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Survival Strategies of Unorganized Food & Grocery (Kirana) Stores in Bhopal City

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Abstract – This study attempts to explain why the customers choose an unorganized retail outlet for their daily grocery needs and moreover discusses the challenges faced by Kirana stores (unorganized food & grocery retailers) in the proximal growth of organised grocery retailers who pose a threat of survival in Bhopal market. This descriptive and exploratory study has focused on the strategies being followed by unorganized (branded) food & grocery retailers in Bhopal City to survive. Convenience sampling technique, percentage method and chi-square test have been applied to reach on decision making in relation to subject. Study has focused on the proximity of outlets, opening up of a store, location advantage of store and other various significant elements have been covered to justify the survival of unorganized fast moving consumer goods (FMCG) outlets in Bhopal city. Objective of this study is to understand the reasons for outlet visit by shoppers, challenges of kirana stores and their strategies to cope with the competition. The elements of changes in demography have led the study to identify the significant reasons to witness choice and selection of outlet (Kirana or unorganized outlet) to shop at that provides to sustain with posed challenges by organised food & grocery retailers.

Keywords: Unorganized; Demography; Descriptive Analysis; Convenience; Survival; Chi-Square

I. INTRODUCTION

The retailer is an entity or organization through which goods produced by the manufacturer flow to their consumers. These organizations perform various roles as a member of marketing intermediaries (distribution channel). Channel members take on activities that a manufacturer does not perform e.g. displaying of the product or locating alternative items in a convenient fashion for a consumer to access during shopping. Retailing industry has been divided into two sectors: Unorganized Retail and Organised Retail. Unorganized retailing refers to traditional format of low cost retailing, for example the kirana i.e. grocery shops, owner manned general stores, paan and beedi shops, cigarette shops, convenience store, hand cart, pavement vendor etc.

The developing aspirations of Indian buyers have paved the way for a faster growth in the organized retail in the country. Deloitte, 2013, has mentioned that as of today, organized retail in India contributes 8 per cent of the total retail market and it is growing much faster than traditional (unorganized) retail. Various survey and research outcome has estimated the share of organized retail as 20 per cent by 2020. Income,

technology and lifestyles of consumers. The location where they buy is changing; the shops are opening close for the convenience of the buyers.

The purchasing function has gained great importance and the desires, expectations and preferences of consumers have been changing rapidly in the competitive markets due to globalization and technological change recently. In smaller towns and urban areas, there are many families using kirana shops/ 'mom and pop' stores offering a wide range of merchandise mix. Kirana shops are having their own efficient management system which efficiently fulfilling the needs of the customer. This is one of the good reasons why the customers don't want to change their old loyal kirana shop. A large number of working class, daily and seasonal workers in India, even during their unemployment period use to purchase from kirana store in credit to fulfill their needs because so small purchase quantity would not be entertained by big retailers. Another reason might be the proximity and so the convenience store for the customer. The share of organised retailing is 4 per cent whereas unorganized retailing is dominating the industry with a share of 96 per cent. When compared with unorganized retailing, organised retailing is growing in an amazing speed. Against the massive

growth of organised sector, unorganized retailers are fighting to survive. Under this scenario of organised retail growth and consumer shift, this article focuses on the various survival strategies adopted by the unorganized retailers in Bhopal city. Unorganized retailers have dominated Indian retail market with a vast potentiality untapped in the organised retail sector. In the context of massive growth of organised retailing, the small unorganized retailers are constantly receiving pressure to survive against big organised brands and chains. Hence in order to survive these small stores have started adopting various strategies with great challenges. FMCG goods are popularly known as consumer staple goods. Items in this category include all consumables (other than groceries/pulses) that people frequently buy to consume at regular intervals and have a high return; e.g., toilet soaps, detergents, shampoos, toothpaste, shaving products, shoe polish, packaged foodstuff, and household accessories and extends to certain electronic goods. Urban areas witness a hike in disposable incomes, mid- and high-income consumers that have shifted their trend of buying from essential to premium products. This prompted firms to enhance their premium products portfolio. Retail consumers are changing every day in modern time that has put tremendous pressure on unorganized retailers to look into their competitive needs to survive in market as the store loyalty or brand loyalty now seems to be a myth. Hence it becomes necessary for unorganized retailers to understand know what are the challenges they face posed by the organised retailers to survive in the city market.

