Status Of Supply Chain Management In Organized Vs Unorganized Retail

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INTRODUCTION

The Indian retail sector is highly fragmented with 97% of its business being run by the unorganized retailers like the traditional family run stores and corner stores. The 3% share of organized retail is quite low when compared even to the other emerging countries. The organized retail, however, is at a very nascent stage, though attempts are being made to increase its proportion to 9-10% by the year 2010, bringing in a huge opportunity for prospective new players. The sector is the largest source of employment after agriculture, and has deep penetration into rural India; generating more than 10% of India's GDP.

TABLE 1: SIZE OF RETAIL

Size	2004 (Rs. Bn)	2010 (Rs. Bn)
Estimated size of retail in India	9300	14000
Share of Organized retail (%) in India	3	10-12
Size of organized retail in India	280	1400-1500

(Source: KSA Technopak)

The following table shows the comparison among India, China and US in terms of the total trade, number of shops, share of the organized sector and employment.

TABLE 2: COUNTRY-WISE PENETRATION OF RETAIL

Country	Trade ($bn)	Employment (%)	Shops (million)	Organized Sector Share (%)
India	300	7	12	2-3
China	360	12	2.7	20
US	3800	15	16	80

(Source: KSA Technopak)

The last few years witnessed immense growth in this sector, the key drivers being changing consumer profile and demographics, increase in the number of international brands available in the Indian market, economic implications of the government increasing urbanization, credit availability, improvement in the infrastructure, increasing investments in technology and real estate, thereby building a world class shopping environment for the consumers. In order to keep pace with the increasing demand, there has been a hectic activity in terms of entry of international labels.Large Indian players like Reliance, Ambanis, K. Rahejas, Bharti Airtel, ITC and many others are making significant investments in this sector leading to emergence of big retailers who can bargain with suppliers to reap economies of scale. Hence, discounting is becoming an accepted practice. Proper infrastructure is a pre-requisite in retailing, which would help to modernize India and facilitate rapid economic growth. This would help in efficient delivery of goods and value-added services to the consumer, making a higher contribution to the GDP.

International retailers see India as the last retailing frontier left as China's retail sector is becoming saturated. However, the Indian Government's restrictions on the FDI are creating ripples among the international players like Walmart, Tesco and many other retail giants are struggling to enter the Indian markets. As of now, the government has allowed only 51% FDI in the sector to `one-brand' shops like Nike, Reebok etc. However, other international players are taking alternative routes to enter the Indian retail market indirectly via strategic licensing agreement, franchisee agreement and cash and carry wholesale trading (since 100% FDI is allowed in wholesale trading).

TABLE 3: INTERNATIONAL RETAILERS EYING INDIA

RETAILER	STATUS	TYPE
Carrefour	Multi-Format Retailer	Postponed Entry
Auchan	Hypermarket	Evaluating
Shoprite	Supermarket	Opening in Mumbai
Marks & Spencer	Lifestyle stores	Already in
Dairy Farm	Multi-Format Retailer	Tied-up with RPG
7-Eleven	Supermarket	Evaluating
Metro	Cash-and-carry	Already in

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Wal-Mart	Hypermarket	Wait & watch (with Bharti group)
Landmark	Lifestyle stores	Already in
Mango	Apparel Retailer	Already in

Source: Business World

SUPPLY CHAIN MANAGEMENT IN RETAIL

A prime disturbing feature of the retailing industry is the lack of a proper supply chain perspective. A chain tying-up with a set of exclusive, loyal suppliers and manufacturers for themselves has not really been practiced. Backward integration has not caught on, probably because unlike in the US, there are no real chains in the truest sense but independent retailers or those with a limited visibility.

The biggest challenge facing the organized retail industry is obviously from the unorganized sector, which currently wields the big numbers. Cost-structure of the chains is also vastly different from that in the west. In most of the unorganized sector, there is hardly anything like a maximum retail price on a product. Pricing is done based on the dynamics of demand, supply and competition. This kind of pricing also percolates to the costing of various stages and components of the products.

TABLE 4: SIZE OF RETAIL IN ASIA

Country	Total market	% of organized sector
Taiwan	$40 bn	81%
Malaysia	$20 bn	45%
Thailand	$32 bn	40%
Indonesia	$75 bn	30%
China	$325 bn	15%
India	$180 bn	3%

Source: McKinsey's Report, 2007

An Asian edition of McKinsey's quarterly report shows that India's percentage of organized retail sector is lowest as compared to even its Asian peers. An explanation of such a small figure of organized retail in India compared to others is probably the late liberalization of the economy (in 1991). India was the last of the major Asian countries to liberalize its economy.

