Carving a pathway for Unorganized Food and Grocery Retailers in India

* **Dr. Seema S. Shenoy**

** **Dr. Devaraj K.**

Abstract:

Unorganized food and grocery retailers in India are on a rollercoaster ride with competition intensifying on each passing day. The growing intensity of retail competition due to the emergence of new competitors, formats, technologies as well as shifts in customer needs. In these testing times, the unorganized retailers are unable to carve a pathway for themselves and are looking for strategies that will enable them in attaining competitive advantage. This research makes an earnest attempt to study the strategies adopted by unorganized food and grocery retailers operating in India in order to identifying the most lucrative strategies for attracting and retaining customers. In doing so, extensive review of relevant literature has been made to arrive at the commonly used strategies. Their relevance has been gauged by comparing them with the service quality dimensions. After a through analysis this research has been successful in recommending the key success strategies that could facilitate unorganized food and grocery retailers in India attain competitive advantage.

Keywords : *Unorganized food and grocery retailers, strategies, service quality dimensions, Indian retail.*

Introduction:

Retailing in India has been in vogue since time immemorial. What was once started in mandi's and melas has today transformed in more sophisticated malls and virtual markets. With retail business adding whopping numbers to the GDP and employment ratios in India, this sector seems to promise an unprecedented growth. Retailing is one of the pillars of Indian economy and accounts for 14 to 15 percent of its GDP. The Indian retail market is estimated to be US$ 450 billion and one of the top five retail markets in the world by economic value. India is one of the fastest growing retail markets in the world, with 1.2 billion people. One of the biggest opportunities and challenges that characterize the Indian retail market is its structure.

The retailing landscape in India is dominated by the unorganized retailers like mom and pop stores and Kirana shops which account for 81 per cent of the total retail share. While, the organized retailers are slowly daunting on the retail landscape with a mere 19 per cent share (KPMG, 2016). Organized retailing refers to trading activities undertaken by licensed retailers (e.g. supermarkets, corporate-backed hypermarkets and retail chains). Unorganised Retail Sector consists of hand cart, payment vendors, kirana or mom-and-pop shops, mobile vendors, local grocery shop, owner manned general stores, paan shops, beedi shops, convenience stores and hardware shops Jeerath et all.

In India, next to agriculture, unorganized Retail Sector provides employment to 4 Crores of individuals directly. unorganized retail market is estimated to Rs. 4, 00, 000 Crores, whereas Organized Retail's share is only Rs.20, 000 Crores A. T. Kearney Report ,2016). However the unorganized retailers with their low capital investments, rudimentary infrastructure, small sized area of operation and poor technical and accounting standards fail to make good profits. Retailing in unorganized sector is thus not a profit oriented vocation but a mere source of livelihood (Raghavendra R.H., 2013). With competition

* Senior Faculty, SDM PG Centre, Mangaluru

** Director, SDM PG Centre, Mangaluru

intensifying among the unorganized retailers and the organized retail wave engulfing India the unorganized retailers are searching for means of survival. Identification of the key success factors has become the need of the hour for Indian unorganized retailers. Though the unorganized retail in India is oceanic, only the Kirana shops which deal with food and grocery have been considered for the purpose of this study. The reason being the dominance of food and grocery retailers (Figure1) within the sphere of retail business in India (Detloitte Report,2011).

Figure 1: *Food and Grocery Dominance in unorganized retail sector in India*
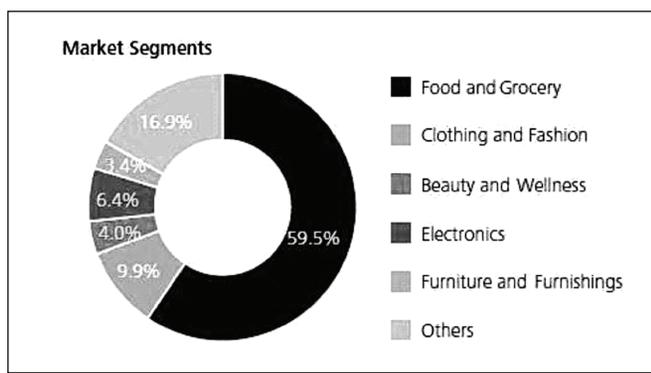
Source: Deloitte Report, "Indian Retail Market, Embracing a new trajectory", Sept. 2011

Statement of the Problem:

The advent of organized retail formats in India has not just shifted customer base from unorganized retailers but it has also created a paradigm shift in the preferences of the customers. Inspite of this the unorganized retailers are battling tooth and nail to retain their market space and attract customers. It is in the midst of this chaos that this paper attempts to identify the key success factors that could facilitate unorganized retailers in the business of food and grocery retain its customers and survive in the increasingly competitive Indian retail Industry.

