A Study on Growth of Organised Retail Trading in Gautam Budh Nagar

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Abstract

The growth of Indian retailing has been a focus area for many research studies, as it entails exploration in terms of employment, in terms of sales, area of spread and its impact. The present study focuses on the various facets of growth of food retailing in Gautam Budh Nagar and analyses the impact on the traditional outlets, in terms of employment, sales, among others and would indicate areas where traditional retail formats can make changes so as to enable it to compete with the organised food retail chains. In addition, the study attempts to decipher the impact of these supermarkets on traditional food retailers. With the arrival of organized retailing in India there is a general apprehension that it would displace the traditional retailers whose numbers are very large. It is quite likely they will be wiped out due to the unfair advantage enjoyed by these organised retail outlets. The implication on employment another area of concern will be also studied. The study has tried to find the growth of retail formats, and its impact on the consumers and traditional retailers.

Keywords: Retail, Traditional, Organized, Employment, Consumers.

Introduction

The Indian retail industry is the fifth largest sector in the world comprising of both organized and traditional retailers. It is also one of the fastest growing sectors of the economy in recent years. The retail sector in India was predominantly unorganized; however after global trends towards organised retail chains and with the change in tastes and preferences of the consumers, the shift to organised retail is taking place at a rapid phase. With the growing market demand, the sector as whole is expected to grow at about 25-30% annually and is expected to grow from Rs. 35,000 crore in 2006 - 07 to Rs. 109,000 crore by the year 2011. (Techno Pak Services).

The comforts in the form of convenience, one stop shopping for varied needs coupled with the increased purchasing power has facilitated a switch over from the traditional outlets to the organised outlets. Initially, this has led us to believe, that there is a decline in the business of the traditional retailer.

Growth of the Indian Retail Sector:

India's retail sector is undergoing a major transformation. The retail sector with annual 46.6% percent growth is one of the fastest growing sectors in India. Traditional markets are making way for new formats such as departmental stores, hypermarkets, supermarkets and specialty stores. Western-style malls have begun appearing in metros and tier-II cities alike, introducing the Indian consumer to an unprecedented variety in shopping experiences. Though the organized retail in India was only 2% as compared to the total US $ 215 billion retail Industry in 2008, it is expected to grow 25% annually, driven by changing lifestyles, strong income growth and favourable demographic patterns (Pradhan & Mangara (2008)). The retail chains are utilizing sophisticated information technology and communication to manage their operations and have grown rapidly not only within their home countries like US, UK, France, Germany and Holland but to other developed countries and developing countries (Mulky and Nagarkundar 2003).

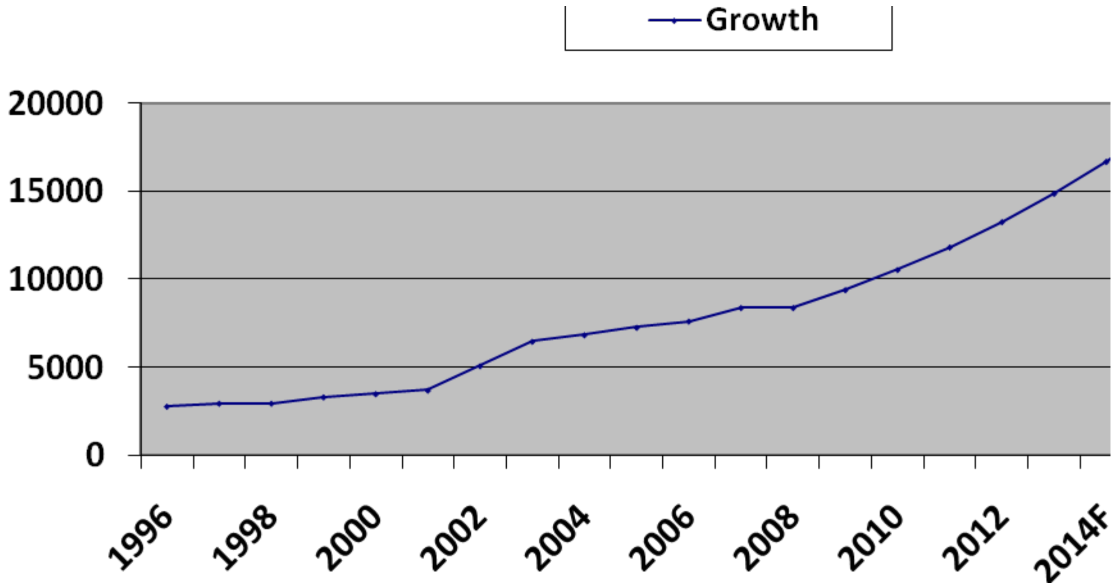
The Indian retail market, which is the fifth largest retail destination globally, has been ranked as the most attractive emerging market for investment in the retail sector by AT Kearney's eighth annual Global Retail Development Index (GRDI). The organized retail sector is expected to grow at a higher percentage than the GDP growth in the next five years driven by changing lifestyles, strong income growth and favourable demographic patterns, says KPMG report titled 'Consumer Market in India.

