Impact of Organized retail chain stores on sales of small kirana stores. A case of kirana stores owner in Navi Mumbai

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Abstract: - *Retail trade contributes around 10-11% of India's GDP and currently employs over 4 crore people. Within this, unorganized retailing accounts for 96% of the total retail trade. Traditional forms of low-cost retail trade, from the owner operated local shops and general stores to the handcart and pavement vendors together form the bulk of this sector. Since the organized sector accounts for less than 8% of the total workforce in India and millions are forced to seek their livelihood in the informal sector, retail trade being an easy business to enter with low capital and infrastructure needs, acts as a kind of social security net for the unemployed.*
Organized retailing has witnessed considerable growth in India in the last 10-12 years and is growing at a much faster rate than the overall retail sector. This trend of an increasing share of retail trade coming under the organized sector inevitably causes displacement of small retailers in the unorganized sector and affects their livelihood. This paper explores the impact of Big chain retailers on the sales of small kirana stores owner.

I. INTRODUCTION

FDI in retail has always been opposed by a large section of Indian society. It is felt that the Government's proposal to allow100% FDI in retail trade will pave the way for MNC retailers to enter India and grab the Indian market, leading to loss of jobs and livelihood for crores of Indians who are already suffering due to emergence of organised retail sector in India.

Faced with opposition from across the spectrum, the Government has been arguing that the state governments are free to accept or reject FDI in retail and that the MNC retailers would not open outlets in states where the state Governments are opposed to the move. The entry of giant MNC retailers in any segment of the market will impact small retailers, farmers and small producers across the country. Moreover, once 100% FDI is allowed by the centre, the prohibition by the state Governments can be challenged in the courts. FDI in retail is therefore a national issue, on which the parliament must have its say.

II. BACKGROUND

Large retailers feel bigger outlets are good for the country and stakeholders like farmers, vendors, small retailers or consumers. But all stakeholders except the consumer feel otherwise. Earlier people used to buy from kirana store but since the time bigger outlet have opened, there is shift in buying behavior of consumers. The perception of many consumers is that "There is quite a difference in prices between bigger outlets and kirana stories. In addition bigger outlets are more hygienic and convenient," Consumers can choose from thousands of products spread over 30,000 square feet space from chain retailers whereas, an average kirana store has very limited merchandise stacked in a 400 square feet space.

Customers feel they get everything under one roof and don't need to go anywhere else and the products are also fresh but the convenience factor isn't an attraction always. Customers are always on the lookout for best deals and switches between both the formats accordingly and based on such customers , kirana stores are still surviving. Though the issue is for how long? Big retailers are very keen that the government allow foreign retailers to invest or buy majority stake in their companies – something that has sparked wide spread protests from local traders. The counter argument is that kirana stores will never lose their existence in these markets because their certain services such as small quantities and home delivery cannot be matched by big retailers.

III. THE FRAGMENTED RETAIL SECTOR IN INDIA

The Indian retail sector is the second largest employer in India after agriculture, employing over 4 crore (40 million) persons as per the National Sample Survey (NSS) 2009-10. Most of these are small unorganised or self-employed retailers, who are unable to find gainful employment in other sectors of the economy. Despite the hype over the high GDP growth in India, NSS 2009-10 has confirmed the trend of jobless growth in the country.

Among all the workers at the national level, about 51% were 'self-employed', about 33.5% were 'casual labour' and only 15.6% were 'regular wage/salaried' employees. In this backdrop, the entry of supermarket and hypermarket chains would cause severe displacement of the small and unorganised retailers.

Data provided by a Nielsen Company report Retail and Shoppers Trend: Asia Pacific, The latest in retailing and shopper trends for the FMCG industry, August 2010 shows that wherever the modern format stores' share has expanded significantly between 2000 and 2009 (as in Republic of Korea, Singapore, Taiwan, China, Malaysia and Hongkong), the number of traditional stores has fallen in absolute numbers. The number of traditional stores has continued to grow in those countries where modern format stores have expanded at a slower pace.

IV.   OBJECTIVES OF THE STUDY

1. To explore the impact of organized retail chains on the sales of unorganized retail sector in India.
2. To identify the categories of products which have affected the overall sales of kirana stores.
3. To study relationship between reduction in sales and demographic factors.
4. To offer recommendations for sustenance and survival of the small retailers.

Hypothesis
1. There is no association between the age of the shop and the reduction in sales of kirana stores
2. There is no association between level of reduction in sales and monthly turnover of sales.
3. There is no association between level of reduction in sales and monthly profit of shop.

V.   RESEARCH METHODOLOGY

The primary research is based on interviews of kirana stores owner selling convenience goods in Navi Mumbai. A structured interview approach was followed including questions on demographic factors and percentage of sales reduced in various categories of products sold . Respondents were selected randomly across the area of NavMumbai based on convenience. The sample size for the primary research was 50.

The data analysis was done using MS Excel and SPSS 20.

The secondary data was collected from various web sites, newspapers, internet articles and published research papers as mentioned in the bibliography.