Objectives of the Study:

1. To study the current state of unorganized food and grocery retailers in India

2. To identify the strategies that is commonly used by food and grocery retailers to attract customers in the unorganized retail sector.

3. To arrive at the key success factors that would enable food and grocery retailers in India attract and retain its customers.

Methodology:

As the topic for research focuses on discovery of new ideas to enable unorganized food and grocery retailers retain and attract customers, exploratory research has been used. Through exploratory research approach, the researcher has been successful in shortlist the strategies that are commonly being used by unorganized food and grocery retailers in India.

The exploratory study has also enabled the rewith flexibility more effectively than their competitors[Mridula Mishra,(2006); Umakanth Dash ,(2008)].

It is also postulated by several researchers that the business of unorganized retail calls for adoption of several strategies. Chaudhary Shalbha, (2011) in his study identifies that credit facility is the major USP of unorganized retailers in India. S. P. Thenmozhi and D. Dhanapal, (2011) identified that retail service quality is one of the main strategies that enable Customer satisfaction and loyalty in unorganized food and Grocery retail outlets . Another researcher, Kanagaluru Sai Kumar, (2012) identified that apart from convenience of location, customer service, credit facilities and flexible trading hours are the major game changers for food and grocery retailers in India. Among all proximity to customers was identified as the most powerful strategy to attract customers by several researchers [Vishal Kale, (2012); Prakash Nedungadi,(2012)].Priya Vij,(2013) observed that the most important factors that attract the customers' towards unorganized food and grocery retailers are proximity, goodwill, credit sales, bargaining, loose products, convenient timing and home delivery. Tazyn Rahman, (2012) writes that the successful Kirana stores have great neighborhood locations and unbeatable access.

Narayan et al, (2015) believe that a salient feature of unorganized retailers is that they typically offer personalized service to their customers. For instance, since the owner of a small unorganized retail store often knows his clientele personally and interacts with them while shopping, he could provide information to a consumer about how to use a product to better match her personal needs and tastes, thus increasing the utility from the product for the consumer. Rupa Shah, (2014) has observed that in Indian context Customer-relationship management has become the most

dominant strategy among unorganized retailers along with this it was also identified that offering personalized services, Credit sales, provision of product on demand, home delivery service were all adding to the strengths of traditional retailers.

Interestingly, reviewing the existing literature clearly shows that unorganized food and grocery retailers have several strategies in common that have been carefully crafted to attract and retain customers. Given the increasing competition from organized players it has become imperative for the unorganized food and grocery retailers to carefully select the most attractive and effective strategies so that the same could be used to draw and retain customers . Hence this research has been initiated.

TABLE 1
Analysis of strategies adopted by unorganized retailers in India.

Strategies adopted by unorganized retailers						
	Personalized service	Credit facility	Location	Flexible trading hours	Home delivery	others
Mridula Mishra and Umakanth Dash,2008).	✔			✔		✔
Chaudhary Shalbha, (2011)		✔				
S. P. Thenmozhi and D. Dhanapal, (2011)	✔	✔	✔	✔	✔	
Kanagaluru Sai Kumar (2012)	✔			✔		
Vishal Kale (2012)	✔	✔				
Prakash Nedungadi,(2012)		✔				
Tazyn Rahman (2012)		✔				
Priya Vij,(2013)	✔		✔	✔	✔	
Rupa Shah, (2014)	✔	✔	✔	✔	✔	✔
Narayan et al (2015)	✔					
Child et al. 2015	✔					
Total Citations	7	6	3	5	3	2
Rank Based on Highest Citation	I	II	IV	III	IV	V

Based on the citations, it can be assessed that personalized services has been the most popularly cited strategy and hence it can be ranked as number one strategy; indicating that it is the most preferred retail strategy by unorganized food and grocery retailers in India. The second most cited strategy appears to be credit facility which ranks second. Other strategy like flexible trading hours ranks third in terms of the number of citations. Home Delivery and location have both been cited equal number of times and stand as the Fourth most popularly used strategy. Others includes strategies like offering products on demand and selling loose products which have been scarcely been recommended and hence they are ranked fifth and are considered to be insignificant. (Table 1).