Table 1.1 Growth of food retailers (Rs. billion):

Year	Growth	Year	Growth
1996	2876.00	2006	7745.30
1997	2989.10	2007	8738.90
1998	2989.10	2008	8989.30
1999	3300.00	2009	9859.30
2000	3582.00	2010	10642.20
2001	3882.50	2011	11956.37
2002	5272.10	2012	13825.62
2003	6644.20	2013	15021.30
2004	6982.30	2014F	16954.70
2005	7557.30	2015F	18727.65

Period	Compound Growth rates
1996-2000	5.88%
2001-2012	12.89%
Overall	12.18%

Fig.1. a. Growth of Food Retail



F - Indicates forecasted values.

Source: Euro monitor 2013 and IJRIER 2013

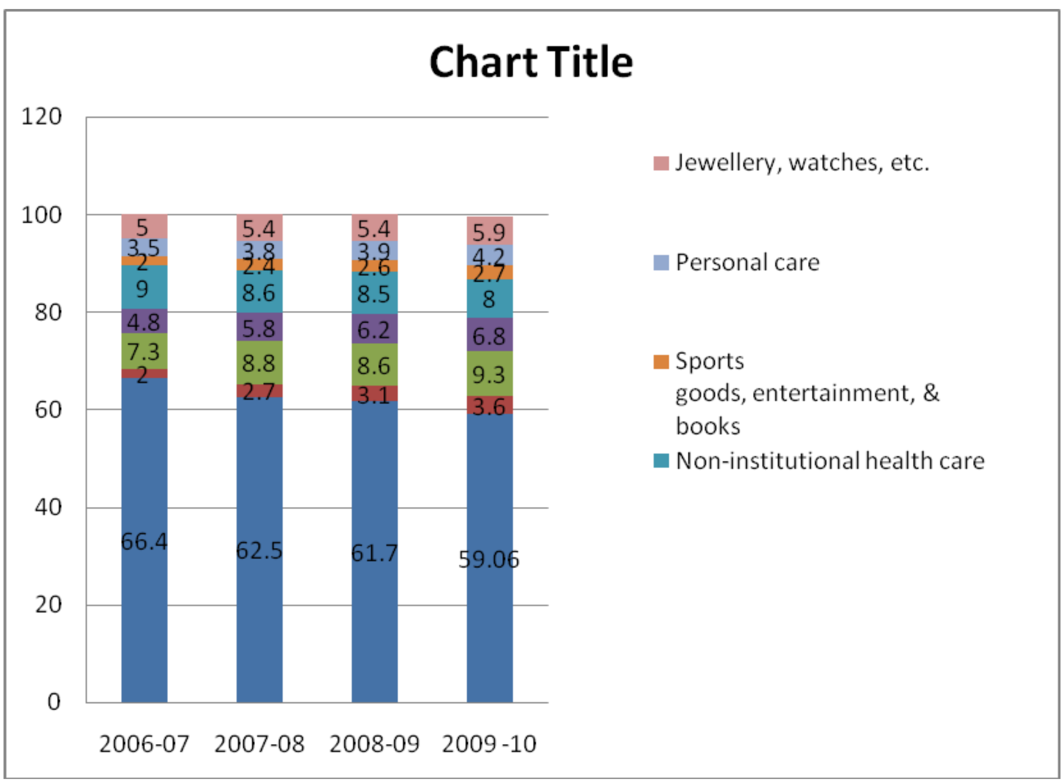
The all India figures of organised retail growth since 1996 have shown a steady rise in organised retail. Year 2000 shows the growth of organised retail at 5.9 %, whereas the growth rate during the period 2001-2010 has shown a growth rate of almost double, to over 12 percent per annum. KSA Techno Pak Services in 2010 have also predicted a figure close to the one obtained in this study.

Table 1 .2 Growth of organised formats by Category

	Category	2006-07	2007-08	2008-09	2009 -10
1	Food & grocery	66.40	62.50	61.70	59.06
2	Beverages	2.00	2.70	3.10	3.60
3	Clothing & footwear	7.30	8.80	8.60	9.30

4	Furniture, furnishing, appliances & services	4.80	5.80	6.20	6.80
5	Non-institutional health care	9.00	8.60	8.50	8.00
6	Sports goods, entertainment, & books	2.00	2.40	2.60	2.70
7	Personal care	3.50	3.80	3.90	4.20
8	Jewellery, watches, etc.	5.00	5.40	5.40	5.90
	Total Retail	100.00	100.00	100.00	100.00

Source: Singal, 2010.



Objectives of the Study:

1. To study the growth of organized retailing and its impact on the business prospects of traditional retailers in Gautam Budh Nagar
2. To identify the factors influencing the growth of organized food retailing in Gautam Budh Nagar

Hypothesis:

The researcher has opted to test the null hypothesis which organized retailing of food has an adverse effect on the business prospects of traditional retailers.

