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The Reverberations Of The Contemporary Organized Retail Sector On Consumer Behavior In India

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ABSTRACT

The Indian Retail Industry is the fifth largest in the world. Comprising of organized and unorganized sectors, Indian retail industry is one of the fastest growing industries in India, especially over the last few years. Though initially the retail industry in India was mostly unorganized, however with the change of taste and preferences of consumers, the Industry is getting more popular these days and getting organized as well. The Retail market in India is projected to grow from an estimated US$ 672 billion in 2017 to US$ 1,200 billion in 2021F. According to the 10th Annual Global Retail Development Index (GRDI) of A.T. Kearney, India is having a very strong growth fundamental base that's why it's the perfect time to enter into Indian Retail Market. Indian Retail Market accounts for 22% of country's GDP and it contributes to 8% of the total employment. The total retail spending is estimated to double in the next five years. Of this, organized retail –currently growing at a CAGR of 22%- is estimated to be 21% of total expenditure. The unorganized retail sector is expected to grow at about 10% per annum with sales expected to rise above $496 billion in coming years.

This paper focused on changing face of Retail Industry, organized or unorganized retail industry, players in retail industry and also highlights the challenges faced by the industry in near future.

KEYWORDS: Retail, Industry, Major Players, Organized /Unorganized Retail Sector

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INTRODUCTION

Human Resource management is the management of an organization's employees. It is a management to ensure that human talent is well used to accomplish organized goals. It is effective managing the people towards goals. It examines what can or should be done to make working people more productive and satisfied. Human Resource management practices are most effective when matched with strategic goals of the organizations. Human Resource management in the company's success is growing rapidly with the growth in many sectors in the present globalized era. Human Resource management is the vital function in organizations and becoming more important than ever. Innovative HRM practices can play a crucial role in changing the attitude of the companies and its employees in order to facilitate the entry and growth in the markets.

Human Resources occupy a significant place in the growth of the industry. Since retail industry is highly manpower oriented; its HR practices require deep analysis. HR means managing the employees and includes all the management decisions and practices that directly affects or influence the people working for the organization. Moreover, the emergence of international retail players in India has also driven the need for a better HR strategy in place. Human Resource management is extremely important in this sector as it operates in a distinctiveenvironment. Of the many challenges that this industry faces, talent crunch and knowledge gap is themost significant. India's retail leaders have to realign their talent strategies to face the imminentshakeout. This call for the urgent placement of experienced & enough qualified entry-level retailprofessions to satisfy domestic workforce needs across every line of retail business and function:sourcing, warehousing, supply chain, front line customer care executives.

Innovative strategic human resource schemes aimed to improving retention need to be firmly in place

Tailored compensation packages and retention bonuses are needed to boost motivation, productivity

and talent retention. To remain competitive—or even just survive—retail businesses must manage their

talent pipeline more efficiently and effectively than ever.Having the right talent can help retailers delight customers, differentiate from the competition, andachieve profitability and growth goals—all hallmarks of long-term success. Yet long-term benefits arehighly dependent on managing talent costs and employee productivity effectively in the short term. Since Indian retail industry is burgeoning at a tremendous pace, its Human Resource HR practices needdeep introspection.

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DEFINITION

The word, "Retailing" is derived from the French word 'Retailer'- means to cut the piece off. It includes all the activities involved in selling goods or services directly to the final consumer for personal or non- business use.The HRM practices in service sector especially in the area of retailing have found significant importance in the present scenario.

The retailing is one of the service sectors where the need of qualitative human resources is highly expected. Retailing consists of all activities that result in the offering for sale of merchandise to consumers for their own use. Retailing is the final step in bringing goods to consumer. They sell both goods and services. Retailing is the process of "Sale of goods or merchandise, from a fixed location such as a departmental store or kiosk, in small or individual lots for direct consumption by the purchaser.

Retailing may include services, such as product delivery. Retailers are the end links of the supply chain as an important part of manufacturing/marketer overall distribution strategy. The HRM practices in organized retailing include manpower planning, recruitment, performance management, training and development and maintenance of staff relations.

