A STUDY ON CONSUMER BUYING BEHAVIOR TOWARDS ORGANIZED AND UNORGANIZED RETAIL STORES IN BANGALORE CITY

Lakshmi Narayana K1*, Ajata Shathru Samal2 and P Nagaraja Rao3

*Corresponding Author: Lakshmi Narayana K, klnreddymsec@gmail.com

Retail is currently the flourishing sector of the Indian economy. This trend is expected to continue for at least the next two-three decades, and it is attracting huge attention from all entrepreneurs, business heads, investors as well as real estate owners and builders. Availability of quality, retail space, wider availability of products and brand communication are some of the factors that are driving the retail in India Retail sector is also supporting to create huge employment while a new form of organized retail sector has emerged within the retail industry and it gave speedy phase to Indian retail sector. The rationale of the study is two-fold: First, to examine the nature of changes in the retail sector taking place due to organized form of retailing and implications of shift to this new form of retailing. Secondly, this area has remained largely an unexplored part of research till date especially in the Indian context. The broad objective of the study is to understand consumer behavior towards organized and unorganized retail stores and to find out the consumers satisfaction level from organized retail stores as well as unorganized retail stores. The perception of the traditional retailers about the modern retailing. The study uses primary data collected through in depth qualitative analysis to represent organized and unorganized retails sectors respectively in Bangalore city.

Keywords: Consumer behavior, Consumer satisfaction, Organized retail, Unorganized retail

INTRODUCTION

India started its Retail Journey since ancient time. In Ancient India there was a concept of weekly HAAT, where all the buyers and sellers gather in a big market for bartering. It takes a pretty long times to 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

1 Department of Management Studies, K.S. School of Engineering and Management, Mallasandra, Bangalore 560062.
2 Department of Management Studies, Nagarjuna College of Engineering & Technology, Bangalore 562110.
3 Department of Management Studies, Sir M V Institute of Technology, Bengaluru, Karnataka, India.
So the Indian retail industry is divided into two sectors—organized and unorganized. The Indian retail industry is now beginning to evolve transformation that has swept other large economies. There is a vast change in Indian retail, the liberalization of the consumer goods industry initiated in the mid-1980’s and accelerated through the 1990s has begun to impact the structure and conduct of the retail industry. The concept retail, which includes the shopkeeper to customer interaction, has taken many forms and dimensions, from the traditional retail outlet and street local market shops to upscale multi brand outlets, especially stores or departmental stores. Hence, focusing on two aspects of retail marketing, i.e., store retailing and non-store retailing. Store Retailing as the departmental store, which is a store or multi brand outlet, offering an array of products in various categories under one roof, trying to cater to not one or two but many segments of the society and Non store retailing as the direct selling, direct marketing, automatic vending.

The most important debate concerning the implications for the expansion of the organized retailing in India revolves around whether it is going to have positive impacts on the economy as a whole as compared to the traditional unorganized form of retailing. According to one camp, it has overall positive impacts in terms of generating more number of employments, new diversified forms of employments, and improving the nature of retail employment (higher salary, more job benefits, security of job, employability, etc.). This form of retail sector is also looked upon as a huge sector having immense business opportunities for entrepreneurs and capital investors. Moreover, organized retailing is considered to be efficient and apt to cater to the diversified and changing nature of the consumer demands in growing economies like India. The general benefits of organized retail also include improved supply-chain, improved marketability of farmer’s produce and it is also expected that it will contribute to heightened economic activity.

The extensive research brought me to conclude that departmental stores are soon emerging on the top priority lists, amongst the shopping spree in Delhi, as they seem to derive immense pleasure as shopping is considered as an experience now rather than a task and exposure to variety under one roof in their extremely busy lives, when they don’t have time for things.

The organized retail food and grocery stores make constant efforts to induce customers to visit the store by discount offers. Most of these stores believe in creating not just a marketing activity with its customers, but rather favor relationship building with him so as to convert first time customers into a client. They provide better parking facilities to customers and the facility to examine the product. They also offer a wide range of payment options to customers. India is currently the twelfth largest consumer market in the world. 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, 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 the US retail industry. Unorganized retail sector is still predominating over organized sector in India, unorganized retail sector constituting 98% (12 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: (i) 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:

Organized Vs. Unorganized Sector
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 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. What they can do and what they are doing, some of these issues will be discussed in future parts of article.