II. REVIEW OF LITERATURE

The advantages for unorganized retail sector or traditional retailing are low cost structure, low real estate and labor costs. In addition, location proximity, convenient timings, home delivery facility, sales on credit and familiarity and social relation with regular customers; which add to positive values of this retail sector. The various previous research observation about the unorganized retailers in the vicinity of organized retailers have experienced a decline in their sales volume and profit in their beginning years of outlet after the organized retailers entered. This adverse impact on sales and profit weakened over time (Rupa Shah, 2015). In India, next to agriculture, Unorganized Retail Sector provides employment to 4 crore of individuals directly. Unorganized retail market is estimated to Rs. 4, 00, 000 crore, whereas Organised Retail's share is only Rs.20, 000 crore. Ritika & Naved (2014) further view that price is the most influencing factor that drives the customers to purchase from informal/ unorganized retailer, whereas, rest of other factors doesn't seem to be influencing to a great extent. In their study they suggested for impulsive purchase, improved ambience, customer relationship management (CRM) and customer care.

Pricing of the product has a great impact in deriving consumer perception while shopping for grocery especially in unorganized retail market. The extent to which consumer's perception is effected, decides the nature of the particular consumer's buying behavior. Priya Vij (2013) expressed that the unorganised retailers have adversely affected by the growth of organised retailers in terms of their volume of business and profit. The major factors that attract the customers towards unorganized retailers are proximity, goodwill, credit sales, bargaining, loose products, convenient timing and home delivery. The adverse impact on unorganized retailers taper off over time. There is clear evidence of a competitive response from traditional retailers who are gearing up to meet the threat from traditional retailers who are gearing up to meet the threat from organized retailers. Hamil & Priyadarshini (2014) studied the type of "Persons Assisting" in the "Conduct of Shop" and "Status of Workers Employed" in the "Conduct of Unorganized Retail Stores" before and after "Commencing Supermarkets" as tools. In the opinion of the unorganized retailers upper class buyers never patronize the unorganized retail stores. Majority of the unorganized retail stores there is shift of segment of customers from middle class to lower class after the commencement of supermarkets. They further mention that since the sales level normally higher during holidays or Sundays for traders, the reduction of customer base during the Sundays and holidays has made a negative impact on unorganized retail stores leading to reduction of sales and profit. The attractive features and size of Supermarkets and inability to keep more varieties in unorganized retail stores are the major reason for unorganized retailers to see drop in buyers visit. Majority of the unorganized retail stores have not made changes on the weekly holidays of the shops and their store opening time and the duration of working hours even after the origination of Malls, Hypermarket or Supermarkets. Supermarkets and hypermarkets globally account for the highest distribution share with more than 50% of the food being sold worldwide through these formats. Future demands the growth of smaller stores closer to the consumers and new formats like discounters & warehouse clubs. Large global retailers are seen moving that way. Besides these traditional channels, online retailers are also growing at a fast rate (Wazir analysis, 2015). The penetration of modern organized retail in food is currently one of the lowest at 2-3%. However, as organized retailers have started penetrating the markets this is expected to witness dramatic change over the next fold of future, e.g. by 2025, organized retail is expected to capture at least 8-9% of the food & grocery market and be worth US\$ 90-100 Bn. (Rs. 5,600-6,200 Bn.), growing at a compound annual growth rate (CAGR) of 25-30% from the current levels. Supermarkets and other organized formats attract the affluent consumers, especially for bulk or less regular purchases such as

