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**“Make in India through Unorganized Retailing in Modinagar Town - SWOT Analysis”**

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## **“Make in India through Unorganized Retailing in Modinagar Town - SWOT Analysis”**

### **Abstract**

*This research paper analyses the key strengths, weaknesses, opportunities and threats of unorganized retailing in Modinagar town of District Ghaziabad, Uttar Pradesh. It also analyses recently launched government policy ‘Make in India’. This research work focuses on how ‘Make in India’ concept can change present conditions of unorganized retailing in Modinagar town. It can locate India as a center of attraction for retailing in unorganized sector before rest of the world which can contribute to ‘Make in India’ program of the Government of India to establish Indian economy as a retail hub in the international market. In this paper it has been highlighted that the population, demand, orthodox attitude of people and the surroundings of rural areas are the major key strengths of Modinagar town. Literacy level of the masses and easy access to wide range of brands are the major threats for unorganized retailing in Modinagar town. Employment generation and increase in disposable income are the opportunities for the shopping malls for which they can enter the Modinagar market and give benefit in terms of employment generation and purchasing power in the hands of the residents of Modinagar. But infrastructure of Modinagar and imperfect competition will act as the weakness for mall culture to develop in Modinagar. In current market situation it is not so easy for the shopping malls to establish in Modinagar. It is really a great challenge for them.*

**Keywords:** *Unorganized Retailing, Make in India, Strengths, Weaknesses, Opportunities, Threats, SWOT Analysis*

## **“Make in India through Unorganized Retailing in Modinagar Town - SWOT Analysis”**

### **Introduction**

A. T. Kearney Inc. places India on sixth position on a global retail development index. Around 7% of the population in India is engaged in retailing. In a developing country like India, a large chunk of consumer expenditure is on basic necessities, especially food-related items. There are many factors responsible for the development of the retail sector in India. Looking at income classification, the NCAER classified approximately 50% of the Indian population as low income in 1994-95; this is expected to decline to 17.8% by 2006-07. Liberalization of the Indian economy has led to the opening up of the Indian market for the MNC brands like Kellogg's, Unilever, Nestle, etc. to make significant inroads into the vast consumer market of India by offering a wide range of products for choice making to the consumers. The Indian retail sector is estimated to have a market size of about \$180 billion; but the organized sector represents only 2% share of this market. (RASCI, 2008) Most of the organized retailing in the country has been concentrated mainly in the metro cities.

Organized retailing in India has a huge scope because of the vast market and the growing consciousness of the consumer about product quality and services. A study conducted by the world's leading retail and brand consultancy Fitch, expects the organized retail industry to continue to grow rapidly, especially through increased levels of penetration in larger towns and metros and also as it begins to spread to smaller cities and towns. (<http://www.fitch.com>) Over the last 2-3 years, the Indian consumer market has seen a significant growth in the number of modern-day shopping centers, popularly known as 'malls'. There is an increased demand for quality retail space from a varied segment of large-format retailers and brands, which include food and apparel chains, consumer durables and multiplex operators. Shopping-center development has attracted real-estate developers and corporate houses across cities in India. Consequently, from just three malls in 2000, India was all set to have over 220 malls by 2005. The expected demand for quality retail space in 2006 was estimated to be around 40 million square feet. While previously it was the large, organized retailers – with their modern, up-market outlets, and direct consumer interface- who had been a key factor driving the growth of organized retail in the country, now it is the malls which are playing the role. (RASCI, 2008)

## **Make in India Initiative**

Make in India is an initiative launched by the Government of India to encourage multi-nationals, as well as national companies to manufacture their products in India. It was launched by Prime Minister Narendra Modi on September 25, 2014. According to his view, India would emerge, after initiation of the programme in 2015, as the top destination globally for foreign direct investment, surpassing the United States of America as well as China. Through this policy he assured the global investors and domestic investors for safety of their investments to increase their contribution in GDP, creation of skills and enhancing global competitiveness of Indian unorganized retailing. It can be said that it is a new strategy for Indian unorganized retailing.