RETAILERS BEWARE

In contrast, players in the organized sector have huge expenses and overheads to meet. These costs range from high quality premises expenses, luxury facilities such as air-conditioners etc., high labor and payroll costs, power charges, taxes to even promotional campaign expenses in most cases. Yet, this side faces huge price challenges from the traditional sector- they have to keep prices low enough to compete with them. In terms of *consumers*, despite the new assertive consumer mentioned above, a vast number of traditional consumers continue to *exist.* The organized category has to learn about the psyche of these consumers in order to lure them away from the traditional system and know how to please the two vastly different sets of consumers. Today's cosmo-consumer needs not just jeans or boots, he needs *ambience*, and he needs an entire shopping *experience*. The consumer today has shifted from *net-money* spent to *Value-for-money* spent attitude, as amply seen in some of these metros. A testimony to that is the n-number of entertainment plazas, amusement parks, water-theme parks, multiplexes etc. fast coming up in these cities, threatening to challenge the existence of traditional entertainment businesses.

A viable option would be that Indian companies join hands with foreign ones for a mix of local knowhow and world-class retailing expertise. These changes will trigger a drastic change in the retailing industry (a sample of which is already being witnessed in the above mentioned cities) and will benefit the precipitators of change in the long run. It is to be noted that the expected growth rate is a high 20%. Not for no reason has A.T. Kearney placed the Indian retail industry as among the most attractive in the world for Foreign Direct Investment and has predicted has that major international chains would make an impact by 2010.

OBJECTIVES OF THE STUDY

- To understand the function of SCM in organized and un-organized retail stores.
- To find out the level of integration between various partners of supply chain with the use of IT & ITES in SCM.

• To analyze the impact on retail industry due to entry of foreign and Indian big players with advance SCM technology.

REVIEW OF LITERATURE

Reports of the Wall Street Journal say (*Refer: livemint. Com*) that Mumbai small stores, also called *kirana* stores, will continue to grow alongside organized retail, albeit at a slower rate, and it might be a decade before such store owners loose business to the big retailers, providing an ample window for India to help make the smaller players part of the transition in retailing, say the authors of a report that will now become part of another government-funded report on the impact of organized retail. The report says when the share of organized retail in food reaches 30%, small retailers will be hit. That may be in one-two decades.

A study by Thomas Reardon of Michigan State University and Ashok Gulati of the International Food Policy Research Institute, part of a Union government-commissioned study by the Indian Council for Research on International Economic Relations (ICRIER) on the impact of the growth of organized retail on unorganized retail says that experiences in China and Indonesia suggest that both *kirana* stores and organized retail outlets can co-exist, although they will grow at varying rates. Until then, organized retail could grow at 20-40%. Kirana could grow at 2-5%. While just 1% of all food and grocery sold in the country is through organized retail stores, the business is growing at a rate of around 30% according to a report by Man Financial, a Mumbai based brokerage. Several large retailers, including Wal-Mart Stores Inc., Reliance Industries Ltd. and the Aditya Birla Group have big plans for selling everything from food items to furniture here. Meanwhile, there have been increasingly strident protests against big retail. India has more than 12 million small retail outlets, making it hard for the government to ignore any threat to the livelihood of this large base. Food and grocery sales are just 18% of organized retail revenues. But with many new players, including Reliance Industries Ltd., the Aditya Birla group and Bharti Enterprises setting up retail operations, food and grocery retail could form 25% of revenues for organized retail. This could bring wastage down from the current level of 25% to 15%, which is as much as is wasted in more developed retail environments. The findings of the report come against the backdrop of the Left parties asking for regulations to curb organized retail as they believe that the shift to organized retailing could lead to an elimination of jobs in the unorganized retail. After agriculture, organized retail is India's second largest employer. Faced with such concerns, the government has commissioned a study on the impact of organized retail on unorganized retail (by the Indian Council for Research on International Economic Relations). Currently, just about 1% of food and grocery is sold in an organized retail environment. But, with organized retailers increasing their presence and customers' shopping habits changing, food and grocery retail in an organized set-up will grow at 37% over the next five years, compared to 26% for the entire industry. Indian retail market has around 12 million outlets and it is the largest retail outlet density in the world. However, it has 98% unorganized retail market (CII - Mckinnsey, 2004). The Market is controlled by a handful of distributors and wholesalers. Traditionally, the retail business is run by small convenient stores, having the shop in the front and house at the back. More than 99% retailers function in less than 500 square feet. Most of these outlets have very basic offerings, fixed prices and no ambience. These are highly competitive stores due to cheap land prices and labor. Also, these stores avoid the taxes as they belong to a small industry sector (Banerjee, 2004). Generally, the accounts of trading are not maintained separately. The educational qualification level of these retailers is low. Information Technology is unimportant for the stores due to its small size and small business. But due to the poor inventory management in the lower tiers, the upper tiers and finally the end customers have to suffer in terms of demand invisibility and transferred cost respectively.