Retail Trends in Past Few Years
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 overseas only 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 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, however before taking a leap into the future of Retail in India, let’s see what the Indian retail Industry is currently occupied with.

**REVIEW OF LITERATURE**

Purohit and Kavita according to their studies that the traditional retailers are not very much clear about the consequences of the modern retailing the traditional retailers are neutral or undecided, modern retailing will cut the profit margin of the traditional retailers; the modern retailing will lead healthy competition in the market, modern retailing will reduce the sales volume of the traditional retailers and traditional retailers should improve customer care services in the era of modern retailing.

Shaoni Shabnam: It is important to highlight that in organized retail, the status of employment is much better than that in unorganized retail. Hence it is definitely desirable that more and more labor gets absorbed in this sector of retail. In the current context, the labor employed in unorganized retail stands unfit for finding employment in organized retail. If appropriate training and skills could be imparted to them, it is possibly feasible to offer better forms of employment to them in the organized retail sector. The status of employment is much better than that in unorganized retail. Hence it is definitely desirable that more and more labor gets absorbed in this sector of retail. In the current context, the labor employed in unorganized retail stands unfit for finding employment in organized retail. If appropriate training and skills could be imparted to them, it is possibly feasible to offer better forms of
employment to them in the organized retail sector.

Meeta Punjabi: According to their study they suggest that the development efforts in this area are based on three grounds: First, farmers associated with the modern value chains earn higher returns than selling to the traditional markets. Second, the modern supply chains have specific quality requirements which are easier to meet by the large and medium farmers and the small farmers tend to get left out of these markets. Third, there are several successful examples of linking small farmers to these modern value chains with effort from government agencies, NGOs and development agencies. This knowledge presents strong grounds for a closer look at the emerging sector in India.

Mathew Joseph: Unorganized retailers in the vicinity of organized retailers experienced a decline in their volume of business and profit in the initial years after the entry of large organized retailers. The adverse impact on sales and profit weakens over time. There was no evidence of a decline in overall employment in the unorganized sector as a result of the entry of organized retailers. There is some decline in employment in the North and West regions which, however, also weakens over time. 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. The rate of closure on account of competition from organized retail is lower still at 1.7% per annum. There is competitive response from traditional retailers through improved business practices and technology upgradation. A majority of unorganized retailers is keen to stay in the business and compete, while also wanting the next generation to continue likewise. Small retailers have been extending more credit to attract and retain customers. However, only 12% of unorganized retailers have access to institutional credit and 37% felt the need for better access to commercial bank credit. Most unorganized retailers are committed to remaining independent and barely 10% preferred to become franchisees of organized retailers.

OBJECTIVES OF THE STUDY

In this context, the present research study was undertaken to:

1. To find out the consumer behavior towards organized (supermarkets/malls, hypermarkets, departmental stores, etc.) and unorganized (local Grocery stores, weekly bazaars etc.) retail stores in Bangalore city.

2. To find out the consumers satisfaction level from organized retail stores as well as unorganized retail stores in Bangalore city.

RESEARCH METHODOLOGY

Population of Study

Bangalore city: A total of 200 consumers from 4 parts Bangalore city were surveyed for this research study. The survey is based on interviewing grocery store consumers at various catchment areas in Bangalore city, Karnataka-India. Four areas Yelahanka, Malleshwaram, Jayanagara, and Vijayanagara are selected based on number of households and income groups in the catchments.

Primary Data

Tools Used

Questionnaire and personal Interview method used for primary data collection.
Sample Method
The sampling method chosen is simple random sampling which is a type of probability sampling.

Sample Size
200, the data is collected using a random sample of consumers. Consumers who have significant knowledge of the topic were identified and selected at random for questioning.

Questionnaire
A two page, Questionnaire was designed keeping in mind the objectives of the study which were to analyze the impact of organized retailing on unorganized retail and to find out the survival strategies adopted by unorganized retailers in mall culture. The literature survey and pre study consultation with industry experts were taken into account. The questionnaire consisted of few open ended questions, some questions were either using ranking scale or Likert scale, and dicotomes type of questions and open ended question.