packaged foods, few FMCG goods and staples, such as rice and pulses. Even affluent consumers otherwise prefer traditional stores, as they are closer to home and many even deliver the purchased items with no additional charge and with very little threshold bill value (source: India food report, 2015). By 2025, the food & grocery retail market is expected to grow over 3.5 folds and be worth US\$ 1,150 Bn. (Rs. 71,000 Bn.). Urbanization, increasing population leading to the balance by demand growth, price increase, increasing incomes resulting into high spending on foods that changes food habits, have led to retail's large growth. The penetration of modern organized retail in food is currently one of the lowest at 2-3%. To a large extent this co-existence will be driven by the consumer who will not shun one channel for the other and will seamlessly switch between channels. The consumer approach to channel selection will thus be "inclusive" and not "exclusive" (source: India food report, 2015). Mr. Manish Jain & et. al. from Acropolis Institute of Management, Indore mentioned the contribution of Mridula Mishra & Umakanth Dash (2008), in his paper mentioned that independent and unorganized retailers have increasingly been under threat with the growth of major multiple retailers in the organized retail scene, but independent small shops operating in local community locations do serve a function whether it be a social or community one and provide a vital service to certain groups of consumers. Authors have also opined that the retailers are facing threat from new discounters respond with lower prices and increased promotions. The authors, Mishra and das (2008) have also highlighted that the consumer behavior has been affected due to convenience and variety of products provided by organised retailers.

III. OBJECTIVES AND METHODOLOGY

(a) Objectives-This research study attempts to find out:

- (i) Demographic factors influencing the unorganized store's (Kirana) business
- (ii) Reasons for customers to visit unorganized retailers against organised outlet
- (iii) Challenges, faced by Kirana stores, posed by organised outlets
- (iv) The strategies of the unorganized food & grocery retailers (Kirana stores) facing survival threat posed by the fast and penetrative growth of organised retailers in Bhopal city.

(b) Research Methodology-The study is descriptive in nature with exploratory texture. The unorganized retailers in Bhopal City were chosen for this study. Convenience (purposive) sampling technique has been

adopted to select the samples and its size is 105 respondents (unorganized food & grocery-Kirana stores). A structured personal interview was conducted along with a designed schedule to collect primary data from the retailers (Kirana shops). Simple percentage and chi sq. test were used as statistical tools to analyze the data. Data were collected during the period of December 2016 to April 2017 only.

IV. RESULTS AND DATA ANALYSIS

Table 1

Demographic Factors (urban and semi-urban areas)

Variables	Particulars	Frequency	Percentage
Age	<30yrs	7	6.67
	31-35	16	15.23
	36-40	22	20.95
	41-45	28	26.66
	46 & above	32	30.47
Location	Urban	67	63.80
	Semi-Urban	38	36.19
Education	12th & Below	53	50.47
	Undergraduate	39	37.14
	Post Graduate & Diploma	23	21.90
Internet savvy	Yes	31	29.52
	No	74	70.47

Variable	Particular	Frequency	Rank	Mean Rank
Customer's Income Group	High	15	3	2
	Middle	57	1	2
	Low	33	2	2

Table 1, exhibits that 30.47 per cent of the unorganized retailers fall in the age group of 46 and above. 26.66 per cent retailers are between 41 to 45. It has been found that 63.80 per cent of the retailers have their stores in the urban areas and the remaining 36.19 per cent have stores in the semi-urban areas. 50.47 per cent of the retailers are educated in the bracket of 12th and below standard and 37.14 per cent are undergraduates. Internet has moved up retail industry and it facilitates customers' life to know more about products, its utility and promotions. It has been found that most of the unorganised retailers do not know how to surf internet (70.47 percent) and the remaining 29.52 per cent

internet active. Mostly middle income group customers visit the kirana stores, low income group customers ranked second and high income group customers rank third. Now, it is evident that the kirana stores (unorganised food & grocery retailers) mostly bank on middle and low income group customers for their business.

Table 2**Business Related Information**

Variables	Particulars	Frequency	Percentage
Nature of Outlets	Leased	21	20
	Rented	37	35.24
	Own	47	44.76
Sizes of the Store (sq.ft)	150-200	44	41.90
	201-250	31	29.52
	251-300	21	20
	>301	9	8.57
Number of Years in Business	5 & below	7	6.67
	6-10	13	12.38
	11-15	40	38.09
	16-20	30	28.57
	21 & above	15	14.28
Family Business	Yes	91	86.67
	No	14	13.33
Nature of Business	Partnership	17	16.19
	Sole Proprietor	88	83.81
Annual Turnover (in Lacs)	3,00,000/- and below	63	60
	3,00,001/- to 4,00,000/-	16	15.24
	4,00,001/- to 5,00,000/-	15	14.28
	5,00,000/- & above	11	10.47
	5 & below	51	48.57
Investments (in Lacs)	6-12	32	30.47
	13-20	10	9.52
	21 & above	12	11.43
	1st	41	39.04
Generation	2nd	64	60.95
	01	17	16.19
No of working Employees	03	47	44.76
	More	41	39.05