CONSUMER PSYCHOLOGY

The majority of middle class Indian consumers are wary of large retail formats with well-stocked shelves (Aggarwal, Singh, 2004). They are considered to have overpriced goods, even though they sell at the government mandate Maximum Retail Price (MRP). Smaller stores often stay open beyond normal working hours and work on low margins because they employ cheap labor and have lower overheads. Food sales constitute a high proportion of total retail sales. The share was 62.7% in 2003 and was worth approximately Rs 7,039.2 billion. Other segments having high or substantial share in Indian retail include the apparel and the electronic sector.

RESEARCH METHODOLOGY

The Research methodology is followed to solve the research problem by extensive use of secondary data about the utilization of various SCM strategies' by various foreign and Indian players. A survey was conducted with small and large retailers, wholesalers, stockiest, C& F agents of un-organized sector and retailers of organized sectors. The wholesalers, stockiest and C&F agents are typical caters not only for small and large retailers of the un-organized sectors, but they provide services to the organized retailers as well. Data has been collected from different types of organized and unorganized retail stores.

- ***Organized Sector***: Spencer's outlet at Lal Banla, Rawatpur, Civil lines, Geetanagar, Big bazaar (Rev Moti), Maxi Bazar.
- ***Unorganized Sector:*** Local street retail shops at Lalbangla, Ramadevi, Rawatpur, Kalyanpur, Swroopnagar etc. Wholesalers, stockiest and C&F agents of Nayagang, Parade, P-road etc.

RESEARCH INSTRUMENT

A structured **questionnaire** was used as an instrument, which consisted of two parts. Part A was meant for general purpose questions asked from small unorganized and organized retailers and part B was in the form of a table, where data were collected in respect of commodities and other merchandise kept in the store.

The researcher had also engaged in one to one discussion with respondents to ascertain their point of view on various aspects of SCM and the problems faced by them which were not covered in the structured questionnaire.

FORMAT OF SURVEY QUESTIONNAIRE

The survey questionnaire was based on the literature review and information collected through observation regarding the supply chain practices adopted in retail system, which plays an important role in efficiency and effectiveness level of the whole system.

The questionnaire consisted of two parts. **Part A** was designed for retailers of organized and unorganized field, wholesalers and distributors. It consisted of 20 close ended questions. Q No. 1-6 gave information about the retailers and their size of operation. This section also helped in mapping. Q.No. 7-9 gave the uses of IT & ITES in retail. Q. No. 10 & 11 generated information about cost and its future benefits expected and awareness about threats of organized retail and effective utilization of SCM. Q. No. 12&13 elucidated about stock-out problem & customer response. Q.No.14-20 gave information about order frequency, bullwhip effect, service provided by respective upper tier, delivery system and level mutual integration, effect of offers/schemes and lead time to meet the demand.

Part B consisted of three open ended questions and one remarks column was provided in the questionnaire to extract the views of the respondents on the subject, if any. This part was designed to collect information regarding sales data of 15 items, their stock position and safety stock. The basis for selection of these 15 items is their availability and homogeneousness in the market. These items are commonly available in all small and big retail stores and are of general use. The commodity items like Rice, Atta and other cereals were not taken in consideration because of their local packing & difference in quality, which makes significant difference in product selection as well as price. This part will provide sufficient data which enables the researcher to analyze the sales volume, inventory holding and safety stocks and find out the correlations between them.

SCALE USED IN THE QUESTIONNAIRE

Mainly, ordinal scale is used in the questionnaire. Question no. 1 & 2 are just the name and address of the respondent. Q.No. 3 to 6 are about the Likert scale. A Likert scale is a type of ordinal scale. The small letters of alphabets (refer corresponding numbers) used in identifying the observations are called ranks. Ranks tell about the degree of the variable within a set of observations at hand, which represents the status of the respondents in respect of volume of operation, staff employed and dependent on the business, experience level of the businessman and qualification. These are the personal information obtained from the respondents who are associated in the decision making process and thereby, after mapping these information, an idea can be developed about the level of efficiency in supply chain operations. Q.No. 7 to 20 are also in Likert scale which measures the SCM efficiency in descending order i.e '***a'*** (number assigned as 5) represents the highest level of SCM efficiency whereas, '***e'*** (number assigned as 1) represents the lowest degree of SCM efficiency among the players and in operations.

SAMPLE SIZE

Appropriate sample size is considered to be 30 which will adequately represent the total population. The sample was collected in a rational manner from organized and un-organized stores located in different parts of the city.

