



SURVIVAL AND SUCCESS SAGA OF UNORGANIZED RETAIL SECTOR IN RURAL INDIA - A STUDY

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Abstract

The Indian retail industry has emerged as one of the most dynamic and fast-paced industries due to the entry of several new players as a result of globalization. It accounts for over 10 per cent of the country's Gross Domestic Product (GDP) and around 8 per cent of the employment. India is the world's fifth-largest global destination in the retail space. India's retailing industry is essentially a family owned and manned small shops. In 2010, larger format convenience stores and supermarkets accounted for about 4 per cent of the industry, and these were present only in large urban centers. According to a recent BCG report, India's retail market will be nearly doubled to \$1 trillions by 2020 with an organized retail penetration of 19%. With the entry of Shopping malls and supermarkets, the unorganized retail sector in India was thought to be at the decline state. With the growing importance of e-commerce, the retail experts forecasted the condition of the unorganized retail sector as a history. But the story mom and pop retailing has taken another leap due the lessons learned from its timeline. Mom and pop stores today taking new dimensions and sailing in the sea with its new weapons. The new era begins for unorganized retailing with the advent of new avenues.

Key Words: Retailing, Unorganized Sector, Integration, Trust, Business Model, E-Commerce.

Introduction

When the shopping malls emerged, when super markets started, when everybody is sitting with the gadgets for shopping online, everybody's thought, it's the time to wind up normal kirana stores i.e in retail terms mom and pop stores. But if we analyze today's family owned stores we have to rethink twice to talk about them. In fact the first shopping experience of every common Indian started with small shops nearby his home years ago. Normal Kirana shop is a house of tastes for a small boy. It's a one stop store for a father. It's a shop for emergency grocery to mother. It's a forum for discussion of local politics to the grandfather. Mom and pop stores have an integrated life with the families of the village or small town.

Integration with Local Community

Local retailers lead their business as an integral part of local communities. He greets the customers as if he is the relative to him. He showers love. He enquires about the family. He praises the children of the customer. Sometimes he will gift them some chocolates and biscuits. Today's retail sector is in a win-win situation. Unorganized retailers knew this concepts decades ago. He will drive the customer with his love, affection and courteous behavior. He is an intelligent retailer. Unorganized retailing runs within the array of relationships. Mom and pop stores works with a simple logic i.e harvest now and get fruits later which is not older than today's sutra of organized retailing "Catch them young".

Business from the Needs of People

Retailing is phenomenon of decades. Initially before the concept of establishment of shops, business people used to walk into the streets and shout about their products for exchange which is popularly known as town crying. People used to exchange the goods whatever they have with town criers for their needy things. This barter system was further replaced with currency. If we analyze barter system both the parties are the customers. There is no seller and buyer. Once the exchange started with currency, then exchange process taken the shape of business where there is buyer and seller.

The Dominance of Unorganized Retailing

Retailing in India is predominantly unorganized. According to a survey by AT Kearney, an overwhelming proportion of the Rs. 400,000 crore retail markets are unorganized in India. In fact, only a Rs. 20,000 crore segment of the market is organized. The sector is highly fragmented with 80% of its business being run by the unorganized retailers like the traditional family run stores. In the tsunami of e-retailing and sophisticated mall retail experience, unorganized retailing has its dominance in Indian rural market which has a major share of 75% of total Indian market. If we go to any rural place, we can find one or two small family owned shops. They offer entire range of essential products that a typical customer needs.

Working on Fundamentals of Marketing

Normally Kirana stores offer a variety of merchandise according to the local demand. Customers need not go to the rakes to pick up their item. Just over the counter if he demands the product, it will be in his hands within seconds of time. Normally the marketer feels guilty if he has to say a particular product is unavailable. He will forecast the demand perfectly. They work with credibility. They do not want to lose credibility in the hearts of the customers. Occupying the mind space of the



customer is positioning. But an unorganized retailer occupies the space in the heart of the customer. Its beyond positioning. Due to handling limited merchandise, time to time he will check the inventory levels according to demand, expiry dates, damages in entire product lines.

One of the specialties of these non-specialty retailers is maintaining direct formal one to one relationships with every customer. These relationships bridge the information gap between the retailer and the customer and an intimacy will be developed. A typical unorganized retailer will know the quantity of rice required by the customer. He knows the brands used by the customer exactly, which may be even it is impossible for a big data analyst to understand.