Table 2: it is found that 48.57per cent of retailers have invested Rs.5 Lac and below and retailers those who invested between Rs.6 to 12 lacs are 30.47 per cent. It is inferred that 44.76 per cent of the retailers have their own outlets, whereas 35.24 per cent have rented shops and 20 per cent of retailers have leased shops. 41.9 per cent of the stores have 150 -200 Sq. Ft and 29.52per cent of the stores have 201-250 Sq. Ft and 28.57 are above 250 sq.ft. of store size. It has also been found that 60 per cent of the retailers have a turnover of Rs.3 Lac and below .Retailers having a turnover between Rs.300001 to 4 lac are estimated to 15.24 per cent. 24.75 percent retailers do earn above 4 lac per year. Out of the sample retailers, approx 87 per cent own this as their family business and rest 13.33 per cent do not. Almost 66.66 per cent of the retailers have been doing this business between

11 years to 20 years and 14 percent are above 21 yrs. From this table 2, it is evident that 61 per cent of the retailers are second generation retailers and understands that the business has become a career now.

Most of the retailers (83.8%) are sole proprietor means that the business seems to be more stable and profitable with mostly 03 (45%) and above (39%) employees.

Table 3**Customer tapping Strategies of Unorganized Retailers**

Variables	Particulars	Frequency	Percentage
Display Boards	Yes	42	40
	No	63	60
Discount	Yes	41	39.05
	No	64	60.95
Register to note Requirements	Yes	37	35.24
	No	68	64.76
Billing Machines	Yes	31*	29.52
	No	74	70.48
Accepting Credit / Debit Cards	Yes	17**	16.19
	No	88	83.81
Credit facility	Yes	88	83.81
	No	17	16.19
Home Delivery	Yes	71	67.62
	No	34	32.38
Customer support System	Yes	16	15.24
	No	89	84.76

Note: Number of Billing machine* and practice of accepting plastic money ** may vary because of current effect of demonetization.

Table 3: Retailers do lack in various important areas e.g. display board, discount, requirement register, billing machine, plastic money facility, and customer support to pick items. Though it affects the purchase / selling process for the changing customers still the credit and home delivery to local shoppers (due to social relationship & trust level they hold to retain customers) manages the sale comfortably.

Table 4

Reasons for Customers to Visit Kirana (Unorganized) Retailers

Factors	Observed Frequency	Expected Frequency	Rank	Mean Rank
Convenience	13	8.75	1	6.5
Discount / offers	6	8.75	12	6.5
Emergency purchase	9	8.75	6	6.5
Credit facility	9	8.75	3	6.5
Availability of small quantity items	13	8.75	4	6.5
Personalized Service	7	8.75	11	6.5
Flexible timing	6	8.75	10	6.5
Availability of smaller packets	10	8.75	5	6.5
Easy replacement	7	8.75	8	6.5
No waiting time	4	8.75	9	6.5
Goodwill	9	8.75	7	6.5
Location proximity	12	8.75	2	6.5

Test Statistics:
 Chi-Square: 19.675(table value)
 Df: n-1= (12-1)=11

Chi Sq: 56.0 (Calculated Value)
 Sig.: 0.05

Most of the customers have the main reasons of “convenience” (R-1), “location proximity” (R-2), “credit facility” (R-3), “small quantity items” (R-4) and “small packet” (R-5) and emergency purchase(R-6) to choose unorganized Kirana retailers. These reasons have enhanced Kirana retailer’s goodwill (Rank-7) that has been caused by relationship maintained by Kirana stores. Organised retailers do not provide such credit facility to their customers. For urgent and emergency needs, customers visit the nearby unorganized retailers only. The test statistics declares that the factors considered impact significantly on customer’s choice to visit unorganized (Kirana) grocery retailers

Table 5

Challenges faced by Unorganized Retailers

Factors	Observed Frequency	Rank	Expected Frequency	Mean Rank
Lack of Capital	19	2	15	4
Shortage of inventory	14	4	15	4
Poor Standardization	17	3	15	4
Poor Infrastructure	22	1	15	4
Lack of Skill & Training	10	7	15	4
Competition posed by organised retailers	11	6	15	4
Customer shift to organised retailers	12 [#]	5	15	4