Data Analysis

Study consist of four demographic factors and two parameters. Demographic factors are Age of the shop, Qualification of shop owners, average monthly sales and profitability. Parameters of study is reduction in sale

| Age of shop	Frequency	Percent
5 YEARS	18	16.0
5-10 YEARS	8	16.0
10-15 YEARS	15	30.0
15 YEARS & ABOVE	9	18.0
Total	50	100.0
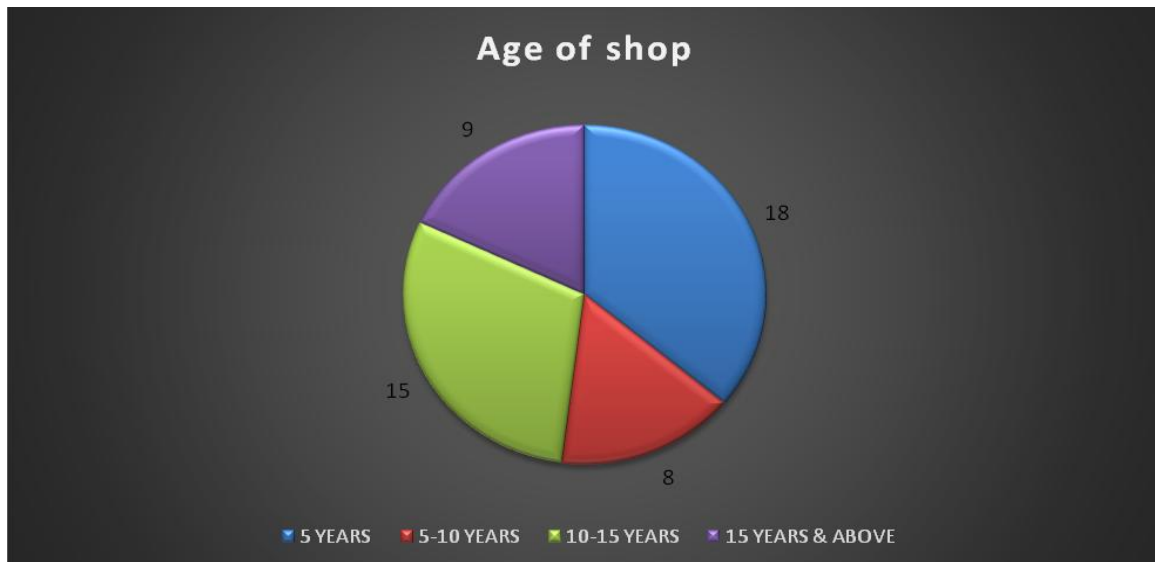
Out of 50 Responded ,18 shops are below 5 years old, 8 shops are around 5 to 10 year old,15 shops are 10 to 15 years old and 9 shops are 15 years and above

Monthly Sales turnover (in Rs))	Frequency	Percent
UPTO 1 LAKH	8	16.0
1-2 LAKH	18	36.0
2-5 LAKH	18	36.0
5 LAKH AND ABOVE	6	12.0
Total	50	100.0
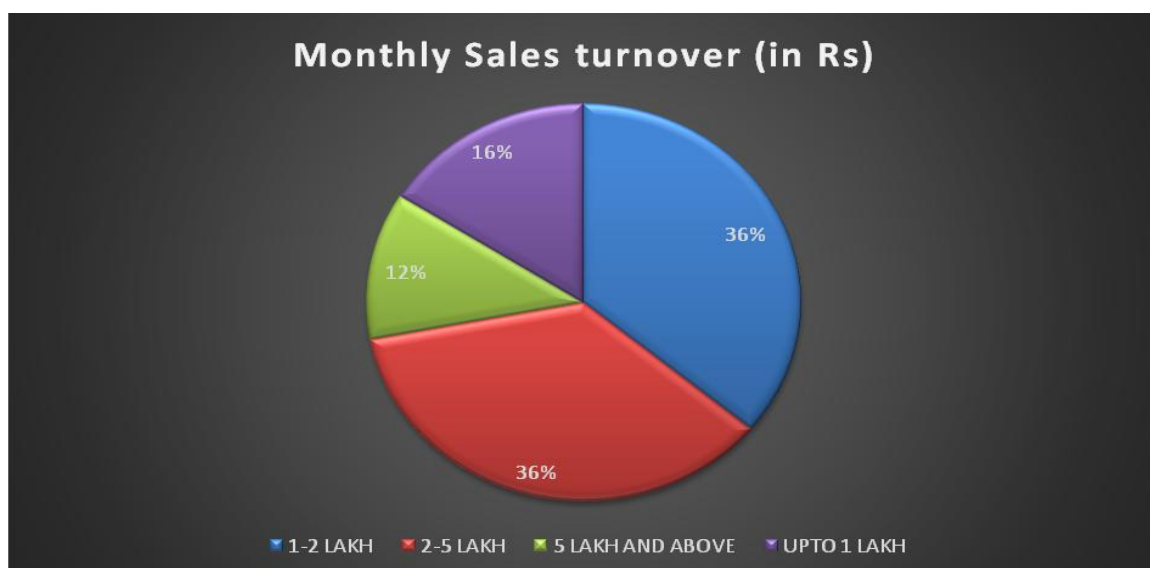
In above table 8 Respondent have monthly turnover of 1 lakh, 18 respondent have monthly turnover of 1 to 2 lakh 18 respondent have turnover of 2 to 5 lakh and 6 respondent have turnover of 5 lakh and above