OVERVIEW OF INDIAN RETAIL INDUSTRY

India started its Retail Journey since ancient times. In ancient India there was a concept of weekly HAAT, where all buyers & sellers gather in big market for bartering. It takes a pretty long times to and step to shape the modern retail. In between these two concepts (i.e. between ancient retail concept and the modern one there exist modern Grocery/ mom and pop shops or BaniyakiDukan. Still it is predominating in India So the Indian retail industry is divided into two sectors- Organized andUnorganized retailing.

In the early 1980's, the industry was dominated by the unorganized sector which largely comprised of peddlers, vegetable vendors, neighborhood kirana stores, sole clothing and consumer durable stores. The unorganized retail market was a seller's market wherein the consumers did not have wide range of products and services to choose from. On the other hand organized retailing was limited to manufacturer owned retail outlets, primarily from the textile industry, e.g. Raymond, Bombay Dying, Grasim, Vimal, SKumars.

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Retailing **is** one of the pillars of the economy in India and accounts for 35% of GDP. Though the Indian retail sector is dominated by unorganized sector with 90% share, it is providing immense opportunities for large scale retailers to set-up their operations. The organized retailing sector is steadily increasing with the entry and operations of departmental stores, hyper markets, supermarkets and specialty stores which are replacing the traditional formats dramatically altering the retailing landscape in India.

India has stepped in the exuberant age of retail. It has emerged as the fifth most favorable destination for international retailers, outpacing UAE, Russia, Indonesia and Saudi Arabia, according to A T Kearney's

Global Retail Development Index (GRDI) 2018. "India remains a high potential market with accelerated retail growth of 15-20 per cent expected over the next five years," highlighted the report. India’s retail sector is worth US$ 350 billion and has a low organized retail penetration (ORP) of 5 per cent to 8 per cent and is now growing at a compound annual growth rate (CAGR) of 15 per cent to 20 per cent, According to a PricewaterhouseCoopers (PwC) research report titled ***'Winning in India's retail sector: Factors for success'***.

The reason for the boom in retail is the gradual increase in disposable incomes of the middle and upper class household. Countries like US, Japan, U.K. have started out sourcing business activities and are willing to pay a handsome package to those who deserve. The out sourcing will create 10-24 million jobs by 2020.The Indian youth is zealous, Intelligence and has the will to work hard. This is attracted foreign business organizations in the country where by increasing the income levels and the purchasing power of consumers.

The Indian consumer has a great amount of disposable income which has increased demand level of the country. This demand is accompanied by the desire to get the best quality. In India over 65% of the population is below 35 years of age and 54% are below 25 years. They have enough to pay for all their dream desire. The Indian consumer wants the best. This has increased demand for exclusive brands. Now Nike has over 100 outlets and Reebok has over 400 outlets. Thus the increase consumption pattern is having a direct bearing on the growth of retail sector. Driven by changing lifestyles, strong income growth and favorable demographic patterns, Indian retail is expanding at a rapid pace. To quote few key developments on this front:-

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1. **Videocon Industries** promoted Next Retail plans to move out of the metros and re-locate its stores in tier 2 and 3 cities. "Consumers in smaller towns have an emotional connect with indigenous brands such as Videocon and there is a demand for home-grown brands and we would be pushing such brands in these markets," as per K S Raman, Director, Next Retail.
2. **Apna Bazaar**- The Andhra Pradesh based retailer is working on successful retail model and aims at reaching out each and every mandal, Taluka, District, MajorGramPanchayaths in our Country irrespective of size and any other parameters. The same is done up to pass on the benefits to almost all the consumers in the Country in a most sincere and befitting fashion. These outlets will be opened in 4 different formats – small, midsize, large size and franchise operations.
3. **Woodland** has grown to be recognized internationally as one of the world's leading manufacturers of extreme weather outdoor gear and outerwear. Woodland offers an extensive line of footwear, performance apparel and outdoor gear. It is planning to open 10 stores in Kerala by the end of this fiscal, taking the total number of stores to 25. The stores will be opened mostly if tier 2 towns.
4. **Beauty Service provider Kaya Skin Clinic** is planning to establish nearly 75 outlets across India with the capital expenditure of Rs. 100 Cr. The company also has plans to venture into the overseas market by establishing skin care clinics in Saudi Arabia.
5. **The Reliance Industries owned textile brand Vimal** is planning to expand its franchise network, which will see nearly 1,500 new retailers stocking its fabrics and apparel. Vimal went in for revamp in 2007, and currently has 15 flagship stores and 400 plus franchise outlets. The brand is also at an advantage with the retail formats Reliance Trends and Reliance Marts.

