Shifting Preferences of Customers towards Organized from Unorganised Retailing: A Study in the city of Lucknow

Dr. Charu Bisaria,

Assistant Professor,
Amity Business School, Amity University Uttar Pradesh,
**Lucknow Campus, Lucknow**

Abstract

Due to economic growth Indian Retail is one of the fastest growing markets in the World.The Indian Retail industry is booming in India and is changing rapidly. It has emerged as one of the most dynamic high growth industry with several players entering the market &is likely to reach a size of USD1.3 trillion by 2020 from USD 600 billion in 2015. Retail industry is divided into organised and unorganised retail. Unorganised retail dominates the marketwith 92 per cent share while organised retail has only 8per cent share. The retail market in India offers significant opportunities for retailers & brands across categories.This is driven by factors such as alarge consumer base, increase in incomes & job opportunities, online shopping, increasing consumer awareness, relaxation in FDI norms etc. The customers perceive these two retail sectors in different manner. The given research paper aims to analyze the factors which influence consumers to prefer organized retailing over unorganized retailing and vice-versa. The paper also tries to identify the problems faced by consumers from organized as well as unorganized retail outlets.

Key words: *Retail industry, Customer Preferences, Lucknow, Organized retailing, Unorganized retailing*

RETAILING Means "Re-tailing" to the customers so that they comeback. Retailing consists of all activities involved in selling goods and services to consumers for their personal, family, or household use. It covers sales of goods ranging from automobiles to apparel and food products, and services ranging from hair cutting to air travel and computer education. Sales of goods to intermediaries who resell to retailers or sales to manufacturers are not considered a retail activity Retail today is at an interesting crossroads On the other hand, retail sales are at their highest point in history. Consumer expectations about customer service are high, while retailers are offering more self-service & automated systems (such as voice mail) to handle customer interactions. At the same time, many retailers are not yet sure what to do with the internet; even those with web sites often donot know whether to use them for image purposes, customer information & feedback, &/or sales transactions

In India there are mainly two types of retailing sector one is organised and another one unorganised. In India Organised retailing refers to trading activities undertaken by licensed retailers, those who are registered for sales tax, income tax, etc. These include the publicly traded supermarkets, corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses. On the other hand Unorganised retailing refers to the traditional formats of low-cost retailing. For example, the local corner shops, owner manned general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors, etc.

The retail sector in India is emerging as one of the largest sectors in the economy. By 2015, the total market size is expected to be around USD 600 billion, thereby registering a CAGR of 7.45 per cent since 2000. Retail industry is expected to grow to USD1.3 trillion by 2020, registering a CAGR of 23.09 per cent between 2000- 2020.Retail market in India to reach USD1.3 trillion by 2020 from USD 600 billion in 2015. Revenue generated from organised retail is projected to grow to USD 94.8 billion by 2019 from USD15.5 billion in 2013. (Source: IBEF)
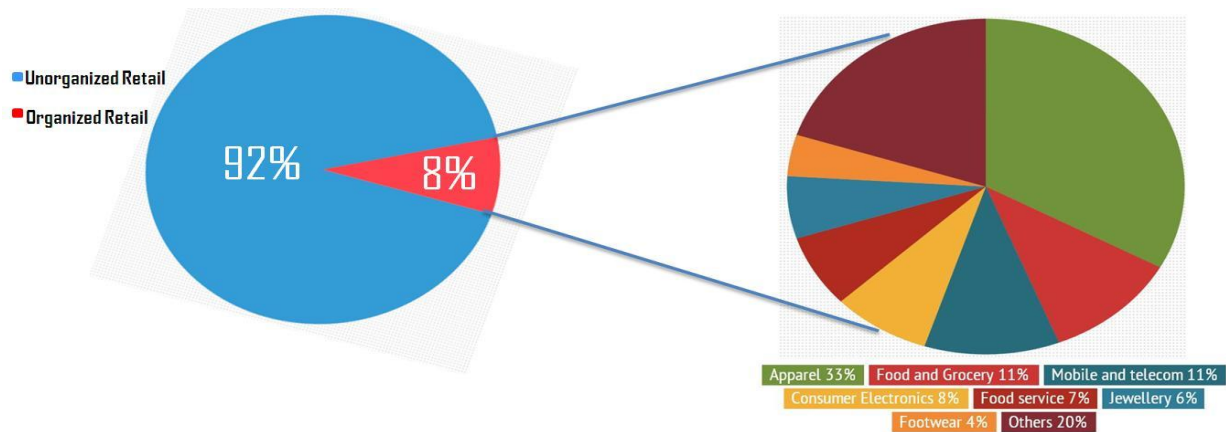
Unorganised retail dominates the marketwith 92 per cent share while organised retail has only 8 per cent share. The retail market in India offers significant opportunities for retailers & brands across categories. The retail sector in India is emerging as one of the largest sectors in the economy.

