AN EMPIRICAL ANALYSIS ON CONSUMER ATTITUDE TOWARDS ORGANIZED RETAILING AND UNORGANIZED RETAILING

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INTRODUCTION

Globally, India is among the top 10 retail markets. In 2012, the Indian retail sector accounted for over 20% of the country’s gross domestic product (GDP) and contributes 8% to total employment (The Indian Kaleidoscope-Emerging trends in retail, PWC, 2012). In India, the growing middle class and its nearly untapped retail industry are the key attractive forces for global retail giants looking to enter into newer markets, which in turn will help the Indian retail Industry to grow at a faster rate. Increase in organized retail penetration will be driven by a combination of demand, supply and regulatory factors, which are expected to be the growth engines of the Indian consumer and retail market. In 2013, the Indian retail sector was estimated at US$ 520 billion and was among the largest employers in the country. Food and grocery is the largest category within the retail sector with 60 per cent share followed by the apparel and mobile segment (IBEF, 2014). As per the McKinsey Report, “The rise of Indian Consumer Market', the Indian consumer market is expected to grow four fold by the year 2025. Organized retail penetration is expected to increase from 5% in 2010 to 21% in 2015. 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.

Retail industry can be broadly classified into two categories namely- organised and unorganised retail.

- Organized retail - Organised traders/retailers, who are licensed for trading activities and registered to pay taxes to the Government.
- Unorganized retail – It consists of unauthorized small shops - conventional kirana shops, “Mom and Pop” stores, general stores, corner shops among various other small retail outlets - but remain as the main force of Indian retail industry.

Table: 1 Comparison between Unorganized VS Organized Retail Formats

Criteria	Unorganized Retailing	Organised Retailing
Ownership	Household business	Corporate business house
Size of operation	Small store	Comparatively large store
Selling price	MRP	Less than MRP
Nature of employment	Generally family members	Hired members
Store ambience	Poor	Excellent
Location	Located round the corner	Distantly located
Product availability	Selective range of branded and non branded products	Wide range of branded and non branded products
Promotions	Company Promotions only	Joint promotions
Tax payments	Evasion of taxes	Greater enforcement of taxation mechanism
Market experience	Long term	Short term
Supply Chain Efficiency	Inefficient	Efficient
Range of products	Limited products	Wide range of products

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

Organized retailing comprises mainly of modern retailing with busy shopping malls, multi stored malls and huge complexes that offer a large variety of products in terms of quality, value for money and makes shopping a memorable experience. The Indian retail sector is highly fragmented and the unorganised sector has around 13 million retail outlets that account for around 95-96% of the total Indian retail industry. However, going forward, the organised sector's growth potential is expected to increase due to globalisation, high economic growth, and improved lifestyle (Dun & Bradstreet). The organized retail in India is at a very nascent stage. Organised retail, which constituted eight per cent of total retail in 2012 is estimated to grow at a CAGR of 24 per cent and attain 24 per cent share of total retail by 2020, according to the studies conducted by industrial bodies.

The key drivers of the growth of Indian retail sector are:

- Emergence of organized retail.

- Experience with formats and attractive store design.
- Growing liberalization of the FDI policy in the past decade
- Emergence of nuclear families
- An increase in the double-income households
- Large working population
- Increasing urbanisation
- Changing lifestyle and consumer behavior
- Reasonably affordable real estate prices
- Rising income and purchasing power
- Higher brand consciousness and aspirations
- Easy customer credit.
- Demand as well as increase in expenditure for luxury items

(Dun & Bradstreet, IBEF, RAI)

Fig. 1: Key drivers of Indian retail industry's growth

Source: Author's compilation

Organised retail penetration is expected to increase from 3.6 per cent in 2005 to 24 per cent in 2020 at a robust CAGR of more than 20 per cent during that period. Tier-II and Tier-III cities such as Jaipur, Nagpur, Kochi, Ludhiana, Vadodara, Aurangabad, etc., are emerging as the new 'hot spots' of consumption. Organised retailers are increasingly setting up stores in these smaller cities with increasing focus on profitable growth in the sector. E-commerce is also expected to be the next major area for retail growth in India. Along with this, achieving profitable growth and inventory management are also some major areas of focus in the times ahead for the retail companies in India (RAI, 2014).

RESEARCH METHODOLOGY

Objectives of the study

1. To study the attitude of customers towards organized and unorganized retail outlets across various age groups.
2. To analyse the factors influencing the consumers to buy from organized / unorganized retail outlets.

Research Design: Descriptive research

Sample Design

Sampling Frame: Consumers who purchase from both organized as well as unorganized retailers in Ernakulam, Kerala

Sampling Unit: Consumers from different age groups, gender, locations, income levels and educational backgrounds

Sample Size: 100 customers

Sampling Method: Purposive sampling

Data Collection:

Primary Data: Survey method using structured schedule with suitable scaling

Secondary data: Collected from journals and from previous studies related to the retailing industry by various agencies

Statistical tool used: Percentage and Chi square test

Hypothesis framed for the study

1. There is no significant difference between the choice of retailers' format across different shopping articles.
2. There is no significant association between the choices of retailers' format across different shopping factors considered by respondents.
3. There is no significant difference between the choices of retailers' formats across the respondents' age level.