LIMITATION

During research, it was revealed that some unorganized retailers feel that the researcher himself is an agent of organized retailers and the data collected may be used to portray inefficiency of small retailers and ultimately, this may create a problem for their livelihood.

In some organized retail stores, though the managers are well educated and professionally qualified, still they refuse to provide data for part "B" of questionnaire citing the reason that they have to solicit permission from higher authorities before giving out any information. These managers fear that the data may be misused by their competitors.

RESEARCH IMPLEMENTATION

BRIEFING ABOUT KANPUR

Situated on the banks of the holy river Ganga, Kanpur is one of North India's fastest growing cities and is a major industrial centre of the country. In fact, the city's industrial roots and links go back to the beginning of the last millennium. This was the period that saw the city emerge and thrive as India's pre-eminent centre for cotton exports, trade & merchandise. Not surprisingly, it soon acquired the soubriquet of being 'the Manchester of East'.

In recent years, Kanpur has witnessed development of all kind, which has turned the city into a modern, vibrant metropolis. The creation and construction of the more visible and contemporary totem of growth and development- Malls, Multiplexes, Entertainment Venues and Outlets- not to speak of the visible growth and rise of several educational and cultural centers all over the city make Kanpur a most exciting place to live and work in this part of India.

The process of research started in the month of January, 2008 with idea generation by seeing the position of supply chain management in organized and unorganized retail stores in Kanpur city. After that, secondary data collection processes were started. In the month of March, 2008, pilot survey of questionnaire took place. Five unorganized and two organized retailers participated in the pilot survey. During data collection through questionnaire, some problems were acknowledged, which were subsequently rectified by amending the questionnaire. Further data were collected in different parts of the city in the month of April ,2008. During data collection, it was experienced that a lot of myths about government policies are circulating in the minds of the respondents of unorganized retail. Some respondents also blame the government for blindly adopting and imposing the western policies and culture in the Indian retail market.

DATA ANALYSIS AND PROCESSING

The following paragraph deals with the Data Analysis to test the hypotheses. Data until analyzed has no meaning. Collected data is edited, coded, classified and tabulated. Hypotheses are framed to meet the Experimental Objectives and Statistical Tests are administered to determine experimental results.

HYPOTHESIS TESTING

The hypotheses are designed on the basis of responses received from the questionnaire.

HYPOTHESIS I

TWO WAY ANOVA

In the following section, the researcher analyzes the level of significance of SCM practices adopted in organized and unorganized retailing. The SCM practices will be measured on the basis of IT & ITES uses and also on the basis of stock out problem, lead time of procurement and Bullwhip effect in retailing. For this purpose, Two Way ANOVA is applied as a statistical tool because the data are classified on the basis of two factors/attributes.

1. Ho: SCM practices in Organized Retail > SCM practices in Unorganized Retail.

H_1: SCM practices in Organized Retail < SCM practices in Un-organized Retail.

2. SCM practices can be measured on the basis two major attributes:

I) IT & ITES uses towards integration of supply chain in retail.

II) Stock out, Lead time of procurement & Bullwhip Effect in retail.

i) Table 5: IT & ITES Uses towards integration of supply chain in retail

Q. No	In Favor of organized Retail			In favor of Unorganized Retail			Total (d+g)
	Sample from organized stores	Sample from Un- Organized Stores	Total (b+c)	Sample from organized stores	Sample from Un- Organized Stores	Total (e+f)	
a	b	c	d	e	f	g	h
7	10	20	30	0	0	0	30
8	10	2	12	18	0	18	30
9	10	20	30	0	0	0	30
10	10	1	11	19	0	19	30
11	10	19	29	0	1	1	30
			112/5=22.4			38/5=7.6	30

Question No. 7, 8,9,10 & 11 are related with utilization of IT & ITES towards integration of supply chain in retail. These are five questions in this category; hence columns **d & g** are divided by number **5**.

ii) Table 6: Stock out, Lead Time of Procurement & Bullwhip Effect.

Qu. No	In Favor of organized Retail			In favor of Unorganized Retail			Total (d+g)
	Sample from organized stores	Sample from Un Organized Stores	Total (b+c)	Sample from organized stores	Sample from Un Organized Stores	Total (e+f)	
a	b	c	d	e	f	g	h
12	10	8	30	0	0	0	30
13	10	18	12	18	0	18	30
14	10	20	30	0	0	0	30
15	10	20	30	0	0	0	30
16	10	14	24	0	6	6	30
17	10	20	30	0	0	0	30
18	10	16	26	0	4	4	30
19	9	3	12	1	17	18	30
20	10	18	28	0	2	2	30
			222/9=24.66			48/9=5.34	30

Question No. 12 to 20 are related with Stock out problem, Lead time of procurement & Bullwhip Effect occurring in supply chain in retail. These are nine questions in this category; hence columns **d & g** are divided by number **9**.