Findings:

1. The Indian retail industry is the fifth largest in the world. Comprising of organized and traditional sectors, India retailing is one of the fastest growing industries in India, especially over the last few years.
2. The growth of the organised retailing has been consistent. What developed countries achieved in the last 20-30 years, India has achieved remarkably in 5 to 10 years period.
3. Among the various categories of products marketed by the retail formats like Food, beverage, clothing, furniture, appliances, health, sports goods, entertainment, personal care and jewellery, food and grocery takes a major share of 60%. It would continue to have a major percentage share.
4. A large number of organised retail outlets were set up after 2005 in Gautam Budh Nagar, whereas most of the unorganised retail stores were set up prior to the 2000.
5. The survey among consumers has revealed that the low income households preferred the traditional outlets. Higher income groups preferred the organised retail outlets proving a strong association between incomes and buying behaviour. Vast majority of shoppers in the organised outlets were young and from nuclear families.
6. Seventy five to eighty one percent of the respondents preferred the organised outlets than the traditional outlets, though they also shop with them. The female respondents

outnumbered the male respondents in their choice of preference for organised outlets.

7. Education plays a significant role in their shopping behaviour. High educated respondents very strongly preferred the organised outlets and less of the traditional outlets. The individuals who shopped in un organised outlets were not that qualified, indicating that awareness of retail formats have helped some consumers to change their shopping.
8. A sizeable majority of the consumers who shop in the traditional outlets have had no necessity to use any modes of transport as it was found closer to their residence. In case of customers shopping in retail outlets had to use some mode of transport. This also indicates that the outlets were not within a close reach.
9. Consumers who shop in organised outlets have a tendency to spend more than their counterparts in the traditional outlets. It is also noticed that the average expenditure on food is more than the expenditure on non food items.
10. Customers prefer branded items for durable goods and items like fruits, vegetables, meat and other perishables they prefer unbranded items. This trend is found with both retail and traditional customers.
11. The customers who visit the retail outlets are immensely attracted by the offers of the organised outlets. There are various offers given to the customers in the organised outlets, they include loyalty points, discounts, promotional schemes, and have genuine prices for many products and also change a less price than MRP. Consumers in the traditional outlets also expressed genuine prices and discounts to be major attractions
12. Consumers in both the outlets prefer them owing to availability of different brands, variants and fresh stock.
13. A vast majority preferred the retail outlets to traditional outlets owing to the facilities it offered like one stop shopping, better service, freedom to choose brands, good parking facility, and better display of commodities. A small percentage of consumers in traditional outlets also expressed these facilities but in a very less manner.
14. Consumers of both the formats stated the outlets being closer to home, and that shopping

saves time. Consumers felt shopping in organised outlets provides for family shopping easy access among others.

15. They have also being attracted by offers, easy access, closer to residence as factors which brought them closer to retail outlets.
16. Convenience in shopping like easy accessibility, entertainment, family shopping are factors which have a bearing on consumers who shop in organised outlets, these facilities though available are least attracted to consumers in the traditional outlets.
17. Fifty two percent of consumers visited the organised outlets for fruits, vegetables, edible items and toiletries but a vast majority of consumers (61%) shopped in traditional outlets for the same. The constant demand for these products has slightly increased the consumer's tendency to shop in traditional outlets for these items.
18. Consumers in the study area stated that their buying in planned and impulsive when shopping in organised outlets. The ambience and displays offers could be some of the reasons for them to go for impulsive buying.
19. Retailing is still at its nascent stage in India. The growth rates of food retailing in India have almost double between the years 1996-2000 (5%) to 2001-2007 (12.8%).
20. Gautam Budh Nagar roughly has 15% of organised retailing. The period 2000-05 saw the growth of many organised retail outlets.
21. Majority of the retail outlets have their own brands when it comes to home need like ready to eat, ready to cook, daily necessities and basic consumer needs.
22. The traditional retailers were qualified up to intermediate level with an average family size of 5 members, with an average monthly income of Rs 17000/- the traditional outlets work for slightly longer workers than that of the organised retail outlets.
23. Female employees were found more in the organised outlets than the traditional outlets.
24. The sq feet of retail outlets were four times bigger than that of the traditional outlets. The average foot falls in organised outlets was almost double the average of the traditional outlets.
25. The increase in footfalls during weekends was almost similar between both the outlets.

26. A near fifty percent who shopped in retail outlets felt the availability of parking being adequate, where as a mere twenty one felt parking to be adequate in traditional outlets.
27. More than 60% of the traditional retailers felt they were not affected by opening of organised outlets and only small percentage felt a minor decline in sales. In the organised outlets, they have various methods to enhance quality like rotation of stock, quality certification, and inspection but where as in the traditional outlets inspection done basically by Food Corporation of India is a most popular measure cited to enhance quality. Nearly fifty percent of traditional retailers felt they need to change their method of functioning but where as a sizeable no (38%) felt there was no necessity.

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