Trust is the Basis for doing Business

Generally, purchasing power of people in rural and semi urban areas is less. Here unorganized retailers play a predominant role. Buying the goods for credit is the common phenomenon. The Retailer will trust the customer and sell the essentials on credit basis. He doesn't see the credit history of the customer. As long as the trust between retailer and customer continues, there would not be any problem for the customer and to buy the goods now and pay later process. The advantage for the retailer is he will get the revenue in a lump sum by the first week of every month. Simply rural retailing is the business based on trust and relationships. This style of doing business is not at all possible with today's organized retail activity.

Every time customer had a question in his mind about to whom he has to report if there is any defect with the product or when there is a gap in the service. Without hesitation the customer may go to the mom and pop store and can get his problem solved. The retailer will build confidence in customer by replacing the defective product with new one and sustain the relationship with him without asking him the bill of purchase.

We need to buy a bath soap or shampoo at early morning. We'll go to a shop at the corner of our street and buy. In unorganized retailing the shop where you buy the product is the house of the owner. So we need not wait till the shop is opened. And they will open the shop early in the morning and operates till midnight. Perhaps this is the major strength of unorganized retailing over the supermarkets, hypermarkets and shopping malls.

Unorganized Retailing at Par with Organized Retailing

The tastes and preferences of customers are always changing. In order to catch hold the hand of customers looking at shopping malls and e-commerce, Kirana retailers are upgrading themselves. They never thought to renovate or expand their shops. But the organized retailing concept has lead them to rethink about their customers. Shopping malls, hyper markets, super markets are attracting customers now with escalators, air conditioning and other facilities. Unorganized retailers now renovating their shops with glass doors, electronic display of products along with price what they have, increasing shelf space. Retailers creating space for the customer to move freely in the shop.

Learning from E –Commerce

With the increasing usage of internet coupled with smart phones customers need not go to the shops to buy the products. With emerging retailers such as Zippin, Big basket, a normal customer can get the ration within 1 or 2 hours in a single click. Here the increasing percentage of online retailing is the loosing percentage of customers in store based retailing. Hence large scale Kirana stores are now earning technical capabilities. Unorganized retailers are opening websites, creating apps to enable the customers to mail the products required and to get the goods delivered at free of cost. Many retailers now take support from software engineers for designing and maintaining websites. From a recent study it is known that 10% of business is done over online from the traditional store based retail formats. As an evidence to this many retailers today are doing business only through Mobile apps as many of us spending more time with smart phones. Payment options are also enabled so as to make the payments online. AaramShop is an Indian start-up, which has pioneered the concept of hybrid commerce, which allows customers to shop at local neighborhood stores via the internet. AaramShop is a free to use platform for small independent retailers who get to have a web support to their physical store. Customers create a shopping list for groceries via AaramShop's Mobile App.

Hybrid Business Models

Even in the tough competition from online retailers and organized retailers, still rural Kira stores are surviving surprisingly. Now many online retailers are going to join hands with rural retailers to face the competition from organized retailers. So technology coupled with trust and relationships of retailers to create hybrid models. Though Multinational retailers and chain retail models have their own strengths and significance, so far have not entered rural areas. Online retail giants like Aamazon, Flipkart now joins hands with retailers in rural areas to deliver their products. Online retailers now considering rural shops as intermediaries. Customers in rural areas can also order products online by paying money to that retailer. He will order on behalf of that customer and deleiver the products ordered within one week time. This process is based on trust on that retailer.



According to Boston's report now multi brand retailers and MNCs plans to cater into the rural areas by opening shops which are analogous to the unorganized retailers to position themselves as the rural retailers. Many other retail chains such as Reliance fresh, future group, Walmart are planning to cater into the rural areas with the similar kind of business models. Gromor fertilizers are successful with this business model. This is the significance and heritage of rural retailing.

Conclusion

Unorganized retail sector in India comprises of over 80%. Indian retail is dominated by a large number of unorganized retailers consisting of the local Kirana stores, chemists, footwear shops, apparel shops, paan and beedi shops. These Kirana shops are having their own efficient management system and with this they are efficiently to fulfill the needs of the customer. Mom and pop retailers are still dominating the Indian rural market. Today rural India is the catchment area for startups too. When the online retailers joined their hands with these offline stores in rural areas, rural retail penetration is further increased. The new era begins for unorganized retailing with the advent of new avenues. With in no time we are going to see Reliance fresh, Specers outlets in rural areas in the local costumes.

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