Table 7: TWO WAY ANOVA TABLE

	IT uses towards integration of SCM	Stock out, lead time & Bullwhip effect	Total
Organized Retail	22.4	24.66	47.06
Unorganized Retail	7.6	5.34	12.94
Total	30	30	60

Correction Factor:

(60 x 60) /4 = 3600/4

or = 900

Sum Of Square between Organised Vs. Unorganised Retail

(30x30)/2 + (30x30)/2 – 900 = 0

Sum of squares between Parameters ie IT uses towards integration of SCM Vs Stock out, lead time & Bullwhip effect:

(47.06x47.06) / 2 +(12.94x12.94) / 2 – 900 = 291

Total Sum Of Squares:

{(22.4x22.4) + (7.6x7.6)+(24.66x24.66)+(5.34x5.34)}- 900 =

or, 1196.16 - 900 = 296.16

Remainder:
296.16-(0+291) = 5.16

Table 8

Source of Variation	SS	Degrees of Freedom	MS=SS/df	F-Ratio =MS/df
Between columns	0	1	0	0
Between Rows	291	1	291	291/296.16=0.982
	291.16	1	296.16	

F (1, 1) = 161.4 is tabulated value.
Calculated value of F ratio is 0.982 which is less than the tabulated value. Therefore, at 5% level, the difference is not of significance. In other words, it means that variance between the sample is not significant than variance within the sample. Therefore, we can say that such sample has come from the same universe or mean value of various samples are **not (R) not** significantly different from each other. **Therefore, hypothesis ie Ho, is accepted**.

HYPOTHESIS-II

CHI- SQUARE TEST

In the following section, we will analyze the use of IT and IT enabled services that are having an impact on the supply chain management of organized and unorganized retail stores. For this, we will take question no. 8 into consideration. For this purpose, chi-square test will be applied.

Null- Hypothesis: (Ho): Uses of IT & ITES are independent from effective SCM practices of organized and unorganized retail stores.

Alternate Hypothesis: (H_1): Uses of IT & ITES are not independent from effective SCM practices of organized and unorganized retail stores.

The following table depicts the observed data in respect of IT & ITES uses in both types of retailing.

Table : 9

	IT & ITES Uses	No use of IT & ITES	Total
Organized Retail	10	0	**10**
Unorganized Retail	2	18	**20**
Total	**12**	**18**	**30**

Now, on the basis of hypothesis, expected frequency corresponding to uses of IT & ITES in organized retailing would be:

Expectation of (AB) = (A) x (B) / N

Where A represents organized retail and B represents IT & ITES uses.

(A)= 10
(B)= 12
(N)= 30

Now, Expectation of (AB) = 10x12/ 30 = 4

Now, by using the expectation of (AB), we can write the table of expected values as follows:

Table 10

	IT & ITES Uses (B)	No use of IT & ITES (b)	Total
Organized Retail (A)	(AB)=4	(Ab)=6	**10**
Unorganized Retail (a)	(aB)=8	(ab)=12	**20**
Total	**12**	**18**	**30**

Table 11: Calculation of Chi-Square

Group	Observed Frequency (O ij)	Expected frequency (E ij)	Oij-Eij	(Oij-Eij)²	(Oij-Eij)² /Eij
AB	10	4	6	36	36/4=9
Ab	0	6	-6	36	36/6=6
aB	2	8	-6	36	36/8=4.5
ab	18	12	6	36	36/12=3

$\chi^2 = \sum (O_{ij} - E_{ij})^2 / E_{ij} = 22.5$

The table value of χ^2 for 1 degree of freedom at 5% level of significance is 3.841. The calculated value of χ^2 is much higher than this table value and hence, the result of the survey expressed through questionnaire does not support the hypothesis. We can thus conclude that effective SCM practices are Dependent (R) Dependent on the Uses of IT & ITES in organized and unorganized retail stores.

