

THREATS OF TRADITIONAL RETAIL SECTOR IN INDIA

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ABSTRACT

The retail in India is largely un-organized and predominantly consists of small, independent, owner managed shops. It acts as an income source to lacks of people livelihood invariably in rural and urban areas. They are indirectly helping the economic development of our country in the distribution of goods and services as well as acting as a mediator of the manufacturers and the consumers. Recently there has been a threat in the form of the entry of large scale shopping centres and Mega size malls in this trade activities. The present study aims to explore the threats of traditional retail sector in India which decreases the small retail business and for the steady growth of large size mega shopping complexes located in Coimbatore city. The study found that there are eight factors ie Fun & Prestige, Information, Variety, Access and Convenience, Customer Service, Brand, Price, Credit Facility are highly responsible for the distraction of customers towards the traditional retail businesses.

Key Words: Threats, Retail Sector, Customer, Service, Key Factors

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Introduction

The retail in India is largely un-organized and predominantly consists of small, independent, owner managed shops. It is the largest industry in terms of contribution to Gross Domestic Produce (GDP) and constitutes over ten per cent of the GDP and around eight per cent of work force in the country. There are around 12 million retail outlets in India apart from unaccounted number of low cost small stalls, snack centers, barber shops etc. The retail trade business is one of the important occupation in India. Next to agriculture majority of the people engage in this business activities. It acts as an income source to lacks of people livelihood invariably in rural and urban areas. They are indirectly helping the economic development of our country in the distribution of goods and services as well as acting as a mediator of the manufacturers and the consumers. Recently there has been a threat in the form of the entry of large scale shopping centres and Mega size malls in this trade activities.

Research Problem

The traditional type of retail trade is instead of attracting the buyers, distracting the buying habits of to-days' consumer segments. The reason behind the distraction is that, the system at present followed by the traditional retailers is not supporting the needs and aspirations of the modern customers. The system follows the principle of seller centric marketing and it emphasis that whatever the trader offers to the customer at time, place and price suited to him is forced to be accepted by the buyers. The consumers have less choice to acquire and satisfy their needs. In other words under this system there was no alternative available to most of the buyers to go away from the clutches of small retailers. But in the last three decades, the situation is not like so and totally changing from the traditional production oriented or trader centric concept to modern or western style of business operations. It is apparent from the steady growth of modern retail business outlets in every semi-urban, urban locations especially in metro cities. This is reflecting in the society in the form of large scale shopping malls with sophisticated facilities. This form of capital intensive, Western type of business strategies followed by the corporate form of business houses are more attracted by the majority of the customer segments of the society.

Modern retail in India has seen as a sprawling shopping centres, multi-stored malls and huge complexes offering shopping, entertainment and food under one roof. A large young working

population with median age of 24 years, nuclear families in urban areas, along with increasing working-women population and emerging opportunities in the services sector are going to be the key growth drivers of the corporate mega size retail outlets in India. This industry is growing at the rate of about 18-20% per annum by absorbing the existing as well as potential customers of the traditional retail sector. However, at present there is little consideration about the disappearance of our traditional retail industry which is offering huge employment and income generation to the considerable portion of our Indian population. Hence, the present study aims to explore the threats of traditional retail sector in India which decreases the small retail business and for the steady growth of large size mega shopping complexes located in Coimbatore city.

Research Methodology and Sample Design

This study is explorative in nature and based on survey method. The whole data required for the study have been collected in three forms. The primary data relating to the small retail shops were collected by administering an interview schedule. The secondary data required for the conceptualization of the problem of the study, were obtained from various published and unpublished records, reports, books, journals, and magazines. Besides that the researcher had discussion with some mall authorities and retail shop owners to understand the problems of study.

The researcher follows a stratified random plus judgment- sampling technique in this study. There are twenty four corporation wards identified and listed by the researcher as major commercial areas with huge number of shops and establishments within the corporation limit. Out of the twenty four wards fifty percent known as twelve wards were taken as sample wards. In all these wards, at an average of about three hundred shopping units are situated. From these wards five per cent of each selected sample corporation wards, known as fifteen units were taken by the researcher as sample units. The selection of business unit was made by following the judgment of the researcher in each ward. Utmost care was undertaken in each ward to represent different type of business ventures.

Literature Review

Loudon and Della (1993)¹ studied that the function of several variables involve the customer's

motive for store choices they pointed out that factor like design of the store, employees, advertising and sales promotion, merchandise assortment, physical facilities, customer service have a larger impact on the store choice.

Davis (2006)² find out that if the number of malls and retails chains multiply, the sales impact on small shops is likely to be intensified and earnings will keep falling till all these micro accumulators become micro-subsistence seekers.