According to a study by McKinsey Global Institute, India is likely to join the premier league of the world's consumer markets by 2025 improving its position to the fifth. But this growth is not going to happen is smooth way. Any change always comes up with some friction and Indian retail sector is and will be witnessing the same friction. Indian retail sector is still in its nascent form if we consider its full potential. While most of the developed market of US and Europe and also some SE Asian emerging market economies have reaped the benefits of modern retail, India has not yet entered into advanced phase of modern retail forms. Unorganized retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, hand cart and payment vendors,

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and mobile vendors, the local Grocery shops, owner manned general stores, paan / beedi shops, convenience stores, hardware shop at the corner of your street selling everything from bathroom fittings to paints and small construction tools; or the slightly more organized medical store and a host of other small retail businesses in apparel, electronics, food etc.

Small-store retailing has been one of the easiest ways to generate self-employment, as it requires limited investment in land, capital and labor. It is generally family run business, lack of standardization and the retailers who are running this store they are lacking of education, experience and exposure. This is one of the reasons why productivity of this sector is approximately 4% that of theU.S. retail industry. Unorganized retail sector is still predominating over organized sector in India, unorganized retail sector constituting 98% (twelve million) of total trade, while organized trade accounts only for 2%.

The road side hawkers and the mobile (pushcart variety) retailers. The Grocery stores (the Indian equivalent of the momand-pop stores of the US), within which are: Open format more organized outlets, ii. Small to medium food retail outlets. Modern trade or organized retailers within modern trade, we have:

I. The Discounter (Subhiksha, Apna Bazaar, Margin Free),
II. The Value -For- Money Store (Nilgiris),
III. The Experience Shop (Food World, Trinethra)
IV. The Home Delivery (Fabmart)Tug Of War:

HISTORY OF UNORGANIZED RETAIL AND ORGANIZED RETAIL – INDIAN CONTEXT

Future of retail sector in India is swerving- on one side organized retail is marching into life of urban consumers, while on the other our own neighborhood ‘Grocery stores’ are resisting fiercely with their existing strong foothold. India today is at the crossroads with regard to the retail sector. A shift between organized and unorganized retail sector is evident, which has led to a number of speculations on the fate of Indian retail. Unorganized sector cannot ignore.

In any newspaper or television channel, we find hordes of news about happening in organized retail sectors, which is indeed fairly real situation. While the role of organized retail sector in growth of economy cannot be denied, but one thing is also of extreme importance that unorganized retail format is a support to a large chunk of population- providing direct employment to

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39,500,000 individuals. So there is no way that government or anyone can discount these foundation stone of Indian economy.

Changing landscape of Indian consumerism: The face of Indian consumerism is changing: not Indian consumerism is evolving from Bajaj Scooter family man to Bajaj Pulsar trendy youngster. This changing consumer's taste and lifestyle, somewhere automatically give some advantage to organized sector. This makes imperative for unorganized retail sector to restructure itself in order to withstand the increasing competition and to meet consumer expectations by moving with trends.

Role of Government: As in other countries, government policy can and should play an important role in modernizing the unorganized sector and improve its competitiveness. But question is what should be exact role of government. Should it go for policies for protection of traditional retailers by restricting organized retail or encourage organized retail to reap benefits that are generated by it? What should be mechanism to promote or protect one or other? Can government act only as a facilitator or enablers or both? In the said context, it is imperative to develop a strategic roadmap for unorganized retail form to be able to survive, compete and keep the economy growing.

ORGANIZED RETAIL IN THE CONTEMPORARY GLOBAL CONTEXT AND ITS POSITIVE IMPACT ON THE CONSUMERS

Before the decade of eighties, India with hundreds of towns and cities was a nation striving for development. The evolution was being witnessed at various levels and the people of the nation were learning to play different roles as businessmen and consumers. The foundation for a strong economy were being laid, youth were beckoning new awareness in all spheres. And this brought in an opportunity for retail industry to flourish. First in the metros and major cities later to impact sub urban and rural market as well. Retailing in India at this stage was completely unorganized and it thrived as separate entities operated by small and medium entrepreneurs in their own territories. There was lack of international exposure and only a few Indian companies explored the retail platform on a larger scale.