The traditional or unorganised retail industry is expected to grow at an average rate of 5% annually over the next year, while the organised retail is estimated to grow a rate of around 24% annually during the same period. In the era of globalization economy has changes rapidly in which retail sector also changing from traditional or unorganised to organized retailing. Retail sector is growing rapidly but in comparison of organised and unorganised retail sector the most of the market is captured by unorganised retailing. Organised retailing is growing but not according to expectation of the retailers.

The Indian consumer has undergone significant changes in recent years. Previously the Indian consumer had habit of savings & purchasing only necessary items Today, the consumer has higher income, credit cards, exposure to the shopping culture of the west and a desire to improve his standard of living, the Indian consumer is spending like never before. Organized retail with its variety of products and multitude of malls and supermarkets is fueling his addiction. His new mentality, in turn, is fueling the growth of organized retail in India.

As the retail preferences are shifting from unorganised to organised sector, thus this study was undertaken to find out the factors and problems which motivate the customers towards them.

This study also try to see whether any relation exist between the demographic profile of the consumers and preferred retail format and does income, age, occupation besides other family attributes play a role inselection of the retail formats are some of the questions require a probe in.

Objectives

a) To study the demographic profile of the customers visiting organized and unorganized retail outlets.
b) To analyze the factors which motivate the consumers to prefer organized retailing overunorganized retailing.
c) To find out the problems faced by consumers from organized andunorganized retail outlets.

Literature Review

Ramanathan&Hari(2011) summerised customers prefer to buy products from both organised and unorganised sectors due to quality consciousness and changes in the demographic profile of customers. **Joseph, Soundararajan, Gupta, &Sahu, (2008)** concluded that unorganized retailers located near organized retailers were adversely affected in respect of sales and made various policy recommendations for the retailers.According to him with the emergence of organized outlets consumers gained through the availability of better quality products, lower prices, one-stop shopping, choice of additional brands and products, family shopping, and fresh stocks. According to report of

ICRIER "organized and unorganized retail not only coexist but also grow substantially. "The reason behind that the retail sector is gradually growing on an overall basis hence the benefit of this growth goes to both the sectors".**Miller and Ginter, 1979** found that situational factors impact consumer characterstics and they prefer varying store choices. **Rao K.&Manikyam K(2013)**suggested that the Indian retail sector is dominated by traditional retailers who value customer loyalty and support as their major strength.

RESEARCH METHODOLOGY

The present study is mainly descriptive research focusing on the shifting pattern of consumers towards organised and unorganised retailing. The Sampling frame is the consumers who purchase from both organized as well as unorganized retailers at Lucknow. The Sampling Unit taken is consumers from different age groups, gender, locations, income levels and educational backgrounds. The Sampling Size taken for study is 200 customers, primary data was collected (100 shopping from organized retail outlets & 100 from unorganized retail outlets) and sampling technique used is Purposive Sampling. Primary data was collected using structured questionnaire method. The Study was conducted in Organized outlets naming Vishal Mega Mart; Big Bazar ; Shoppers Stop; Spencers and Unorganised outlets in areas asAminabad, Aliganj, Alambag, Hazratganj.