INTERPRETATION OF DATA AND FINDINGS

1. During research, it is revealed that almost 100% retailers in the unorganized sector are having sale volume in the range of 12 Lacs to 24 Lacs per annum. Whereas, all the organized retailers are having sales volume in the range of 50 Lacs and more per annum.
2. 70% retailers of the unorganized sector are doing this business from the past 6-10 years and 100% organized retailers are just 1-5 years old.
3. In unorganized retail, the number of persons involved in running the store is only one or two; whereas in organized retail, in 80% cases, persons involved on full time basis are 11-20 or more.
4. In unorganized retail, almost 90% owners (responsible for supply chain decisions) are graduate/under graduate, whereas in the organized sector, all managers are professionally qualified.
5. Uses of telephone among retailers of both the sectors are very high. It is almost 100%.
6. Utilization of computers/IT among unorganized retailers is very low. 75% are not using computers at all, whereas 20% are using computers for billing purposes only. But the scene in organized retail is quite different as 100% order placement; stock recording/maintenance and billing are done by computers only. Some respondents expressed their concern on utilization of computer; they felt that they would have to employ extra manpower skilled in computer operations, which would result in increase in expenses. Ultimately, they would have to pass on these costs to the customer, which may affect their price competency level.
7. All the retailers of organized as well as unorganized sectors are accepting the need of integration in supply chain management and respondents are agreeing upon the fact that adoption of better SCM may enhance the profit margin of retailers.
8. On the matter of investment required to improve SCM and integration among retailers-suppliers-manufacturers, all the respondents from the unorganized sector are Not (R) Not interested to invest any amount and want that investment should be done by their upper tier, though all are aware of its (integrated SCM) benefits. During conversation, it was also revealed that some respondents do not want any investment from anyone as they have the fear of losing control over business and don't want to liquidate their autonomy.
9. All the respondents agreed upon the fact that there is a threat to unorganized retail, as organized retail is more integrated in terms of supply chain management and they may reduce their cost of operation and simultaneously, provide better value to the consumer. Of course, there is a variance in the degree of threat i.e. 80 % respondents in unorganized retail said “strongly agree”, only 15% said “agree”; whereas in organized retail, 100% respondents replied “strongly agree”.
10. On stock out problem, 60% respondents of unorganized retail have said that stock out occurs frequently, 30% replied it happens sometimes & only 10% said that it happens very rarely. In organized retail, 70% respondents replied that stock-out problem is very rare and 30% said that it happens sometimes. During conversation, it was also revealed that due to frequent launching of new products and shorter span of product life cycle, old products become obsolete, whereas, consumers demand the same product as they have had a good experience with that particular product. This situation may lead to stock-out problem in some cases.
11. As far as the advice for in lieu product is concerned, retailers of both the segments admit that all the four reasons cited in the questionnaire are true but reason (b) i.e. “Customer is known” is more relevant (60%) for unorganized retailers and reason (a) i.e. “better quality” is a more relevant (80%) factor for organized retailers.
12. Replenishment time period in both the cases is quite appreciable. It is twice in a week in almost 65% cases of unorganized retail and 100% in case of organized retail. This may be due to locational advantages (being in city area) and better connectivity.
13. 95% and 100% respondents of unorganized & organized retail respectively reported that no rationing or curtailing in supply by their upper tier takes place. It means, whatever is demanded, it is supplied in full quantity.

14. Since there is no curtailing or rationing, so question of over demand does not arise. But during festive seasons, sometimes, supplies are curtailed. So they are projecting extra demand in order to meet the requirement of the customers during festive seasons.
15. All the respondents of unorganized retail reported that supplier /stockiest/ manufacturers are providing regular service for better merchandising, product display and refrigeration appliances. But at the same time, they impose various conditions (for e.g. not keeping products of other companies in the refrigerator etc.). There is always a tug of war between the retailer and the supplier's agent on the matter.
16. In unorganized retail, stocks/ consignments are dispatched after placing order on the telephone in 80% of the cases. In organized retail, stocks are automatically replenished by upper tier by viewing the stocks on computer connected with the internet i.e. through online inventory management system.
17. The scheme and offers are having significant effect on stocks' position. In unorganized retail, shopkeepers are holding more stocks to avail the optimum benefits of offers & schemes as it is reported positively by 80% of the respondents. But in organized retail, it was not significantly found as 70% respondents said it is a rare phenomenon and 20% advocates said that it doesn't take place at all.
18. The lead time for procurement in unorganized retail is generally three days (reported by 85% respondents) and in organized retail, it is either the same day or by next day morning (reported by 60%).
19. Consumer's buying behavior and psychology is also having a major impact on amount of purchasing. During the study, it is revealed that some consumers prefer to purchase fresh products from the local street vendor despite low rates offered at the organized retail store as they are of the view that dusty products are fresher and are directly coming from the sabzi *mandi* (vegetable wholesale market).