| Monthly profit (RS)	Frequency	Percent
UPTO 15000	11	22.0
15000 TO 30000	23	46.0
30000 TO 60000	10	20.0
60000 AND ABOVE	6	12.0
Total	50	100.0
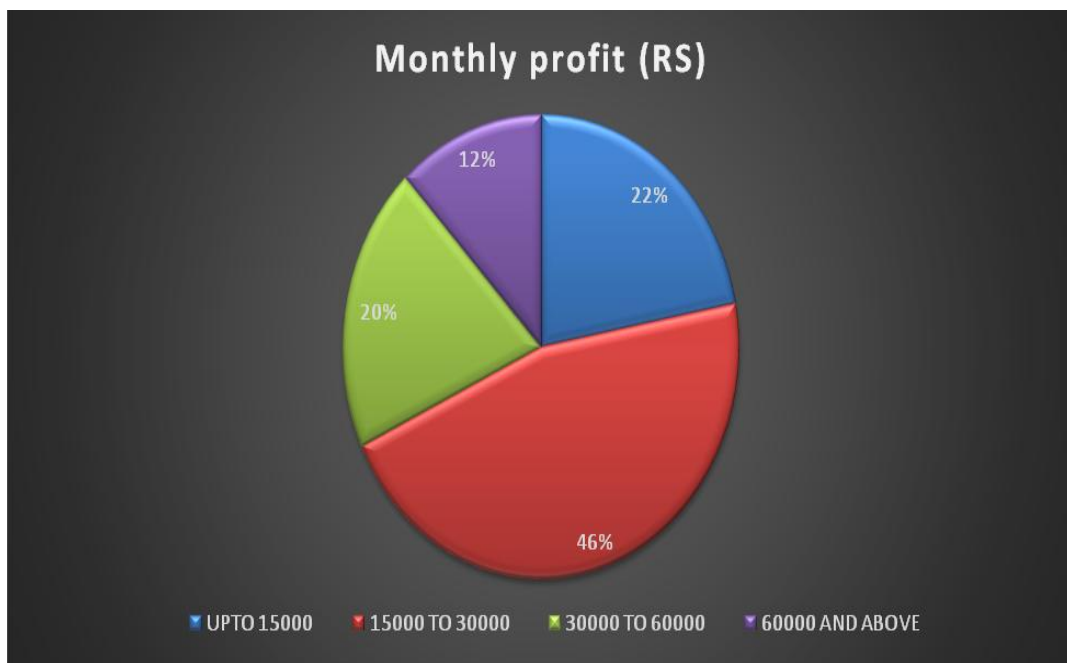
Monthly income of 11kiran shop is up to 15000, 23 kiran shop have income of 15000 to 30000
10 shop have income of 30000 to 60000 and 6 shops have income of 60000 and above

To study reduction in sales information is collected about percentage reduction in sales in six types of products.
Response given by 50 KIRANA SHOPS are recorded as follows.