## **Review of Literature**

During this study the researcher reviewed a number of research papers and articles but it is not possible to give a brief account of each and every paper/ article so only some important research papers have been given below in brief:

Tusharinani (2007) noted the transformation of traditional formats into new formats, viz., departmental stores, hypermarkets, supermarkets, specialty stores and malls taking the lead in attracting consumers in the metro cities. The study by Mishra (2008) expose that mall space, demography, rising young population, availability of brands, rising retail finance, changing lifestyle, modern retail formats and foreign direct investment are the strengths and opportunities for modern retail model. On the other hand, real estate cost, improperly developed mall, lack of skilled personnel, underdeveloped supply chain and taxation hurdles are the weaknesses and threats for modern retail formats. The consumer has multiple options to choose- ranging from the shopkeeper to the most sophisticated supermarkets, departmental stores, plazas and malls which provide the latest and better quality products and it made India the top spot among the favored retail destination as observed by India Retail Report (2009). With retailers eyeing their presence in the market, it is important to identify the target shoppers as well as the prime factors of enjoyment in shopping. The results reveal that a majority of the consumers are pro shoppers, feeling enjoyment while shopping. Their key interests include getting product ideas or meeting friends. They also view shopping from emerging retail formats as a means of diversion to alleviate depression or break the monotony of daily routine. In addition to this, they also go shopping to have fun or just browse through the outlets. Hino (2010) shared his observation about the emergence and expansion of supermarkets that gradually decreased the market share of the traditional formats by displacing them and the factors that helped supermarkets in gaining consumers favors over the traditional stores are the 'consumers economic

ability' and the 'format output'. Ghosh *et. al.* (2010) stated that 47% of India's population is under the age of 20 and this will increase to 55% by 2015 and this young population will immensely contribute to the growth of the retail sector in the country. While the study by Ali and Kapoor (2010) indicated that a higher income and educational level of consumers influences their decisions on product and market attributes while gender and age seems to have no significant impact. A study highlighted the importance of unorganized sector and analyzed the key strength, weakness, opportunities and threats. It also analyzed recently launched government policy 'Make in India'. How this policy can change present conditions of unorganized manufacturing sector. It can locate as prominent area for India as leader in manufacturing which can contribute in government call 'Make in India' to move India as manufacturing hub in world market. (Tripathi, Shastri & Yadav, 2015)

### **Objectives of Study**

The objectives set for this study are:

- To conduct a SWOT analysis in case of unorganized retail trade of Modinagar town.
- To throw light on the impact of 'Make in India' initiative through unorganized retailing in Modinagar town.

### **SWOT Analysis in Context of Unorganized Retail Trade Sector of Modinagar Town**

This research paper solely focusses on the unorganized retail trade sector of Modinagar town. No doubt the Indian unorganized retail sector is very vast consisting of a variety of retail trades. But for the purpose of study only the shop keepers who are dealing with basically durables, semi-durables, non-durables and services in the unorganized retail trade sector of Modinagar town have been taken into account. Food retailers, health and beauty products, clothing, footwear, home furniture and household goods, confectioners, general merchants, stationers, jewelers etc. are different types of unorganized retail trades wherein the people are engaged and running their livelihood. The street vendors and self-employed workers have not been considered under this study.

As far as the unorganized retail sector of Modinagar town is concerned it has its own strengths, weaknesses, opportunities and threats. The strengths and threats of the unorganized retail sector of Modinagar town and weaknesses and opportunities of shopping mall culture have been represented in the Figure 1.

### **Key Strengths**

Following are some of the factors that strengthen the unorganized retail trade in Modinagar:

**1. Population:** As per census 2011, total population of Modinagar Urban Agglomerate is 183,075, the male population of which is 97,423 while female population is 85,652. (Census of India, 2011) The whole population of Modinagar town is its strength. Only because of this population the unorganised retail sector of Modinagar has grown and providing a large variety of products and services to the people.

