# Competitive Strategies of Unorganized Retailers
## (A case study of Karnal and Kurukshetra)

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**Abstract** : *This article seeks to understand the competitive strategies followed by unorganized retailers in present competitive and fast changing environment. The study is descriptive cum analytical in nature. The research was carried on two cities (Karnal and Kurukshetra) of Haryana state. The responses were taken from 100 owner of unorganized kirana stores (50 from each city) through a questionnaire. The mean, standard deviation and t-test are used to get conclusion. The modern young people are mostly going to get purchase from Malls and shopping complex. So, there is stiff competition between organized and unorganized retailers. The study found that reducing price, to make available more choices and branded product are the major tool for unorganized retailers to face competition. The study also helpful in understanding is there any difference in the strategy followed by the unorganized retailing in two cities.*
**Keywords:** *Competitive strategies, Retailing, Unorganized retailing.*

## I. INTRODUCTION

### 1.1 Unorganized Retailing

Unorganized retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, the local corner shops, owner manned general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors.(*CorporateCatalystIndia, 2015*) [1].

### 1.2 Trends in Indian Retail Sector

Table 1: Turnover And Share Of Unorganized Retailing In India (In Crores Of Rupees)

| Year | Total Retailing Turnovers | Growth in % | Organized sector turnovers | Unorganized sector turnovers | Market share of Unorganized sector in % |
|---|---|---|---|---|---|
| 2011 | 23,55,000 | 10.82 | 1,75000 | 21,80,000 | 92 |
| 2013 | 29,50,000 | 11.74 | 2,75,000 | 26,75,000 | 88 |
| 2015E | 36,25,000 | 11.02 | 4,25,000 | 32,00,000 | 87 |
| 2017E | 44,95,000 | 12.51 | 6,70,000 | 38,25,000 | 85 |
| 2019E | 56,15,000 | 11.51 | 10,50,000 | 45,65,000 | 81 |

(*Source; ICRIER Report, 2011*)[2]

The trends show that the share of unorganized retail in total retail business is being seen to decrease year by year. It comes from 92% in 2011 to 81% in 2019E (Expected).Organized retail, which constitutes 8 per cent of the total retail market, will grow much faster than traditional retail. In 2006 it is only 4% of total retail. Now it becomes doubled only in 6%. It is expected to gain a higher share in the growing pie of the retail market in India**.***(Indian retail report, 2013)*[3]

### 1.3 Previous Work

Defend Indian Livelihoods (2011) [4] reported that the entry of MNC in supermarket and hypermarket chains would cause several displacements of the small and unorganized retailers. So it causes more negative impact on our retail economy.Sharma (2011) [5] stated that unorganized retailers and organized retailers can co-exist. The unorganized retailer are least affected from the organized retail. The study also point out that due to FDI in retail, the efficiency in the organized and unorganized retailers will be increased. The study concluded that the organized retailing is not in position to overcome the unorganized retailing in the present time. Both can get progress in future time.Chandra and Sunitha (2012) [6] stated that the unorganized retail sector of India is facing a fierce competition with global players entering the sector with their vast experience, sound financial back-up and strong brand image coupled with advanced technology in running the stores.

Competition Commission of India (2012) [7] argued that unorganized retailing can co-exist with the organized retailing. Because supermarket and other type of organized format are mainly opened in the big sized

city. The other approximate 70% is remaining for the unorganized retailers. The study concluded that the unorganized retailer would not have to worry about the competition from organized retailers.Raj and Misra (2012) [8] stated that there is major difference in the business level of small retailers, due to emergence of organized retailer. Profits and the market share go down due to this. The paper include that emphasis is given by the organized retailer is on the retail brand rather than selling brand by the retailers. They are not much serious about the quality of goods; there concentrate is on the retailer name only. The study suggested that the unorganized retailer should make their own brand image like organized retailer, to compete and survive in the modern retailing.

Burlakanti and Srinivas (2013) **[9]** presented a paper relating to the consumer perception to organized and unorganized retailers. The paper stated that tentative pattern become a riddle for the organized and unorganized retailers. The study pointed out that the modernization of business indeed challenging for the traditional retailers as they have to cope with the competitive pace of the markets.

### 1.4 Need of the Study

These studies point out many aspects relating to the unorganized retailing. Most of the studies have explained the effect of organized retailing; it may be domestic or foreign retail player, on the unorganized retailing due to increase in competition.There is much other important point which should be discussed to understand this sector.These studies are not clearly explaining the point how unorganized retailers make themselves to face this type of competition. This study also measures their capabilities' to survive in modern environment of retailing.