Food Grains

Food Grains	Frequency	Percent
.00	8	16.0
10.00	15	30.0
20.00	18	36.0
30.00	6	12.0
40.00	1	2.0
50.00	2	4.0
Total	50	100.0
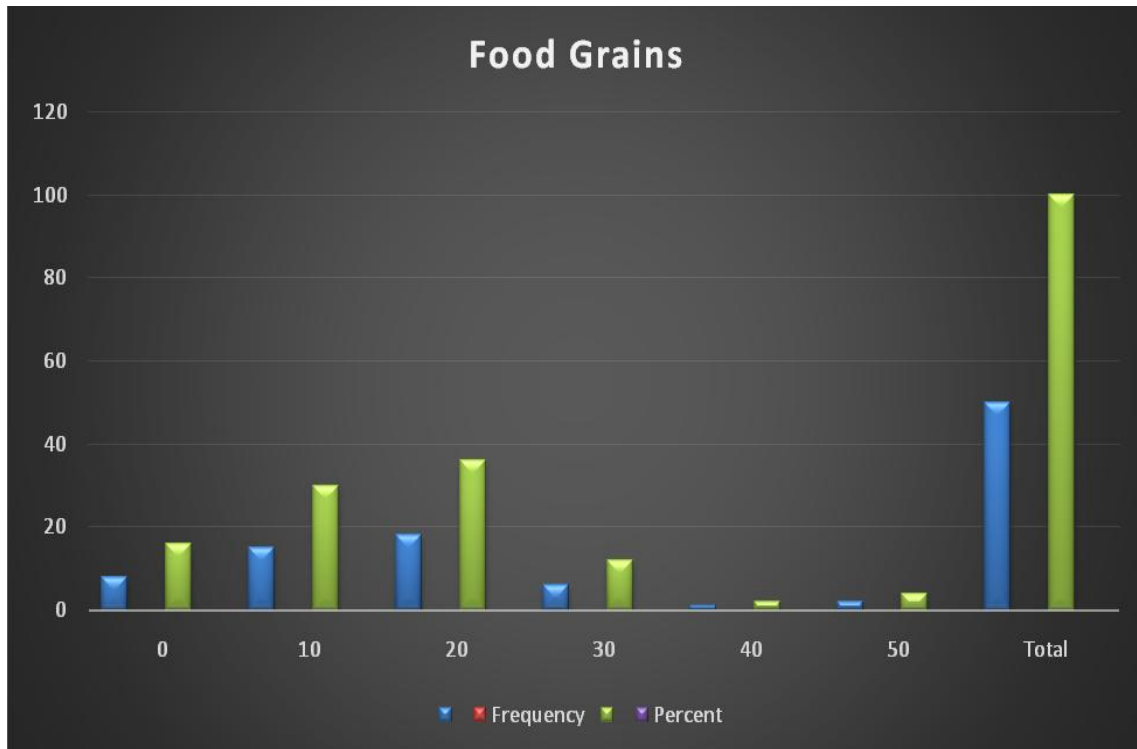
The above chart shows that out of 50 shops, the grocery sales was affected by more than 20% only in 9 shops which means the grocery items sale is least affected by chain retailers.
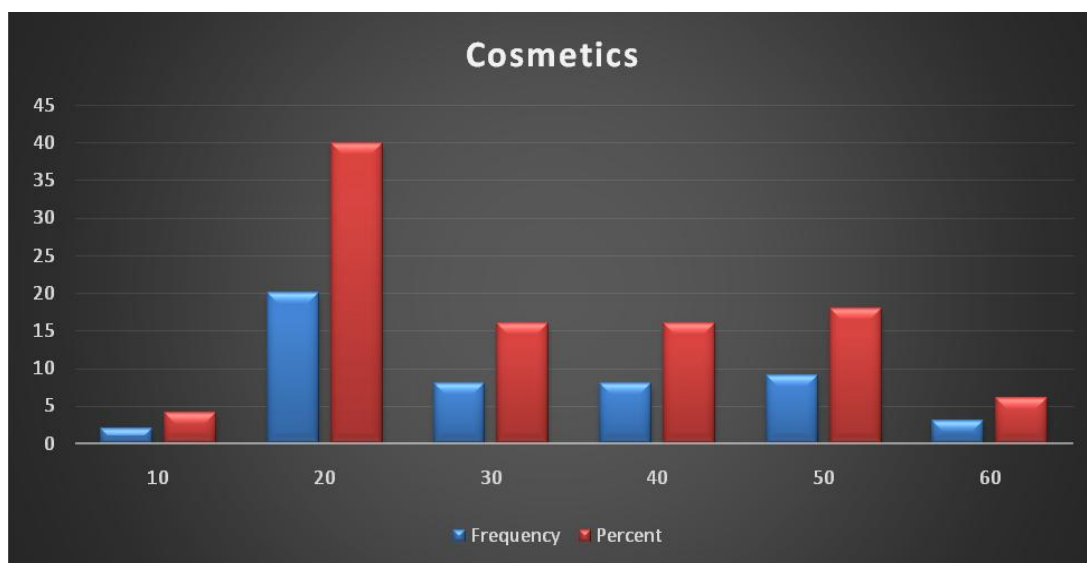
Detergents

Detergents	Frequency	Percent
.00	6	12.0
10.00	2	4.0
20.00	22	44.0
30.00	16	32.0
40.00	3	6.0
50.00	1	2.0
Total	50	100.0
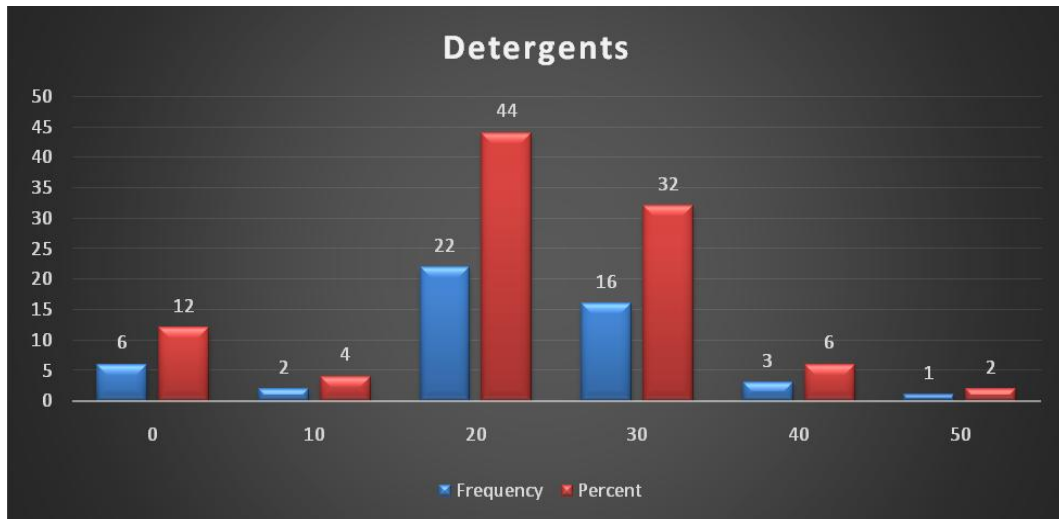
The above chart shows that the detergent sales was affected by more than 30% in only 4 shops out of 50.