Demographic Profile of Sample Respondents

Demographic		No. of Respondents shopping from organized retail outlets		No. of Respondents shopping from unorganized retail outlets	
		Frequency	Percentage	Frequency	Percentage
Gender	Male	43	43	64	64
	Female	57	57	36	36
Total		100	100	100	100
Age-group	>20 years	14	14	12	12
	20-30 years	42	42	19	19
	30-40 years	26	26	20	20
	40-50 years	14	14	24	24
	<50 years	4	4	25	25
Total		100	100	100	100
Marital Status	Single	34	34	59	59
	Married	66	66	41	41
Total		100	100	100	100
Educational Qualification	12th	12	12	33	33
	Graduate	22	22	27	27
	Post graduate	34	34	25	25
	Professional	32	32	15	15
Total		100	100	100	100
Occupation	Student	11	11	18	18
	Private Employee	24	24	21	21
	Government employee	24	24	18	18
	Business	18	18	26	26
	Housewife	23	23	17	17
Total		100	100	100	100

Family Nature	Nuclear	67	67	38	38
	Joint	33	33	62	62
Total		100	100	100	100
Monthly Family Income	>Rs20,000	19	19	28	28
	Rs20,000-30,000	22	22	32	32
	Rs 30,000-40,000	28	28	25	25
	<Rs 50,000	31	31	15	15
Total		100	100	100	100
Companion for shopping	Alone	15	15	48	48
	Spouse/children	42	42	25	25
	Parents	5	5	12	12
	Friends/neighbours	28	28	7	7
	Whole family	10	10	8	8
		100	100	100	100

The demographic characteristics of the respondents show that majority of respondents(57%) were female who were found shopping in organized retail whereas only 36% of females were found shopping in unorganized retail . Thus it can be concluded that females are frequent visitors to malls & males are frequent visitors at unorganized outlets,

The Young generation between 20-40 years are frequent visitors towards organized retail outlet against the older age (more than 40 years) who have an inclination to visit unorganized outlets presumably to meet the day to day needs of the family. So age has a significant relationship for the type of store visited.

 It was further observed that married people are frequent visitors to organized retail outlets where they can fulfill their entertainment & shopping needs where as in unorganized retail outlets majority of the people surveyed were single.

Education level and the type of store visited for Shopping Needs was also studied and the data reveals that people who are below class 12th prefer to visit unorganizedretail outlet where as graduate and postgraduate feel the importance of both types of retailoutlets but professional people prefer to make their purchasing mostly from organized retailoutlet

Occupation wise customer's preference for the type of store visited for shopping needswas also studied and it was found that business & students prefer to purchase from unorganized outlets while rest prefer to go in both the outlets.

Further it was observed that nuclear families prefer to purchase from organized retail outlets where as joint families prefer to purchase from unorganized outlets.

From the above table it may be concluded that income has direct relation withthe type of store visited for shopping needs. People having income less than Rs 30,000 per month prefer to go to neighborhood shops for purchasing whereas organized retail outlets are preferred by people having income more than Rs 30,000 per month. Further probingrevealed that organized retail outlets are perceived as expensive by consumers having less income.

Further it was observed that people prefer to go to unorganized store alone or with either spouse or children but when they go to organized retail outlets they always go with their family or friends. Mall shopping is more or less not only considered for shopping but also an entertainment.

Factors which influence customer to prefer organized retail outlet:

Factors	Extent of Preference (No &%)					Total
	Strongly Agree	**Agree**	**Neither agree nor Disagree**	**Disagree**	**Strongly Disagree**	
Originality of products	40	48	12	0	0	100
Proximity of store	3	22	23	40	12	100
Wider product range	29	46	20	3	2	100
Close links with customers	0	13	21	34	32	100
Availability of product is assured	29	51	13	7	0	100
Availability of Maximum discount /Promotional schemes	21	37	21	16	5	100
Cooperative sales staff	16	53	19	11	1	100
Better Stock Maintenance	13	43	33	9	2	100
Bundling Offers	8	24	49	12	7	100
Proper shelf display & Point of purchase displays	11	27	27	23	12	100
Cleanliness of the Store	30	39	6	9	16	100
Efficient Billing Duration	47	29	11	9	4	100
Good Ambience	51	23	11	9	6	100
Greater Credit Availability	1	8	17	44	30	100
Good Parking facility	37	24	14	17	8	100

Factors like Originality of products (88%),wider product range(75%), availability of product is assured (80%),availability of maximum discount/promotional schemes (58%), cooperative sales staff (69%), product bundling offers (30%), good parking facility (61%), good ambience (74%), cleanliness of the store (69%) are the factors which tilt the customers' choice towards organizedretail outlets. Other factors like credit facility, close links with customers were however attributes negated the purchase from the organized retail outlets.