**2. Demand:** Modinagar is a consumer oriented market. As per census 2011, total working population of Modinagar town is 31.4 per cent and remaining 68.6 per cent population is non-working. (Census of India, 2011) This data depicts that majority of people are not engaged in retail sector or in other words they are not having any purchasing power at their hand. They do not have sufficient liquidity or cash to meet out their requirements. They have to depend on the shop keepers to meet out their day to day requirements. They cannot make spot payments and they have to borrow goods from their shop keepers. They have good rapport with the shop keepers and the shop keepers have trust on their customers. They constitute major part of total demand for goods and services in Modinagar town.

**3. Orthodox Attitude of People:** Modinagar town is surrounded by rural areas. There are number of villages like Sikri Khurd, Saunda, Manki, Rori, Bhojpur, Bisokhar etc. Orthodox people of these rural areas strongly believe in their traditional shopkeepers. They have their own perception about today's Mall culture. They do not believe in shopping from shopping malls or retail stores like Reliance Fresh, Wall Mart, Spencers etc. As per their perception goods sold by these retail stores are comparatively costly, not so easy to avail due to their limited income. They strongly believe in traditional items that are easily available at cheaper rates as compared to the shopping malls/ retail stores.

**4. Surroundings of Rural Areas:** As it has already been mentioned that Modinagar town is surrounded by a number of rural areas. People from these areas come to the Modinagar market for their purchases. Bulk of rural population is the sole cause of the development of unorganized retail trade in Modinagar.

### **Key Weaknesses**

Despite the positives, there are certain facets of the sector that may dampen growth. Following are the key areas to consider.

**1. Infrastructure:** Modinagar is a congested area. Organized retail outlets for their establishment and expansion in Modinagar require sufficient space but because of congestion of Modinagar town they will not get success in finding out required space for their outlets and parking area. This infrastructural problem will not let them flourish smoothly in Modinagar.

**2. Imperfect Competition:** In unorganized sector there is no set parameter for the quality standards of the products so they produce different kind of products having a large number of variety and quality.

This creates imperfect competition in the market. This increasing imperfect competition actually works as a center of attraction for shopping mall culture. In modern times the producers through mall culture are trying to penetrate the masses through attractive packaging of their products, offering attractive price discounts and interesting schemes such as 'buy one get one free', surprise gifts on purchasing, etc. Providing these kind of offers to their customers are not possible for the shop keepers in unorganized sector because they have limited money to invest in their business and also they have only a marginal benefit on their sales.

### **Key Opportunities**

The market is undergoing a lot of changes, both from the regulatory as well as demand side. Following are some of the winning factors that players could focus on:

**1. Employment Generation:** In Modinagar the entry of organized retail stores will provide employment opportunity for the masses who are unemployed. A number of job opportunities may be generated for the literate as well as illiterate people. They will have sufficient purchasing power in their hands and can also raise their standard of living. This will also help to develop unorganized sector of Modinagar also.

**2. Increase in Disposable Income:** After getting employment there will be an increase in disposable income of the people. They will demand more and consume more.

### **Threats**

The unorganized retail sector of Modinagar town is marred with many issues. The two most important threats are as follows:

**1. Literacy Level of the Masses:** As per Census 2011, literacy rate of Modinagar town is 80.8 per cent. There are 87.7 per cent males and 73 per cent females who are literate. (Census of India, 2011) This is the common behavior of the educated people that they do believe in quality products. They are brand conscious. Money does not matter for them if they have decent income. They are status conscious also. They refrain from going to local markets and visiting shop to shop instead they prefer to buy goods from shopping malls and retail outlets. This kind of perception and behavior of the educated chunk of Modinagar town may prove to be a threat to the unorganized retail sector of Modinagar town. There will be a fall in demand as well as profit gains for local shop keepers that comes from this section of Modinagar town and the organized retail sector will get the benefit of it in terms of their increased sales and profits.