Cosmetics

Cosmetics	Frequency	Percent
10.00	2	4.0
20.00	20	40.0
30.00	8	16.0
40.00	8	16.0
50.00	9	18.0
60.00	3	6.0
Total	50	100.0

The above chart shows that the sale of cosmetic products is heavily affected. In 28 out of 50 shops, the sale was affected by more than 30% while in 20 shops it was affected by 20%

Confectionery

Confectionery	Frequency	Percent
.00	4	8.0
10.00	4	8.0
20.00	28	56.0
30.00	9	18.0
40.00	2	4.0
50.00	2	4.0
60.00	1	2.0
Total	50	100.0
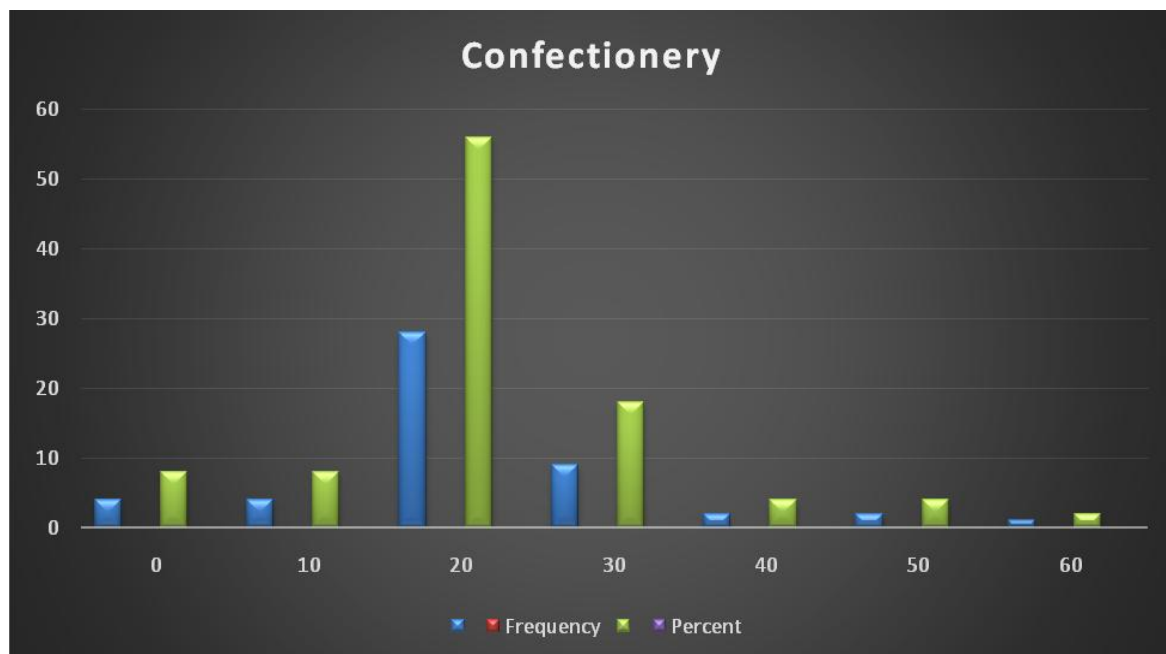
The above chart shows that the sale of confectionery goods heavily affected. In 14 out of 50 shops, the sale was affected by more than 30% while in 28 shops it was affected by 20%

Health care

Health care	Frequency	Percent
.00	4	8.0
10.00	4	8.0
20.00	22	44.0
30.00	8	16.0
40.00	5	10.0
50.00	6	12.0
60.00	1	2.0
Total	50	100.0
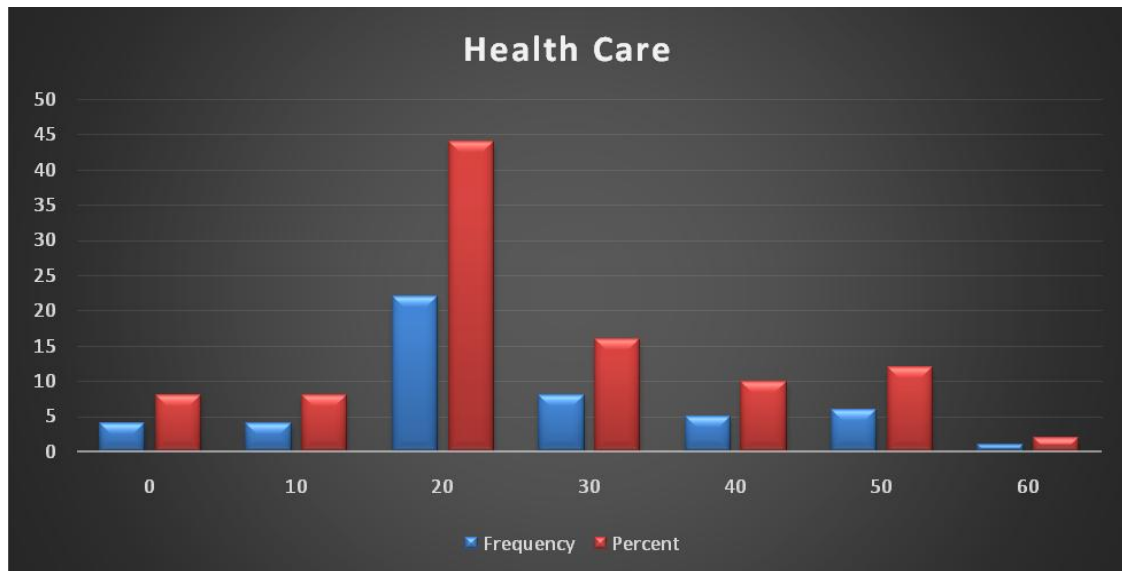
The above chart shows that the sale of health care products is heavily affected. In 20 out of 50 shops, the sale was affected by more than 30% while in 22 shops it was affected by 20%