From overseasonly companies like Levi's, Pepe, Marks and Spencer etc. had entered targeting upper middle and rich classes of Indians. However as more than 50 % population was formed by lower and lower middle class people, the market was not completely captured. This was later realized by brands like Big Bazaar and Pantaloons who made their products and services

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accessible to all classes of people and today the success of these brands proves the potential of Indian retail market.

A great shift that ushered in the Indian Retail Revolution was the eruption of Malls across all regional markets. Now at its peak, the mall culture actually brought in the organized format for retailing in India which was absent earlier. Though malls were also initially planned for the higher strata, they successfully adapted to cater to the larger population of India. And it no wonder, today malls are changing the way common Indians have their shopping experience.

However there is still great scope for enhancing Indian mall culture as other than ambience and branding many other aspects of Retail Service remains to be developed on international standards. it is surprise that there was not a single mall in India a decade before and just a few years ago only a handful of them were striving, today there are more than 50 malls across different cities and 2 years from now around 500 malls are predicted to come up. Indeed this shows a very promising trend ahead.

LITERATURE REVIEW

The Retail Industry in India has undergone a rapid growth in the Organized Sector since 2000. The Organized retail sales volume in 2004- 05 has just about 2% share of the total retail sale. In the present scenario, it is very important to compete with the competitors and stay ahead. All companies are analyzing and doing research to know and understand the consumer buying behavior for the same. Despite the said growth, the Indian retail industry remains highly fragmented, with the organized retailing still at a nascent stage accounting for a miniscule percentage of the total Indian retail market. During FY07- 12 (p), the organized retailing in India has grown at a CAGR of 26.4%; higher to the growth of total retailing in India during the same period under consideration.

OBJECTIVES

The research analyses the various aspects like perceived and expected level of satisfaction of the consumers and the factors which unorganized retailer should take cognizance of in the course of establishing and enhancing their own business. The objective of research is:-

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I. To find out consumer behavior towards Organized (supermarkets/ malls/ hypermarket/ departmental stores etc) and Unorganized (local kirana stores/ weekly bazaar etc) Retail store in Nashik.
II. To find out consumer satisfaction level from Organized and Unorganized Retail store.

METHODOLOGY

The data is collected through the questionnaire by using a random sample of consumers. Consumers who have significant knowledge of the topic were identified and selected a random sample for questioning. Interview were conducted face to face to know the attitude and experience of consumers who had purchase grocery items from organized and unorganized retail outlets. The sample size is small due to the constraints on time, manpower and costs. The sample size is 60.

NEED FOR THE INDIAN MARKET TO PROMOTE ORGANIZED RETAIL – ITS BENEFITS

According to the Indian Council for Research in International Economic Relations (ICRIER), there would be no long term impact due to the entry of organized retail chains on the neighborhood kirana shops in the country. In clear terms the impact of organized retailing on unorganized sector are as follows:

I. The adverse impact on sales and profit weakens overtime.
II. There is some decline in employment which however also weakens over time.
III. The rate of closure of unorganized retail shops in gross terms is found to be 4.2% per annum which is much lower than the international rate of closure of small businesses
IV. The rate of closure on account of competition from organized retail is lower still at 1.7% per annum.

The kirana stores and pan shops are seen part of community life and hence unorganized retail will stay but ICRIER observes that if organized retail does not grow, the unorganized sector will not able to handle the surging demand. Being unorganized retailing is a serious step; there are still challenges for organized retailing in India. Traditional retailing has been established in India for some centuries. It has a low cost structure, mostly owner operated, has negligible real estate and labour costs and little or no taxes to pay. Consumer's familiarity that runs from generation to generation is one big advantage for the traditional retailing sector. In contrast, players in the organized sector have big expenses to meet, and yet have to keep prices low enough to be able to

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compete with the traditional sector. Moreover, organized retailing also has to cope with the middle class psychology that the bigger and brighter sales outlets are, the more expensive it will be.