**2. Easy Access to Wide Range of Brands:** After the arrival of organized retailing in Modinagar town the people will get an easy access to a wide range of products under one roof. This saves them a lot of time. It is particularly about the population who is earning descent but have very little time due to their busy work schedule. Shopping malls provide them a helping hand to meet out their day to day requirements by offering convenient options like placing online orders and home delivery.

## Conclusion

In modern times there is a competitive environment. But in town areas like Modinagar there is also a stiff competition among the shopkeepers who are running their traditional business. Definitely, due to giving a welcome heart to the foreign retail companies into this area, retail sector of Modinagar town will really feel a setback. But practically a few cases have been observed in Modinagar. A few companies opened their retail outlets in Modinagar town like Easy Day, Spencers, Vishal Mega Mart etc. but they did not get a good response from the customers of Modinagar town and finally a few among them shut down their stores.

The basic problem for shopping malls is the major strengths of Modinagar town. The whole population of Modinagar being its strength, the unorganized retail sector of Modinagar has grown and providing a large variety of products and services to the localized people of Modinagar. In Modinagar 68.6 per cent population is non-working. These people are not having any purchasing power at their hand. They have to depend on the shop keepers to meet out their day to day requirements. They cannot make spot payments and they have to borrow goods from their shop keepers. They have good rapport with the shop keepers and the shop keepers have trust on their customers. They constitute major part of total demand for goods and services in Modinagar town. The orthodox rural people in Modinagar town do not believe in shopping from shopping malls or retail stores. As per their perception goods sold by these retail stores are comparatively costly, not so easy to avail due to their limited income that is why strongly believe in traditional items that are easily available at cheaper rates. People from these areas come to the Modinagar market for their purchases and have been considered to be the sole cause of the development of unorganized retail trade in Modinagar. Organized retail outlets for their establishment and expansion in Modinagar require sufficient space but because of congestion of Modinagar town they will not get success in finding out required space for their outlets and parking area. This infrastructural problem will not let them flourish smoothly in Modinagar.

The increasing imperfect competition in Modinagar actually works as a center of attraction for shopping mall culture that is why the producers through mall culture are trying to penetrate the masses through attractive packaging of their products, offering attractive price discounts and interesting schemes such as 'buy one get one free', surprise gifts on purchasing, etc. While providing these kind of offers to their customers are not possible for the traditional shop keepers in unorganized sector because of having limited money to invest in their business. In Modinagar the entry of organized retail stores will generate various job opportunities for the people and thereby they will have sufficient purchasing power in their hands to demand more and consume more and thereby raising their standard of living.

There are 80.8 per cent educated people in Modinagar town who do believe in quality products. They are not only brand conscious but status conscious also. They refrain from going to local markets instead they prefer to buy goods from shopping malls and retail outlets. This kind of perception and behavior of the educated people of Modinagar town proves to be a threat to the unorganized retail sector of Modinagar town. There will be a fall in demand as well as profit gains for local shop keepers and the organized retail sector will get the benefit of their increased sales and profits.

After the arrival of organized retailing in Modinagar the people will also get an easy access to a wide range of products under one roof. The population who is earning descent but have very little time due to their busy work schedule will save a lot of time because shopping malls provide them a helping hand to meet out their day to day requirements by offering convenient options like placing online orders and home delivery.

At last, the strengths of traditional shop keepers in Modinagar town overshadow the opportunities for shopping malls. Similarly weaknesses of shopping malls overshadow threats for unorganized retail trade sector of Modinagar. It is a very tough as well as most challenging job for the shopping malls to fight with infrastructural problem and also to penetrate into already established traditional market. To some extent shopping malls may get success due to some educated people only because of their brand consciousness and sufficient purchasing power but majority in Modinagar town comes from rural area that is already a big snag in the way of present day shopping malls. Finally the idea of 'Make in India' introduced by Mr. Modi will not get success in Modinagar town.

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**Figure 1- SWOT Analysis**