This survey intends to analyze the impact of organized retailing on unorganized retail sector in Bangalore city. This research explicates various aspects like the perceived and expected levels of satisfaction of the consumers and the factors which unorganized retailer should take cognizance of in the course of establishing and enhancing their business.

As per questionnaire, interviews were conducted face to face so as to capture the attitude and experience of consumers who had just purchased grocery items from organized and unorganized retail outlets. Both qualitative and quantitative data analysis is done in order to get deeper insights into the consumer behavior and store loyalty for local grocery stores. Larger the sample size greater is the precision or reliability when research is replicated.

Secondary Data
Secondary data was collected through research papers, Newspapers, journals, websites, books, project reports and so on.

Limitations of the Study
Constraints on time, manpower and costs have influenced decisions on the study sample size.

RESULTS AND DISCUSSION
Preference of Customers Towards Retail Stores
36% customers prefers organized retail shopping while 38% customers prefers unorganized retail shopping but 26% customers are still not sure about their preference in shopping.

Customer’s Preferences Towards the Retail Stores for Purchase of Daily Groceries
38% customer’s purchases daily groceries from local Grocery stores while 24% customers shop from Supermarkets, 22% customers from

| Table showing the Preference of Customers towards retail Stores |
|-------------|------------------|----------------|---|
| S. No | Preference | No. of Respondents | % |
| 1 | Organised | 76 | 36 |
| 2 | Unorganised | 72 | 38 |
| 3 | Not Sure | 52 | 26 |
| Total | | 200 | 100 |

This article can be downloaded from http://www.ijmrbs.com/currentissue.php
Chart Showing Preference of Customers towards retail Stores

Preference of Customers towards retail Stores

Table Showing Customer’s Preferences Towards the Retail Stores for Purchase of Daily Groceries

<table>
<thead>
<tr>
<th>S. No</th>
<th>Preference</th>
<th>No. of Respondents</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Local Kirana Shops</td>
<td>76</td>
<td>38</td>
</tr>
<tr>
<td>2.</td>
<td>Super Markates</td>
<td>48</td>
<td>24</td>
</tr>
<tr>
<td>3.</td>
<td>Convenience Stores</td>
<td>44</td>
<td>22</td>
</tr>
<tr>
<td>4.</td>
<td>Hypermarket</td>
<td>32</td>
<td>16</td>
</tr>
</tbody>
</table>

Convenience Stores and rest 16% Customers prefer Hypermarket. Thus, highest percentage is still with local Grocery stores however the difference between supermarket and local Grocery is less.

Frequency for Visiting Malls

44% Customers visits visit fortnightly to the malls for various different purposes, 32% customers weekly, 18% monthly and rest 6% Daily visiting mall.
### Table Showing the Frequency for Visiting Malls

<table>
<thead>
<tr>
<th>S. No</th>
<th>Frequency</th>
<th>No. of Respondents</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Daily</td>
<td>12</td>
<td>6</td>
</tr>
<tr>
<td>2.</td>
<td>Weekly</td>
<td>64</td>
<td>32</td>
</tr>
<tr>
<td>3.</td>
<td>Fortnightly</td>
<td>88</td>
<td>44</td>
</tr>
<tr>
<td>4.</td>
<td>Monthly</td>
<td>36</td>
<td>18</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>200</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

### Chart Showing The Frequency For Visiting Malls

- Daily: 6
- Weekly: 32
- Fortnightly: 44
- Monthly: 18

**Purpose of Visiting Malls**

30% Customers visit mall for Shopping while 36% visits for Entertainment and rest 34% visits for Window shopping. During the survey, I got straight forward Purpose of visiting Malls Shopping, Entertainment, and Window Shopping.

**Customers Satisfaction on the Basis of Price Strategy Adopted by Malls**

64% Customers are satisfied with the pricing strategy of the malls after considering various discounts, sales and other offers, while 36% Customers are not satisfied.

**Customers Preference for Best Shopping Deals**

It was found that 64% consumers finds best shopping deals in malls with various Discount offers, gift packages, etc., 28% customers are satisfied with the shopping deals served by the local grocery stores while 8% customers has no opinion.