## II. RESEARCH METHODOLOGY

### 2.1 Objective of the Study
* To study the competitive strategies followed by the unorganized retailer in Karnal and Kurukshetra.
* To make a comparison between the perceptions on unorganized retailers in the cities of Karnal and Kurukshetra regarding competitive strategies.

### 2.2 Research Hypothesis
$H_1$: There is no difference between the retailers of both cities regarding sale of goods at low price.
$H_2$: There is no difference between the retailers of both cities regarding providing verity of goods.
$H_3$:There is no difference between the retailers of both cities regarding providing more credit facility
$H_4$: There is no difference between the retailers of both cities regarding more qualitative products
$H_5$: There is no difference between the retailers of both cities regarding make availability of Branded products.
$H_6$: There is no difference between the retailers of both cities regarding making groups to compete.
$H_7$: There is no difference between the retailers of both cities regarding protesting against organized retailers

### 2.3 Area of the Study

The study has covered two district Karnal and Kurukshetra of Haryana state. The data is collected from unorganized retailers of *kirana stores* only.

### 2.4 Research Design
In order to achieve the objective of study, descriptive cum analytical research design is used. The t-test is used to obtain the results.

### 2.5 Method of Data Collection
To fulfill the objectives of the present study the primary data is used. The data is collected with a structured questionnaire.

### 2.6 Sample Design and Sample Size
The present study is mainly concentrated on the unorganized retailing. Hence the unit of analysis is small retailers (*especially kirana store*) located in Karnal and Kurukshetra. In this study quota cum convenient sampling method is used to collect data from the population. Personal contacts are made to each of the respondents and questionnaire is filled by them. The sample size is taken 100 (50 from each city) respondents.

**2.7 Sample profile**

Table 2 Frequency Distribution of Sample Profile

| SerialNumber | Variable | Options | Frequency | Percent |
|---|---|---|---|---|
| 1. | Age of respondents | 20-30 | 8 | 8 |
| | | 30-40 | 33 | 33 |
| | | 40-50 | 39 | 39 |
| | | 50-60 | 16 | 16 |
| | | 60-70 | 4 | 4 |
| | | Total | 100 | 100 |
| 2. | Education | Primary | 4 | 4 |
| | | Secondary | 50 | 50 |
| | | Sr. Secondary | 24 | 24 |
| | | Graduation | 20 | 20 |
| | | Post-Graduation | 2 | 2 |
| | | Total | 100 | 100 |
| 3. | Area of the Shop (in sq. Feet) | Less than 100 | 22 | 22 |
| | | 100-150 | 39 | 39 |
| | | 150-200 | 27 | 27 |
| | | 200-250 | 13 | 13 |
| | | More than 250 | 5 | 5 |
| | | Total | 100 | 100 |
| 4. | No. of workers. | 1 | 65 | 65 |
| | | 2 | 21 | 21 |
| | | 3 | 11 | 11 |
| | | 4 | 1 | 1 |
| | | More than 4 | 2 | 2 |

*Source: Primary Data*

The sample profile explains the demographical characteristics of the respondents (see table 2). It describe that most of the respondents are between the ages of 30-50. The education level of the most of the owner is up to secondary level (78%). The size of the shop also small and mostly runs by single person.

## III. DATA ANALYSIS AND INTERPRETATION

To achieve the objective of the study the response were collected on seven different statements. For each statement, the reliability has been checked with Cronbach's Alfa test. The mean, standard deviation and t-test is applied to calculate the results and interpretation. The results were obtained by using SPSS.

**3.1 Reliability of questionnaire**

Table 3 Calculation of Cronbach's Alpha

| Sr. No. | Statement | Cronbach's Alpha |
|---|---|---|
| 1 | Selling product on low price | 0.64 |
| 2 | More variety of products | 0.64 |
| 3 | Providing more credit facility | 0.64 |
| 4 | More qualitative products | 0.63 |
| 5 | Make availability of Branded products | 0.76 |
| 6 | Making groups to compete | 0.77 |
| 7 | Protesting against organized retailers | 0.84 |

The combined Cronbach's alpha of seven statements is 0.79 more than 0.6. For each statement it also more than 0.6 which indicate that our question items are reliable for the research.