Kura villa and Ganguli J (2008)³ explained that shopping becomes into important aspect in the lives of people, they become financially sound to do purchase in malls and they also with the price of the products. It is understood that, the interest of the people to visit malls in considerably increased and it is evident from filled parking area, crowded café, busy stores and crowdedgamin spots.

Dwivedi (2010)⁴ studied that when compared to major cities in India, the smaller cities getting importance for investment, because there has been a shift in the taste and purchasing priorities of the customers from Tier II and Tier III either with past ten years, when compared to metropolitan cities.

Objective of the Study

To study the perception of small retail traders on the future threats towards their traditional retail business.

Frame Work of Analysis

The researcher has employed the following tools to suit the requirements of the present study.

- ✓ Percentage analysis
- ✓ Factor analysis

Limitations of the Study

The Study falls under the following limitations:

1. The number of sample respondents have been restricted to 180, due to the difficulty in collecting information from the busy retail traders of the city.
2. The study is subject to the familiar limitations of the survey method that there is a lack of opportunity to probe the respondents beyond the answer given in the interview schedule.
3. The study is conducted in Coimbatore City of Tamil Nadu, and hence the findings of the study may not be generalized to the extent of the whole country.

FACTOR ANALYSIS

The researcher, based on available research findings and literatures, overwhelmed to believe that among numerous variables playing vital role in shaping the perception of the respondents with regard to the threats in their field only a certain factors were primarily responsible. To explain further, a combination of variables, making prime factors that are giving shape to a particular perception regarding the causes which influence the existence of Mega Malls. Hence, it was determined to conduct Factor Analysis with respect to:

- ❖ Combination of dominant variables in determining factors to influence the customers towards mega malls instead of traditional retail houses

Table-1

Factors Influencing the Threats of Traditional Retailers

Sl. No.	Particulars	Strongly Disagree		Disagree		Agree		Strongly Agree	
		No.	%	No.	%	No.	%	No.	%
1.	Location	-	-	-	-	168	93.3	12	6.7
2.	Brand and Quality	12	6.7	27	15.0	117	65.0	24	13.3
3.	Price	3	1.7	30	16.7	141	78.3	6	3.3
4.	Parking	6	3.3	36	20.0	132	73.3	6	3.3
5.	Credit Card	3	1.7	12	6.7	147	81.7	18	10.0
6.	Value Addition	-	-	69	38.3	108	60.0	3	1.7
7.	Variety	3	1.7	54	30.0	108	60.0	15	8.3
8.	Computer billing	3	1.7	9	5.0	144	80.0	24	13.3

9.	Packing	3	1.7	84	46.7	87	48.3	6	3.3
10.	Door Delivery	51	28.3	105	58.3	21	11.7	3	1.7
11.	Availability of All Goods	3	1.7	6	3.3	63	35.0	108	60.0
12.	Suitability	45	25.0	96	53.3	36	20.0	3	1.7
13.	Guidance	6	3.3	126	70.0	48	26.7	-	-
14.	Fresh and Display	-	-	6	3.3	96	53.3	78	43.3
15.	Advertisement	18	10.0	147	81.7	15	8.3	-	-
16.	Free Service	36	20.0	135	75.0	3	1.7	6	3.3
17.	Customer Care	-	-	102	56.7	75	41.7	3	1.7
18.	Fun	-	-	9	5.0	147	81.7	24	13.3
19.	Prestige	-	-	12	6.7	144	80.0	24	13.3
20.	Low Price	33	18.3	111	61.7	33	18.3	3	1.7
21.	Food Court	21	11.7	12	6.7	147	81.7	-	-

From the above table, it is well known that out of twenty one given variables contributing towards the existence of mega size shopping centres which influences the promotion of large scale business houses in Coimbatore city, the entire respondents (100%) either agree or strongly agree the factor Spacious location for shopping, the Availability of all goods in one roof to the extent of 95% (60+35), Usage of credit cards by 91.7%, Computerised by billing as well as Prestigious shopping by 93.3%, Availability of Fun and entertainment by 95%, Standard goods with discount offers by 81.6%, Branded goods by 78.3%, Availability of packing facilities 76.6%, and Huge varieties for selection by 68.3% are the causes of the customers to switch over towards the mega size shopping malls.