From the review of literature on various strategic alternatives used by food and grocery unorganized retailers in India an attempt has also been made to deduce their effectiveness by relating it to the essential service quality dimensions.

Service Quality in Retailing:
Service Quality of retailers is identifiable, but sometimes intangible activities undertaken by a retailer in conjunction with the basic goods and services he sells Berry L.L., (1986). Service quality of retailers has got an apparent relationship with competitive advantage of firms Riecheld and Sasser, (1990). Dotson and Patton, (1992), were the among the first few who tested the relationship between service quality and competitive advantage and realized that service quality has invariably been a critical aspect for achieving differential advantage. Service quality is increasingly being offered as a strategy by marketers to position themselves more effectively in the marketplace Cronin and Taylor, (1992). Service quality was critical in enabling firms attain competitive advantage Stafford, (1996). In order to be successful, the businesses in the service industry must maintain competitive advantage, and must try to increase the importance of quality improvement rather than the price Akdag and Dogan, (2001).

In Indian retail markets delivery of high-service quality to customers also offers firms an opportunity to differentiate themselves in competitive markets Karatepe et al., (2005). With greater choices and consumer awareness the consumers are becoming more demanding of service quality and retailers cannot afford to neglect service quality in the course of devising retailing strategy The Economic Times, (2010).Hence, it was confirmed that service quality provides the essential benchmark for identifying vital strategies that could be used by unorganized food and grocery retailers in India attain competitive advantage.

Past research has resulted in placing service quality at the heart of retail strategy to be devised for enabling retailers both organized and unorganized, in India attain competitive

advantage. To facilitate the same, a topology of dimensions evolved by researchers and academician in the area of service quality in retailing around the world has been assessed. The SERVQUAL scale developed by Parasuraman et al, (1988) identifies Tangibles, reliability, responsiveness, assurance & empathy ae essential elements of strategies devised by service sector players. The same has been found to be effective in the business of food and grocery retaile Bitner, (1990). In Indian context it was researched that strategies like Physical aspect, reliability, personal interaction, problem solving and policy related to the dimension of SERVQUAL model Dabolkar, (1996). Subsequently, the RSQS model evolved new constructs for measure of service quality in retailing by Sirohi et al, (1998) evolved. These dimensions were tested and found to be significant for Indian retailers by Mehat et al (2001). Subsequent research by [Promita et al (2007); Singh and Singh (2011)]in the Indian retail sector established close association between the RSQS model and retail strategies like Location, helpfulness and trustworthiness, credit facility, home delivery, flexible trading time and quality.

Findings: An analysis of the literature on strategies adopted by unorganized food and grocery retailers in India has results in identifying personalized services, credit facility, flexible trading hours, home Delivery and location as the most promising strategies in terms of attracting and retaining customers. These strategies have further been tested for their relevance and applicability in the Indian unorganized food and grocery retail through comparison with service quality models. The scrutiny of the service quality dimensions have further assured relevance of these strategies in enabling Indian unorganized food and grocery retailers in attaining competitive advantage

Conclusion: The growing intensity of retail competition due to the emergence of new competitors, formats, technologies as well as shifts in customer needs is forcing unorganized food and grocery retailers in India to devote more and more attention to attainment of competitive advantage. This research makes an earnest attempt to study the unorganized food and grocery retailers operating in India in order to enable them in identifying the most lucrative strategies for attracting and retaining customers. In doing so, extensive review of relevant literature has been made. The scrutiny of literature shows complete resonance of the strategies currently being employed by Indian food and grocery unorganized retailers with the dimensions of service quality models. The findings of this research are going to be great relevance to Indian unorganized food and grocery retailers in beating competition and attaining competitive advantage.

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