New generation customer #

Test statistics:
 Chi-Square : 12.592(table value)
 Df: n-1= (7-1)=6

Chi Sq: 8.55(cal. val.)
 Sig.: 0.05

While analyzing the challenges faced by unorganized retailers, infrastructure, inventory level and

standardizations have been considerable challenging the unorganized retailers (Kirana stores) as the lifestyle has been changing considerably w.r.t. to consumption habit & trend at Bhopal. “Shifting of customers to organised retailers” and “Lack of capital” at Bhopal are not much challenging areas and so have not significantly impacted on survival of retailers as a challenge for the unorganized retailers. Skills and training is as of now no more concern to retailers. The test statistics declares that the factors considered pose significant challenges that unorganized retailers (Kirana) face.

Table 6

Insecurity Feeling Among the Retailers

SN	Insecurity Felt	Frequency	%age
1	Yes	36	34.29
2	No	69	65.71
		105	100%

The growth of organised retailing at Bhopal is not a big threat to unorganized retailing i.e. Kirana stores. 65.7 % of Kirana stores (unorganized retailers) do not feel insecure though big organised retailers have opened stores in the city.

V. MAJOR FINDINGS

- The calculated chi sq value (56) has been found higher than table value (19.675) explains that the mentioned factors (table 4) have not significantly provided sufficient reasons to visit a Kirana stores with more weighted factors like convenience, small quantity and packets, location proximity to reach them. That is why the Kirana stores might be facing other challenges to counter threats posed by organised food & grocery retailers (The test statistics declares that the factors considered impact significantly on customer’s choice to visit unorganized (Kirana) grocery retailers)
- The calculate chi square value (8.55) has been found lower than the table value (12.592) understands that the tabulated factors (table 5) are posing great challenge to Kirana stores to survive into competition in Bhopal market (The test statistics declares that the factors considered pose significant challenges that unorganized retailers (Kirana) face)
- While analyzing the challenges faced by Kirana stores the infrastructure (rank 1), capital (rank 2), standardization (rank 3), inventory (rank 4) and shifting of new

generation customers to organised retailers (rank 5) are the main and important challenge for the Kirana stores.

- (d) They treated “stiff competition given by organised retailers” as the last important challenge to the unorganized Kirana retailers.

The Bhopal market observes that as of now Kirana stores do not feel insecure (66%) even when big retailers open stores in their locality though in limited numbers around city. Whereas 34.29 per cent have expressed that they feel insecure in those situations as the organised sector in food & grocery are coming up with all necessary inputs and facilities to attract customers.

RECOMMENDATIONS

So the survival strategies that unorganized retailers should adopt to counter competition are:

- (a) Required to be more internet savy to be adequately informed about national and international changes into the grocery business
- (b) Billing and payment system (plastic money/point of sale (POS)) must be a modern approach with Kirana stores
- (c) Offers and discounts are one of the customers pulling strategy of organised grocers. This must be a significant strategy for food & grocery Kirana stores (unorganized) to counter competition.
- (d) Personalized and standardized services must be included in Kirana store's strategy to counter competition.
- (e) Required to improve CRM to retain customers (avoiding customer switching)
- (f) Require trained manpower and inventory on time.

Summarily, Kirana stores (unorganized food and grocery outlets) must focus on building CRM with strong customer pulling components to retain them for long in order to survive in the Bhopal city market as the organised retailers are growing fast with an advantage of new generation shopper's attitude and modern approach.

VI. LIMITATIONS

For this research Bhopal city has been taken into account because of low trend of lifestyle (demographic) change and growth.

- (a) FMCG comprises a major range of ten and above consumable items and have varieties of factors of buying behavior. Out of them only the food and grocery has been considered in order to control the complete research.
- (b) This is why only Kirana stores and primary factors of food and grocery have been taken into account.
- (c) This study is limited to a retailer's experience and performance evaluation of unorganized retail formats (Kirana stores).
- (d) This study is limited to unorganized retail format hence cannot be applicable to online food & grocery retail.

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