Factors which influence customer to prefer unorganized retail outlet:

Factors	Extent of Preference (No/%)					Total
	Strongly Agree	**Agree**	**Neither agree nor Disagree**	**Disagree**	**Strongly Disagree**	
Originality of products	23	17	8	30	22	100
Proximity of store	60	36	4	0	0	100
Wider product range	9	19	12	36	24	100
Close links with customers	40	43	9	6	2	100
Availability of product is assured	15	12	11	32	30	100
Availability of Maximum discount /Promotional schemes	8	15	16	30	31	100
Cooperative sales staff	21	24	2	33	20	100
Better Stock Maintenance	20	21	4	36	19	100
Bundling Offers	0	0	12	49	39	100
Proper shelf display & Point of purchase displays	8	10	6	44	32	100
Cleanliness of the Store	10	11	7	45	27	100
Efficient Billing Duration	9	10	12	36	33	100
Good Ambience	19	20	10	23	28	100
Greater Credit Availability	51	34	6	4	5	100
Good Parking facility	0	0	10	56	34	100

In the case of unorganized retail outlet customers' preference was comparable higher for
Proximity of the Store (96%),close links with customers (83%), greater credit availability (85%). However originality of products, cooperative sales staff, good ambience remained medium in response. Other factors were low in response for unorganized retailers.
Problems faced by consumers at Organized as well as Unorganized Retail outlets were
studied and as per preferences shown by customers average score was accorded to each
problem and based on these scores due ranks were assigned to each problem.

The customers of **organized retail** considered inconvenient location as topmost problem followed by long queue for billing, no home delivery, no credit facility, bad after sales service, in decreasing order.

Problems faced by consumer shopping at organized retail	Average Score	Rank
Location is not convenient	78.86	I
Queue for billing is very large	69.45	II
No Home delivery	56.89	III
Bad after sales service	44.72	V
No Credit Facility	48.83	IV

Problems faced by consumers at Unorganized Retail outlets

Similarly, the customers of **unorganized retail** considered less variety of goods as the most problematic condition followed by Billing problems, inconvenient parking facility &Illiteracy of retailers in decreasing order.

Problems faced by consumers shopping at unorganized retail	Average Score	Rank
Inconvenient Parking facility	52.73	III
Less Variety of goods	76.34	I
Illiteracy of retailers	49.56	IV
Billing Problems	69.82	II

Conclusion

Nowadays customers are having variety of options to choose from unorganized retail outlets to organized retail outlets due to increased awareness, changes in disposable income etc. Preference for visiting unorganized retail outlets is mostly due to proximity to the store,credit facility, home delivery etc whereas for organized retail formats is due to variety, good ambience, convenient parking facility etc.

Further it was observed that customers having higher incomes preferred organized retail outlets as compared to low income groups who preferred unorganized retail formats. Old age customers prefer unorganized outlets as compared to young generation who preferred organized outlets. Females, nuclear families, married people, highly educated people prefer organised retail formats as compared to males, joint families, alone, upto 12th pass students prefer unorganized retail formats.

India is at the crossroads with respect to the retail sector. Analysis has shown that both the formats have their own competitive advantages & disadvantages & both will co-exist in India for few years . Though the potential & growth opportunities are huge for organised sector, it will never damage traditional retailers because customers value proximity of store from their house, close links with customers, greater credit availability very important which are offered by traditional retailers.

Recommendations

For Unorganized Retail

- Display of products should be improved to compete with the organized sector.
- The unorganized retailers should provide adequate self service facilities to the customers.
- Cash discounts should be given by traditional retailers to customers on bulk purchases.
- To attract new customers ambience of the store should be improved
- Wider range of products and quality products should be kept in their inventory

For Organized Retail

- Attractive offers should be given to customers to compete with the unorganized sector.
- Necessary arrangements for home delivery of goods should be made by organized retailers
- The organized retailers must take some steps to avoid long queues for billing
- Some sort of credit scheme must be given to the customers.

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