PROPOSED MODEL OF ORGANIZED RETAIL IN CONTEMPORARY INDIA

Consumer behavior in retailing is more unpredictable & volatile than ever before and retailers are striving to develop new effective strategies for satisfying needs and wants of consumers. Consumers are demanding a very large selection of producers with deep discounts. They are no longer as influenced by brand name but very cautious about quality & value. Thus the retailers focusing on providing best price serve and selection in the form of value will be successful.

I. 34% customer's prefers unorganized retail shopping while 26% customers prefers organized retail shopping but 40% customers are still dilemma.
II. 37% customer's purchases daily groceries from local kirana stores while 26% customer's shop from supermarkets, 21% customers from convenience stores and rest 16% customer's prefer hypermarket. Thus, highest percentage is still with local kirana stores however the difference between supermarket and local kirana is less.
III. 40% customer's visit fortnightly to the malls for various different purposes, 30% customers visit weekly, 20% monthly and rest 10% daily.
IV. 36% customer's visit mall for shopping, while 38% visits for Entertainment and rest 16% visits for window shopping.
V. During the survey, we got straight forward answer regarding the pricing strategy of the malls. 60% customers are satisfied with the pricing strategy of the malls after considering various discounts, sales and other offers, while 40% customers are not
VI. During the survey, it was found 64% consumer's finds best shopping deals in malls with various discount offers, gift packages etc.28% customer's are satisfied with the shopping deals served by the local kirana stores while 8% customers has no opinion.
VII. 32% of consumer's declared an increase in spending, 21% indicated a decrease and the balance no change. Thus the arrival of organized retail has enhanced spending in general. The reasons indicated for higher spending have been mainly the purchase of larger quantities due to wider range of products, availability of attractive offers like discounts and promotional schemes, and access to better quality products with higher price.

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KEY FINDINGS

I. Unorganized retailers in the vicinity of organized retailers have been adversely affected in terms of their volume of business and profit. Unorganized retail has maintained employment levels perhaps as a result of competitive response.
II. The major factors that attract unorganized retailers to consumers are proximity, goodwill, credit sales, bargaining, loose items, convenient timings, and home delivery.
III. There is clear evidence of a competitive response from traditional retailers who are gearing up to meet the threats from organized retailers.
IV. Consumers have generally gained with the emergence of organized outlets through the availability of better quality products, lower prices, one- stop shopping, choice of additional brands and products, family shopping, and fresh stocks.
V. Lower income consumers have saved more from purchases at organized outlets.

These results are not indicative of the countrywide scenario. For the country as whole, unorganized retail is growing at a reasonable rate and will continue to do so for many years to come. India is however a latecomer to organized retail expansion and the picture still remains unclear as to its future direction. The study advocates a balanced approach to retail and suggests that the government plays a major role in shaping its future course. There is no doubt that traditional retail has been performing a vital function in the economy and is a significant source of employment

RECOMMENDATIONS

I. The Government should encourage setting up of modern large cash-and-carry outlets, which could supply not only to kirana stores but also to licensed hawkers at wholesale rates.
II. The Government should make available credit at reasonable rates from banks and micro-credit institutions for expansion and modernization of traditional retailers.
III. The Government should take initiatives to convert all uncovered wet markets in a time-bound manner with emphasis on Hygiene, convenience to shoppers, proper approach roads, entry exits etc.

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CONCLUSIONS

The concept of retail is comparatively very old in Indian context. Before anybody knew about what retail is, we had kirana stores, medical stores and lot many other stores working surprisingly well all over the country. Recently with the entrance of big players like Wal-Mart or Reliance, people are getting idea of the traditional stores going to be vanished. But just to remind us, we should never forget how deep rooted is this old concept. The very modern organized stores have taken the idea of retailing nowhere else than from these old shops. The growth in the Indian organized retail market is mainly due to the change in theconsumer's behavior.

This change has come in the consumer due to increased income, changing lifestyles, and patterns of demography which are favorable. Now the consumer wants to shop at a place where he can get food, entertainment, and shopping all under one roof. This has given Indian organized retail market a major boost.

Thus, in India it is quite skeptical that the organized retail will be ever able to overcome the unorganized retail completely. The values, cultures and beliefs of the customers prompt them to go the same retail shop where they can get the product required, at low price and with least waiting time for billing. No matter how lucrative is this sector and how bright is the market; the organized sector in retailing has to go a long way to understand the customer requirement.

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