The above analysis shows that certain factors like Free door delivery of goods, Suitability to all customers for shopping, Advertisement, Free after sale services, Low price in the market are disagreed or strongly dis-agreed by most of the respondents

FA Result - Factors Favouring Mega Malls

In SPSS environment, Factor Analysis was run using the given data, to identify Combination of dominant variables in determining factors to influence the customers towards mega malls. The following results were obtained:

Table .2
Communalities

	Initial	Extraction
Location	.671	.488
Brand and Quality	.767	.966
Price	.572	.586
Parking	.607	.569
Credit card	.391	.361
Value Addition	.496	.257
Variety	.573	.581
Computer billing	.430	.328
Packing	.561	.587
Door Delivery	.671	.768
All Things	.652	.775
Suitability	.709	.675
Guidance	.696	.676
Fresh and Display	.685	.480
Advertisement	.396	.369
Free Service	.683	.812
Customer Care	.754	.759
Fun	.848	.904
Prestige	.808	.820
Low Price	.645	.940
Food Court	.723	.694

Note: Extraction Method: Principal Axis Factoring

From the above table, the variables namely Credit card, Value Addition, Computer billing,

Advertisement, Location are dropped from the analysis as they as they have low communalities, and it means that the extracted factors are not able to explain much variance in that variable.

Table 3**Total Variance Explained**

Factor	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.922	18.677	18.677	3.688	17.560	17.560	3.376	16.078	16.078
2	2.726	12.983	31.660	2.445	11.645	29.205	1.785	8.501	24.579
3	2.366	11.266	42.926	1.913	9.110	38.315	1.608	7.657	32.236
4	1.980	9.429	52.355	1.618	7.707	46.021	1.605	7.641	39.877
5	1.648	7.846	60.202	1.274	6.067	52.088	1.452	6.913	46.790
6	1.337	6.369	66.570	1.054	5.018	57.107	1.392	6.631	53.420
7	1.080	5.144	71.714	.750	3.573	60.679	1.201	5.717	59.137
8	1.028	4.897	76.611	.654	3.113	63.792	.978	4.655	63.792
9	.908	4.322	80.933						
10	.761	3.622	84.555						
11	.608	2.894	87.450						
12	.550	2.617	90.067						
13	.504	2.402	92.469						
14	.381	1.815	94.284						
15	.339	1.613	95.897						
16	.235	1.118	97.014						
17	.178	.846	97.861						
18	.144	.685	98.546						

19	.116	.553	99.099						
20	.105	.502	99.601						
21	.084	.399	100.000						

Extraction Method: *Principal Axis Factoring.*

From the above table *Total Variance Explained*, it is evident that only eight factors are useful for the present analysis. *Extraction Sums of Squared Loadings*, gives information for factors with eigenvalues greater than 1. These values are calculated after factor extraction. It is evident that the first eight (8) extracted factors explain the 63.792% of the variance. As eight factors are having eigenvalues greater than 1, they imply the eight-factor solution.

The table titled *Factor Matrix* gives the factor loadings before rotation is carried out. For each of the variables, we get a loading and the variables are listed in the decreasing order of factor loadings as required. As there are some variables having high loadings, Rotated Factor Matrix is used to identify factors. Only those factors having a factor loading of 0.40 and above were considered.

Table 4

Rotated Factor Matrix^a

	Factor							
	1	2	3	4	5	6	7	8
Fun	-.901							
Prestige	-.826							
Food Court	.748							
Suitability	.610							
Parking	.515							
Packing	.490					.447		
Guidance		.715						
Variety		.545						
Advertisement		-.537						

All Things			.837				
Fresh and Display			.567				
Location				.646			
Door Delivery				.610	.527		
Computer billing				.513			
Value Addition							
Free Service					.769		
Customer Care					.618		
Price						.737	
Brand and Quality		.517				.606	
Low Price							.933
Credit card							.572

Extraction Method: Principal Axis Factoring.

Rotation Method: Varimax with Kaiser Normalization.^a

a. Rotation converged in 11 iterations.

Based on the Rotated Factor Matrix, it is concluded that the following eight factors are highly responsible for the distraction of customers towards the traditional retail businesses, they are clubbed together and termed namely:

Factor	Factor Name	Explaining Variables
1	Fun & Prestige	Fun, Prestige, Food Court, Suitability, Parking, Packing
2	Information	Guidance, Variety, Advertisement
3	Variety	All Things, Fresh and Display
4	Access & Convenience	Location, Door Delivery, Computer billing
5	Customer Service	Free Service, Customer Care
6	Brand Product	Brand and Quality
7	Price	Low Price

Conclusion

Indian economy is a rural economy and most of the rural and semi-urban population of our country highly depends on agriculture and small retail businesses as their income source for their survival. In recent years due to the steady growth of modernised Western style of retail entities the traditional retail sector experiencing severe competition and unable to overcome the competitive source of the sophisticated large scale retail businesses. Hence, it is concluded that it is the right time to the State authorities and trade associations to understand the fact and protect the livelihood of the mass community. Hope this will be initiated by them very soon.

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