CONCLUSION

CAUSES OF LOW PRODUCTIVITY IN UNORGANIZED RETAIL

1) ***Labor intensity***: Counter-stores in India have a very low output to labor consumption ratio. Low labor costs, failure to employ part-time labor and the absence of multitasking are mainly responsible for the unusually high consumption of labor. This has driven down the productivity in the sector.
2) ***Inventory and Supply Chain Management***: Unorganized retailers rarely track consumer behavior and sales data to improve their inventory management practices. Even among the handful of retailers that employ experience-based improvements in their business, their efforts are largely met with no support from their suppliers. Counter stores and street vendors do not have the infrastructure, exposure or credibility to form lasting relationships with suppliers. As a result, retailers usually use different suppliers every time they purchase inventory. This leaves them largely incapable of strategically managing their business.
3) ***Low barriers to entry and the absence of regulation:*** The excess supply of counter-stores and street vendors represents a tremendous decrease in the productivity of this sector.
4) ***The absence of any real competition****:* Almost all retailers find a way to make ends meet or change their merchandise till they make ends meet-this factor is also responsible for a form of status quo in the sector where little to no improvements in efficiency, management and by extension productivity are seen. In fact, this sector is so stagnant with respect to operational changes that no improvement in productivity is expected in the near future.

LOW PRODUCTIVITY, BUT STILL SUCCESSFUL

However, low productivity is only an indication of underutilization and/or over allocation of resources. It does not reflect the market share or potential of the unorganized retail sector when it comes to catering to the consumer.
The unorganized retail sector competes on the basis of a number of factors that give it a leg up on organized retail. Much of the reason why unorganized retail has dominated the retail market is the unique ways in which it operates when it comes to serving the consumer. Corner-stores have catered to the traditional Indian consumer psyche and are partially responsible for shaping it. For unorganized retail, the market mantra is “convenience”:
1) ***Home-Delivery***: Corner-stores and street vendors do their best to cater to the local population in the area in which they operate. As a result, most of them provide home-delivery services, for any and all order sizes, at no extra charge. Shopping is as simple as making a phone call and narrating the shopping list to the store owner. Within minutes, the entire list of groceries with an itemized, hand-written bill reaches your doorstep. The absence of product variety, brand

diversity, marketing and exposure had made shopping in stores almost unnecessary for the consumer.
Retailers unconstrained by labor costs had no problem in understanding this dynamic and adapting to the needs of the consumer.
2) ***Credit***: Unorganized retailers enjoy a loyal and limited clientele. The personal nature of transactions coupled with small transaction sizes allows unorganized retailers to sell goods on credit, often settling bills with clients at the end of the month.
3) ***Proximity***: Unorganized retailers like corner stores are almost always located at a few minutes walking distance from their clients. Street vendors will go door-to-door selling their goods. This has provided a number of advantages to the consumer. He receives his purchase almost immediately, thanks to the home-delivery of goods. He never has to move more than half a mile from his house to purchase food, and other goods. Finally, the proximity of unorganized retailers caters to the just-in-time mentality of consumers, who prefer to buy goods when needed for immediate use rather than making bulk purchases in advance.

CUTTING COSTS IN ANY POSSIBLE WAY: LEGAL AND ILLEGAL

Convenience is not the only aspect of unorganized retail that has allowed it to dominate the industry. The unorganized nature of this sector has also allowed it to survive price competition with large-scale organized retailers with efficient supply management, inventory control and bulk purchasing. Unorganized retail with their small inventory, high purchase costs and relatively small size have been able to save on a number of other fixed and variable input costs to offer goods at competitive prices:
1) ***Real-Estate***: Unorganized retailers usually operate from their residences that double-up as counter stores or like street-vendors, carry their merchandise with them. As a result, they incur little to no real-estate costs.
2) ***Labor Costs***: Unorganized retailers usually staff their stores with family members who have no other source of employment than to work in the family store. As a result, labor costs are low. Additionally, the lack of regulation in the sector as well as the high unemployment level allow unorganized retailers to higher labor at very low rates.
3) ***Utilities:*** Corner stores operating out of homes usually pay residential rates for utilities like electricity and water. With the large disparity between commercial and residential utility rates, unorganized retailers do not have to worry about these inputs eating into their profits.
4) ***Tax:*** Unorganized retailers rarely pay taxes due to the absence of regulation and supervision in this sector. This also allows them to reduce prices.
Unorganized retail has dominated the market for decades. The small scale of each vendor was perfect to cater to the reluctant shopper while the large number of players kept several people employed. In this situation, there was little motivation to bring organization into the sector. It took strong economic growth, liberalization of the economy and change in the mind-set to realize the advantages of bringing organization to the retail industry.