Dairy Products

| Dairy Products	Frequency	Percent
.00	8	16.0
10.00	10	20.0
20.00	19	38.0
30.00	12	24.0
50.00	1	2.0
Total	50	100.0
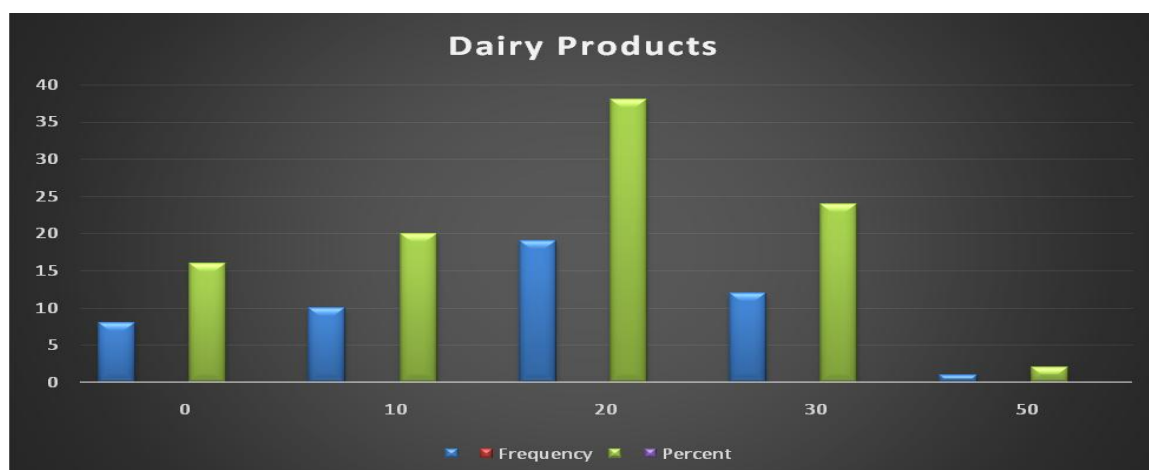
The above chart shows that the sale of dairy products is moderately affected. In 13 out of 50 shops, the sale was affected by more than 30% while in 19 shops it was affected by 20%

Descriptive Statistics

Type of product	Number of shops	Mean
FoodGrains	50	17.20
Detergents	50	19.40
Cosmetics	50	34.80
Confectionery	50	22.20
Healthcare	50	28.00
DairyProducts	50	16.20

Above table indicate that maximum reduction in sales is for the product cosmetics which is 34.8% followed by health care 28%. Least reduction in sales is for dairy product 16.2% which is followed by food grain 17.2%.

Above information is presented by bar diagram as shown below.
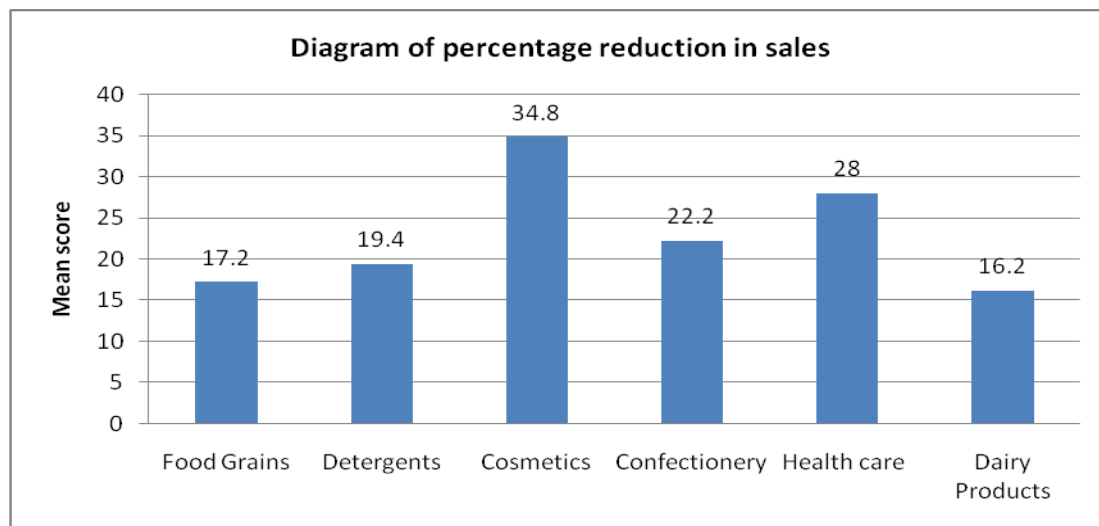
Null Hypothesis-1 There is no association between level of reduction in sales and age of shop.
Alternate hypothesis-1 there is association between level of reduction in sales and age of shop.
For the study of this hypothesis mean reduction score for all products for all shops is obtained and presented in the following table.

