographic Profile of the respondents: This chapter analyses the socio-economic profile of the respondents. Since three set of different
analysis is used for the study the chapter contains three subtopics. First part deals with the profile of the 200 unorganized retailers wherein the personal details and the outlet details had been analyzed. The second part of the chapter analyses the personal details of the customers of unorganized retailers like age, income, educational level etc: had been analysed. Similarly the third part of the chapter analyses the personal profile of the customers of organized retailers.

Chapter 5 - Results and Discussion: This chapter elaborates the results of the study followed by discussion of the result. The chapter evaluates Unorganized Retailer Business with respect to five factors dealing with various product categories, Facilities available in the outlet, various services offered by the retailer, how the retailer deals with the market trends and the competition Readiness to face the impact of organized retailer. It also analyses the results of the customer surveys of organized and unorganized retailer. Finally it evaluates the various factors influencing the purchase behaviour of consumers. The chapter concludes with a detailed discussion of the results.

Chapter 6 - Summary and Suggestions: This is the final chapter which starts with the summary of the study. It also reports the major findings of the study. Few suggestions are included for the unorganized retailer to face the competition from the organized retailer. Finally the chapter ends with conclusions of the study and the scope for further research.
 References:


4 The BMI India Retail Report for the third-quarter of 2010, released in May 2010

5 A T Kearney ,9th annual Global Retail Development Index (GRDI) 2010


11 India Retail Report by Images & F&R 2007


35 Dick R., 1990, Rigour Without Numbers, Interchange, Chapel Hill, Australia.