### Table Showing the Purpose of Visiting Malls

<table>
<thead>
<tr>
<th>S. No</th>
<th>Purpose</th>
<th>No. of Respondents</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>For Shopping</td>
<td>60</td>
<td>30</td>
</tr>
<tr>
<td>2.</td>
<td>For Entertainment</td>
<td>68</td>
<td>34</td>
</tr>
<tr>
<td>3.</td>
<td>For Window shopping</td>
<td>72</td>
<td>36</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>200</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

This article can be downloaded from http://www.ijmrbs.com/currentissue.php
Impact of Organized Retailing on Spending

48% consumers declared an increase in spending 28% indicated a decrease and rest 24% no change. Thus the arrival of organized retail has enhanced spending in general. The reasons

<table>
<thead>
<tr>
<th>S. No</th>
<th>Pricing Strategy</th>
<th>No. of Respondents</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Satisfied</td>
<td>128</td>
<td>64</td>
</tr>
<tr>
<td>2.</td>
<td>Unsatisfied</td>
<td>72</td>
<td>36</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>200</td>
<td>100</td>
</tr>
</tbody>
</table>

Table Showing the Customers Preference for Best Shopping Deals

<table>
<thead>
<tr>
<th>S. No</th>
<th>Preference for Best Deal</th>
<th>No. of Respondents</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Organised</td>
<td>128</td>
<td>64</td>
</tr>
<tr>
<td>2.</td>
<td>Unorganised</td>
<td>56</td>
<td>28</td>
</tr>
<tr>
<td>3.</td>
<td>Not Sure</td>
<td>16</td>
<td>8</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>200</td>
<td>100</td>
</tr>
</tbody>
</table>

This article can be downloaded from http://www.ijmrbs.com/currentissue.php
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.

**FINDINGS AND RECOMMENDATIONS**

1. The unorganized retail in the vicinity of organized retailers has 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.

2. The adverse unorganized retailer tapers off over time.

3. The major factors that attract unorganized retailers to consumers are proximity, goodwill, credit sales, bargaining, loose items, convenient timings, and home delivery.

4. There is clear evidence of a competitive
response from traditional retailers who are gearing up to meet the threat from organized retailers.

5. 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. Lower income consumers have saved more from purchases at organized outlets.

These results are not indicative of the countrywide scenario. For the country as a whole, unorganized retail is growing at a reasonable rate and will continue to do so for many years to come. Yet it is clear that the growth in demand for retail business is likely to substantially exceed any possible supply response coming exclusively from the unorganized retailers. India is at the crossroads with regard to the retail sector. Several emerging market economies have gone ahead and reaped the benefits of modern retail. 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. However, it suffers from huge inefficiencies as a result of which consumers do not get what they want. In contrast, organized retail provides consumers with a wider choice of products, lower prices, and a pleasant shopping environment.

CONCLUSION

The concept of retail is primitive in Indian context. We had Grocery stores, medical stores and lot many other stores working surprisingly well all over the country. Recently 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 then from these old shops.

The survey concluded that India’s organized and unorganized retail sectors can co-exist and flourish. The growth in the Indian organized retail market is mainly due to the change in the consumer’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. While on the other hand the traditional stores are shops where the various product available are the range of product really required by the customers. They cautiously take care of the choice of the customers and bring the product which is demanded by them. They try to satisfy them with the wide range and at the same time maintain a good relationship to retain them and consequently convert them into their loyal customer. The shopkeepers keeps latest products to their stores and then learn how is it actually affecting the sales of products although there stores have comparatively less product range the selection made is quite relevant. Having looked at the features let us find the loopholes. However good is the ambience and wide is the product range, when it comes the selling price of the various goods, traditional shops are always more efficient than these newly evolved stores. These retail shops lacking the interaction with the
customers have miserably failed in building base with loyal customer. No matter how much the companies talk about Customer Relationship Management (CRM), when it comes to the implementation they endeavour it only through the discount sales driven by their profit motive. Thus, in India it is quite doubtful that the organized retail will be ever able to overcome the unorganized retail completely. The values culture 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.

REFERENCES