	Number of shops	Mean	Std. Deviation
Overallreduction in sales (per cent)	50	22.76	7.52

Above table indicate that mean score of reduction is 22.76 % with standard deviation 7.52.
All 50 shops are classified in to three categories. If reduction in sales is less than 15.24% it is considered as LOW reduction in sales. If reduction is between 15.24% and 30.29% it is considered as MEDIUM reduction. If reduction is more than 30.29% then considered as HIGH reduction. Classified table is presented as shown below.

Level of reduction	Frequency	Percent
HIGH	12	24.0
LOW	14	28.0
MEDIUM	24	48.0
Total	50	100.0
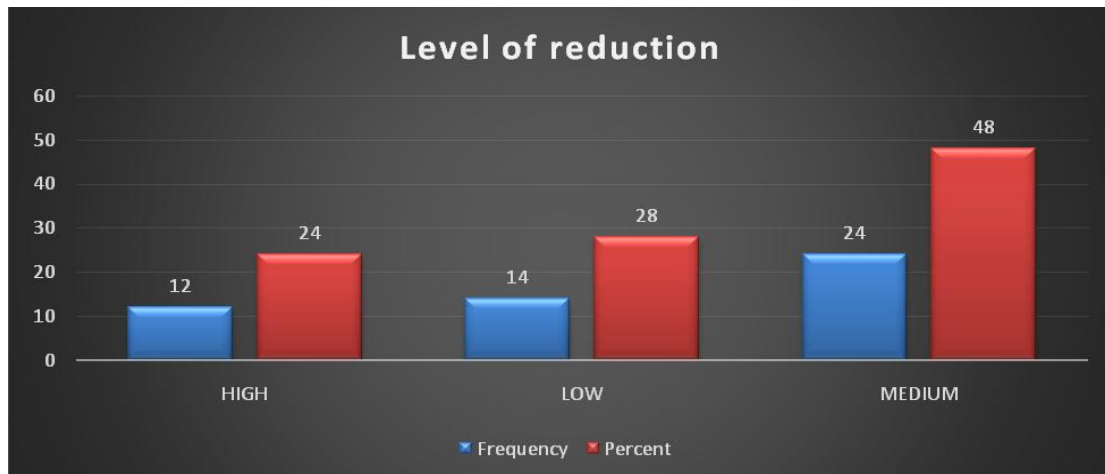
Level of reduction

For testing of first null hypothesis bi-variety frequency table of level of reduction of sales and age of shop is obtained.

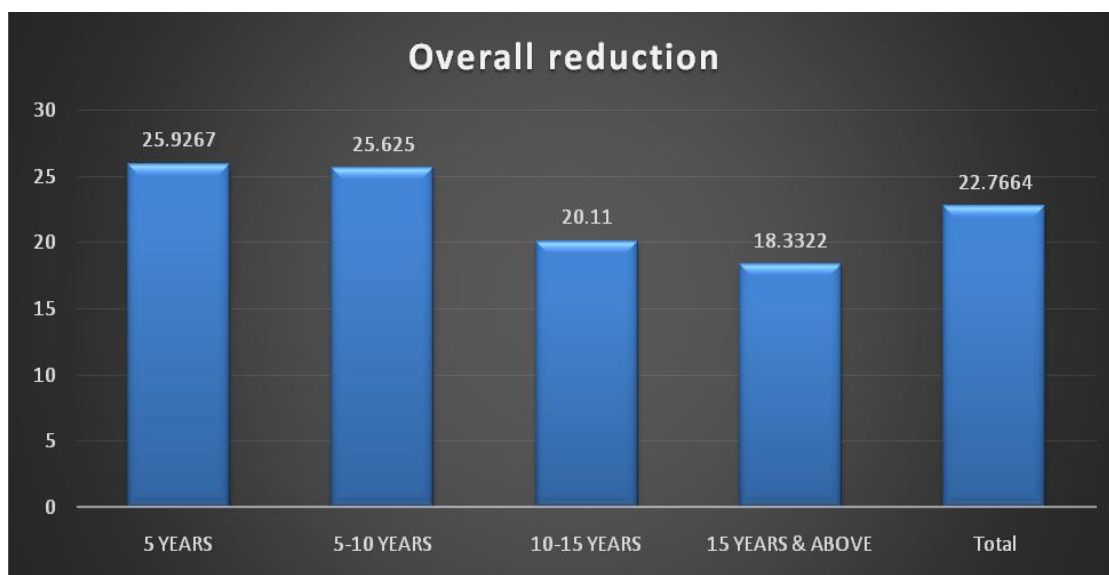| Age of the Shop	Level of reduction			Total
	HIGH	LOW	MEDIUM	
5 YEARS	7	2	9	18
5-10 YEARS	3	0	5	8
10-15 YEARS	2	6	7	15
15 YEARS & ABOVE	0	6	3	9
Total	12	14	24	50