### 3.2 Descriptive Statistics

Table 4 Calculation of Mean And Standard Deviation

| Sr. No. | Statements | Karnal | | Kurukshetra | |
|---|---|---|---|---|---|
| | | Mean | S. D. | Mean | S. D. |
| 1 | Selling product on low price | 4.78 | 0.65 | 4.68 | 0.87 |
| 2 | More variety of products | 4.84 | 0.47 | 4.86 | 0.35 |
| 3 | Providing more credit facility | 4.76 | 0.62 | 4.84 | 0.42 |
| 4 | More qualitative products | 4.82 | 0.44 | 4.90 | 0.30 |
| 5 | Make availability of Branded products | 3.80 | 1.05 | 3.82 | 0.56 |
| 6 | Making groups to compete | 4.08 | 0.70 | 3.80 | 0.50 |
| 7 | Protesting against organized retailers | 4.26 | 0.80 | 4.22 | 0.65 |

*(Source-Primary Data)*

### 3.3 Major Findings and Discussion

In the study seven types of competitive strategies have been studied as shown in the table 4. For each statement the mean score is more than 3 and in most of the cases it is more than 4. That indicated that the unorganized retailers are very serious regarding their competitive strategies. They are ready to sell goods on reasonable rate, ready to make more choice of branded products. They also ready to sell highly qualitative products so that they can attract wealthy customers. For low income consumers they will make arrangement of providing goods on credit. They are also agreed to make their own groups to compete the organized retailer. The low standard deviation shows that there is low variability between the retailers regarding their competitive strategies in both of the city (Karnal and Kurukshetra).

### 3.4 Hypothesis Testing

Table 5 Calculations of T-Value And P-Value

| Sr. No. | Statements | t-value | p-value |
|---|---|---|---|
| 1 | Selling product on low price | 0.65 | 0.52 |
| 2 | More variety of products | 0.24 | 0.81 |
| 3 | Providing more credit facility | 0.45 | 0.46 |
| 4 | More qualitative products | 1.63 | 0.29 |
| 5 | Make availability of Branded products | 1.19 | 0.91 |
| 6 | Making groups to compete | 2.31 | 0.02 |
| 7 | Protesting against organized retailers | 0.27 | 0.78 |

*Source: Primary Data*

### 3.4.1 Results

- For the 1st statement the table shows that the calculated p-value (0.52) > 0.5 so we accept the $H_1$ that there is no difference between the retailers of both cities regarding sale of goods at low price.
- For the 2nd statement the table shows that the calculated p-value (0.81) > 0.5 so we accept the $H_2$ that there is no difference between the retailers of both cities regarding providing verity of goods.
- For the 3rd statement the table shows that the calculated p-value (0.46) > 0.5 so we accept the $H_3$ that there is no difference between the retailers of both cities regarding providing more credit facility.
- For the 4th statement the table shows that the calculated p-value (0.29) > 0.5 so we accept the $H_4$ that there is no difference between the retailers of both cities regarding more qualitative products.
- For the 5th statement the table shows that the calculated p-value (0.91) > 0.5 so we accept the $H_5$ that there is no difference between the retailers of both cities regarding make availability of branded products.
- For the 6th statement the table shows that the calculated p-value (0.02) < 0.5 so we reject the $H_6$ that there is no difference between the retailers of both cities regarding making groups to compete.
- For the 7th statement the table shows that the calculated p-value (0.78) > 0.5 so we accept the $H_7$ that there is no difference between the retailers of both cities regarding protesting against organized retailers.

## IV. CONCLUSION AND RECOMMENDATION

The retailers can prepare themselves to face the competition in future time period. They agreed to provide good quality product and branded product on reasonable price. This will help them to survive in the new retail environment. Most of the customers are interested to buy grocery and daily use product nearby the house. The retailer can get this opportunity and can get more profit. It is an advantage of unorganized retailers over organized retailer.The most of the Indian population belongs to the middle and lower income class. Their income is not stable. Sometimes they have no cash to pay, the small retailers provide them credit facility and get opportunity to sell, and this will create faith in the customer and retention for a long time. Organized retailers are not interested to provide such type of facility to the customer.

### 4.1 Recommendation

* The unorganized retailers have to avoid the traditional way as in plastic bags and newspaper package of packing. They must provide goods in proper packing on which price, date of manufacturing, and other information are displayed. Customer can understand all the information about the product very easily.
* The food and grocery items should be fresh and should carry "best before" mark. The stores' owner has to clear off the outdated food and grocery items from their stores racks. This will help in building up customer satisfactions and beliefs like organized retailers.
* In order to attract more customers, the unorganized retailers have to offer attractive promotional schemes and attractive discounts as offered by organized retailers. It will become a strong tool to survive in future retailing environment.

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