REASONS FOR LOW PRODUCTIVITY IN ORGANIZED RETAIL

Some of the reasons that have been outlined for the poor productivity performance are - a format mix which skews towards transition formats, and poor operational efficiency of modern formats.
1)Vicious Circle: At any place, big supermarkets and specialty stores leverage their volumes to drive costs down and possess superior skills (especially in managing inventory and marketing) to make themselves more productive than counter stores. A key factor behind the miniscule growth share of supermarkets, especially in food retail is the under-developed nature of upstream industries. This results in a relatively higher pricing in the supermarkets when compared with counter stores, giving counter stores or the unorganized sector an edge over the organized sector in retail. A fragmented supply chain, a sub-scale processing sector and lack of proper cold storage facilities are some of the problems which plague the organized retail sector, especially in food. The current government policies are also favorable to counter stores in the form of relaxed labor and tax regulations.
2)Poor Productivity in Modern Formats: Organized retail in India has to operate in face of productivity hassles which can be attributed to some of the following operational aspects of this sector:
1. Scattered and inefficient supply chain, which inflates procurement costs (lack of focus in having a few nationwide suppliers and instead having up to 400 per region needs a huge sourcing and quality control team, raising costs of procurement).
2. The supply chain for food in India has two or three additional intermediaries on an average, compared with supply

chains in the US. This can, in part, be attributed to the market regulations such as constraints in food grain movement across states, inability to purchase directly from farmers, stock limits imposed by government on various commodities etc. This in turn slows down the growth of large processors.

NON-LEVEL PLAYING FIELD IN THE RETAIL SECTOR

Counter stores in India take advantage of some of the following benefits accorded to them by the government:

1)Tax Vacation: The government policy enforces higher tax rates for organized retailers, making them pay at corporate rates, while counter stores still pay at individual income tax rates. Tax evasion is rampant among small counter stores owners, in fact, so few of the small mom and pop store owners pay taxes, that most of them could be thought of being on a tax vacation, with the government conveniently looking the other way.

2) ***Uneven tax rates across states***: The present tax structure necessitates the imposition of tax on retail chains operating in a non-localized fashion. The sales tax structure has differences in rates across states, in addition to the imposition of a central levy on inter-state sales. It doesn't end there; another tax (octroi) is levied on the movement of goods from one district to another.

3) Labor laws: Developing countries in general have generous labor laws. The labor laws in India ask that work for a retail employer is limited to 8 hours, and also require that the shop be shut for one day in a week. Though organized retailers adhere to these laws, the counter stores remain open throughout the year, making labor work for over 12 hours a day.

4) Non-payment of market rates for inputs: Lower rent and nominal power cost (if any) characterizes the counter stores, as opposed to extremely high land and property rent paid by the organized sector.

As discussed above, Indian retailing is on the verge of a great upheaval. There are developments in urban as well as rural areas in grocery as well other types of retail. While there are significant developments at the organized retail level, the farm-to-shop and manufacturer-to shop supply chain is fragmented, inefficient, and has no supply chain integrator. The Indian retail cannot be competitive until the supply chain is made integrated, efficient and customer centric. There are thus huge opportunities at various levels. The opportunities range from agriculture products production, food processing, storage and transport and management of supply chains and also retail chains. There are opportunities in retail mall construction in urban as well as rural areas.

RECOMMENDATION

As discussed earlier, organized retail accounts for only 3% participation in total retailing whereas, rest 97% is captured by the unorganized sector. The development of both the systems simultaneously will definitely boost the competition among retailers, which will ultimately give the benefit to the end consumer. Though the growth rate of organized retail is very high, it is facing stiff competition from unorganized retail. The rising prices of real estate, high cost of trained and skilled manpower, and complicated tax structure make things tough for organized retail.

However, despite of all pros & cons, there is ample opportunity for both the systems. The challenge for organized retail is to maintain high growth status, at the same time; it is also a challenge for unorganized retail to maintain its present status. Therefore, appropriate supply chain strategy is required to be followed for unorganized and organized retailers.

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reap higher benefits. 'Reva' India's successful electric car launched in Europe is good example of a timely launch. As consumers look for models that are fuel efficient,have low maintenance cost and serve the purpose of utility (like 'Reva'), the car has a good opportunity in present circumstances in the European markets. 'Tata nano' can be considered as a good example for the Indian market .

All the marketing strategies discussed above such as bulk buying, bundled offers, combo offers, brand building strategies, new product launches will help marketers to provide 'good deals' and not necessarily 'cheap deals'. This won't harm brands and their brand image in the long run. Communication strategies should ensure that these offers help the consumers to meet their purchase requirements and satisfy their needs even during 'recession'.

CONCLUSION

India's GDP predictions for 2009–10 varies from 5% to 7% by various statistical sources .Markets in India and around the world are eagerly waiting for normal times to return to continue the growth story of recent times. Now the onus of responsibility is on financial experts, leaders in India and abroad to move their stake holders to safety. Strategies similar to those elucidated above scripted by academicians, researchers, knowledge and functional experts, if deployed appropriately, will help stakeholders navigate and tide over the recession resulting in 'paisa vasool', 'value for rupee', 'dollar collection', 'cash cows after recession" for all.

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