Above table show that higher the age of shop lesser the reduction n sale
Lesser the age of shop higher the reduction in sales
Shops up to 5 years are 18 shop of 5 to 10 years are 8
Shops age of 10 to 15 years are 9 and shops of 15 years and above are 9

Chi-Square Tests

Pearson Chi-Square	15.566[a]	6	.016	Rejected

Overall reduction

Age of the Shop	Overallreduction
5 YEARS	25.9267
5-10 YEARS	25.6250
10-15 YEARS	20.1100
15 YEARS & ABOVE	18.3322
Total	22.7664

Above table show that higher the age of shop lesser the reduction n sale
Lesser the age of shop higher the reduction in sales

Null Hypothesis-2 There is no association between level of reduction in sales and monthly turnover of sales.
Alternate hypothesis-2 there is association between level of reduction in sales and monthly turnover of sales.

SALES TURNOVER	Level of reduction			Total
	HIGH	LOW	MEDIUM	
UPTO 1 LAKH	3	1	4	8
1-2 LAKH	7	3	8	18
2-5 LAKH	2	5	11	18
5 LAKH AND ABOVE	0	5	1	6
Total	12	14	24	50

Respondent having sales turnover of 1 lakh are 8, turnover of 1 to 2 lakh are 18, turnover of 2 to5 lakh are 18, turnover of 5 lakh and above are 6

Respondent with high sales reduction are 12 with low reduction are 14 and with medium sales reduction are 24

Chi-Square Tests

	Calculated Value	Degree of freedom	p-value	Result
Pearson Chi-Square	14.955[a]	6	.021	Rejected

Overall Reduction Sales Turnover

Sales Turnover	Overall reduction
1-2 LAKH	25.3706
2-5 LAKH	22.2217
5 LAKH AND ABOVE	15.2767
UPTO 1 LAKH	23.7500
Total	22.7664

Null Hypothesis-3: There is no association between level of reduction in sales and monthly profit of shop.
Alternate hypothesis-3 there is association between level of reduction in sales and monthly profit of shop.

Profit	Level of reduction			Total
	HIGH	LOW	MEDIUM	
UPTO 15000	3	0	8	11
15000 TO 30000	7	6	10	23
30000 TO 60000	2	4	4	10
60000 AND ABOVE	0	4	2	6
Total	12	14	24	50

Respondent having profit of up to 15000 are 11, out of which 3 are from high level and 8 from medium level.
Monthly turnover of 15000 to 30000 are 23 out of which 7 are from high level,
6 are from low level and 10 are from medium level
Respondent having turnover of 30000 to 60000 are 10, Out of which 2 are from high level
4 from low level and 4 from medium level
Turnover of 60000 and above are 6, out of which 4 form low level and 2 from medium level

Chi-Square Tests

	Calculated Value	Degree of freedom	p-value	Result
Pearson Chi-Square	10.682[a]	6	.099	Accepted

VI. LIMITATIONS OF THE STUDY

The study has been limited mainly to respondents in Navi Mumbai in view of convenience, time and cost constraints.
In view of the above facts the comments given are more suggestive than conclusive in nature.
For more conclusive results the study needs to be undertaken in large geographical area and with large number stakeholders including whole sellers, retailers and domestic retail chains.

VII. SUGGESTIONS AND RECOMMENDATIONS

Organized retail cannot be allowed to grow in a way, which displaces existing unorganized retailers, jeopardizing livelihoods in the absence of other employment opportunities. The interests of the small producers, especially farmers, also have to be protected by preventing the emergence of local monopolies.

➢ It is found from the survey that many customers purchase Cosmetics, detergents and healthcare goods from retail chains due to availability of discounts and variety and therefore to tackle such issues small retailers may think of forming co operatives and make coordinated bulk purchases for cosmetics, detergents and healthcare goods from companies to enhance their margins and offer discounts to customers to become competitive.

➢ Small retailers my even consider buying products from Chain whole sellers selling to retailers which can provide them higher margins rather than buying from conventional whole sellers which not only give lesser margins without credit as per company's norms in many cases.

➢ Small retailers may think of modernization of their shops to make it more attractive for customers and Government should provide finance for the same at reasonable interest rates.

➢ A more comprehensive policy is required which addresses the needs of small retailers, especially in terms of access to institutional credit and know how to upgrade their businesses.

➢ There should be guidelines to prevent below-cost sales by organized retailers. A mechanism should be set up where complaints against such pricing can be registered by small retailers.

➢ In order to prevent the development of big private monopolies in retail trade, it is also important that Government should ensure its presence in the market through consolidation of several Government marketing agencies to create a few big public sector retail chains

VIII. CONCLUSION

It is quite evident from the data researched that emergence of organized retail sector will fetch considerable amount revenue through taxes and also help in utilizing the available agricultural production through storage capacity but while doing so the interest of 4 crore people involved in small retail business and their livelihood has to be given due consideration. The steps must be initiated to help them tackle intense competition that they are going to face.

There is considerable reduction in the sales turnover of small retailers post emergence of organized retail sector in the country.

The categories of product affected the overall sales and profitability of small retailers are Cosmetics, healthcare products and confectionery goods.

The current sustenance of kirana stores is mainly attributed to the sales of grocery and dairy products.

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