DATA ANALYSIS

Table 2: Type of retail store preferred for shopping needs

Source of Purchases	No. of Respondents	Percentage
Unorganized Retailers	63	63
Organized Retailers	37	37

TOTAL	**100**	**100**
Under the Unorganized Retail Outlets		
Conventional Shops	10	16
Mom-and-Pop Shops	44	70
Others	9	14
TOTAL	**63**	**100**
Under the Organized Retail Outlets		
Supermarket	19	51
Hypermarket/Shopping malls	14	38
Departmental Stores	4	11
TOTAL	**37**	**100**

From the above table, it can be inferred that 63% of the respondents purchase from unorganized retailers and 37% of the respondents shop for essentials at organized retail stores. It further reveals that 51% of the respondents buy from Supermarkets, 38% from Hypermarkets/shopping malls and 11% from Departmental Stores. Around 16% of the respondents preferred to buy from conventional shops; 70% and 14% preferred to buy from Mom-and-Pop shops and other neighborhood kirana shops etc.

Ho_1: There is no significant difference between the choice of retailers' format across different shopping articles.
Chi-square test used at 5% level of significance

Table 3: Respondents' opinion of articles purchased from retailers

Articles Purchased	From Unorganized Outlets	From Organized Outlets
Grocery, Vegetables, Fruits and Groceries	18	5
Home Appliances and Electrical & Electronics items	7	6
Apparels and Textiles	9	10
All of the above	29	16
TOTAL	**63**	**37**

X^2 calculated = 4.8 X^2 tabulated (at 5% degree of significant) =7.8

Inference: The above analysis shows that there is no significant difference between the choice of retailers' format across the shopping articles while shopping and hence the null hypothesis is accepted. On the basis of the shopping articles, different retailer formats is not considered by the respondents.

Ho_2: There is no significant association between the choices of retailers' format across different shopping factors considered by respondents.
Chi square test used at 5% level of significance.

Table 4: Reasons for buying from unorganized retailers or from organized retailers

Factors considered by respondents	No. of Respondents	
	From Unorganized Outlets	From Organized Outlets
Variety of Product	10	8
Good Quality	11	4
Attractive schemes & Discounts	9	5
Mode of Payment	3	3
For Grocery Items Only	10	0
Door delivery	4	3
Emergency Buying	6	0
Affordable price	7	0
Good relationship with store owner	1	0
Credit facility	2	1
Complaint Handling	0	5
Self service & satisfaction	0	8
TOTAL	**63**	**37**

X^2 calculated = 37.9 X^2 tabulated (at 5% degree of significant) =19.7

Inference: As the null hypothesis is not accepted, we can infer that there is significant difference between the choices of retailers' format across different shopping factors considered by respondents. These factors play crucial role in respondents' decision to make purchases made across retailers' format.

Ho_3: There is no significant difference between the choices of retailers' formats across the respondents' age level.
Chi square test used at 5% level of significance.

Table 5: Purchase made by Respondents According to their Age

Age	From Unorganized Outlets	From Organized Outlets
< 30 years	12	5
30-40 years	24	18
40-50years	17	10
50-60 years	8	3
>60years	2	1
Total	**63**	**37**

X^2 calculated = 1.5 X^2 tabulated (at 5% degree of significant) =9.5

Inference: Based on the above values, the null hypothesis is accepted and we can infer that there is no significant difference between the choices of retailers' formats across age.

Table 6: Reason for preferences of respondents towards organized retailers over traditional retailers

Reasons for preference	Ratings					Weightage	Rank
	5	4	3	2	1		
Proximity to the shop	30	44	15	7	4	3.62	2
Comfortable Experience	12	52	26	9	1	3.16	5
Convenience of buy	35	41	18	4	2	3.70	1
Loyalty benefits & Value Added Services	36	30	25	7	2	3.44	3
Better service than traditional shops	14	34	42	4	6	2.65	6
Fun & Entertainment	11	22	30	29	8	2.42	7
Satisfied with Quality & Quantity	19	42	25	12	2	3.17	4

From the above table, it can be concluded that the consumers' attitude towards organized sectors was high because of the convenience of shopping a comfortable shopping experience. The unorganized retailers could give adequate importance to loyalty benefits and other value added services to create better relationship with their customers, which will in turn help them to retain the existing customers and also attract new buyers.

FINDINGS AND CONCLUSIONS

Both modern and traditional retailers are likely to co-exist in India for some more time to come, as both of them have their own set of competitive advantages. Modern retail offers product width and depth and a better shopping experience whereas the *kirana shops* have a low- cost structure, convenient location, and customer intimacy whereas. One of the prime objectives of this study was to find the consumers' attitude towards unorganized and organized retailers across different age groups. The study revealed that convenience of buy and proximity to the shop were major comparative advantages of organized outlets. However, unorganized retailers are having advantage because of their ability to sell loose items, bargaining and home delivery facilities and provision of credit. The organized retailers are having a greater advantage because of the store image, variety of product availability, and discounts and offers.

On the basis of various shopping articles, different retailer formats is not considered by the respondents. There are certain factors like quality and variety of products, payment options, benefits and offers, etc. that play crucial role in respondents' decision to make purchases from organized or unorganized store. Further it can be concluded that there is no significant difference between the choices of retailers' formats across different age groups.

The retail sector is presently undergoing a transition in India. Today, organized retailing has become an experience characterized by comfort, style and speed. It is something that offers a customer more control, convenience and choice along with an experience. Driven by a combination of demand, supply and regulatory factors, the Indian retail sector is set to grow rapidly with a gradual shift toward organised retailing formats.