

RESEARCH PAPER

Impact of supermarket on small retail outlets (Mom and pop stores) in Hyderabad

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ABSTRACT

The present study impact of supermarket on small retail outlets (mom and pop stores) was conducted in Hyderabad city during the year 2011. Majority of retailers (42%) profit and turnover decreased. 34% of retailers profit and turnover increased and 24% of retailers business remained same after the entry of supermarkets in the area. Majority of retailers (52%) expressed that their profit and turnover decreased because of organized retail. Another 20 % felt the decreased because of other unorganized outlets started in the area and rest 29% experienced decreased due to other family reason. Most of the respondents (80%) extended credit to their customer which is the main reason to retain and hold the customer. No negative impact on employment was found due to the opening of more organized outlets in the city. Nearly 26% of small retailers increased the number of employees and another 74% having maintained same number of employees. Only a few number of retail shops have been closed as reported by the sampled retailers. The closing of those few retail shops is not because of organized retail but for other reason. Most of the retailers practiced different strategy like 10% retailers reduced prices, 12% reduced their expenses and 14% added new product lines to compete with the supermarkets.

KEY WORDS : Supermarket, Small retail, Profit, Turnover, Employment

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The present study impact of supermarket on small retail outlets (mom and pop stores) was conducted in Hyderabad city during the year 2011. The retail

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industry is divided into organised and unorganised sectors. Over 12 million outlets operate in the country and only 4% of them being larger than 500 sq ft (46 m²) in size. Organized retailing refers to trading activities undertaken by licensed retailers; These include the corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses. Unorganised retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, the local kirana shops, owner manned general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors, etc.

Although traditional retail currently constitutes over 96 per cent of the total sales in the country, smaller kirana

(Indian version of a combination of convenience and mom-and-pop stores with <500sqft area) that are unable to compete with new age retailers in terms of variety and scale have begun losing volume and share of customer's wallet in several parts of the country. Unorganized retailers in the vicinity of organized retailers experienced a decline in their volume of business and profit in the initial years after the entry of large organized retailers, but the adverse impact on sales and profit weakened over time.

Hyderabad is the mother of supermarket. A study conducted on supermarket effects on Hyderabad revealed that prices of fruits and vegetables fell by 7-11 per cent in the cities new retail stores whereas it is just 3-4 per cent in the unorganized markets. However real fallout has been on small hawkers vendors with people shifting their shopping to organized retail stores, sales plunged 37 per cent in terms of volume and sales in value dropped to 59 per cent, the maximum was seen among Hyderabad more than 6500 hawkers who reported a 35-40% fall in income. Some of the hawkers reported that their income had fallen to Rs. 3500 a month from Rs. 12000 a month over the last two years.

Organized retailers have managed to cut prices through disintermediation or making intermediaries irrelevant. For unorganized retailers fruit passes through as many as six intermediaries, while groceries go through 2-3 middlemen, but organized retailers directly procure from farmers or from wholesale market in Hyderabad. This lead to unemployment for more than 28,300 middlemen in Hyderabad. The overall objectives of the study are;

- To estimate the impact of big retail giants on mom and pop Stores
- To know the measures adopted by small retail stores to face competition from the big retail outlets

METHODOLOGY

The research was conducted on impact of supermarkets on small retail outlets in Hyderabad city during the month of January to May. The details of the materials used and methods followed in the investigation are presented under appropriate heads.

Research design :

Selection of retailers :

Five major centers Dilsukhnagar, Himayatnagar,

Mehdipatnam, and Tarnaka and Kukutapally were identified from the Hyderabad city. From each centre 10 kirana stores have been selected which is near to the organized retailers randomly. Therefore a total of 50 retailers have been selected for the study.

Selection of consumers :

From each centre, 20 consumers *i.e.*, from each retail stores, 2 consumers were interviewed. Systematic sampling design was followed. To maintain the systematic design of the sample every fifth customer, leaving the store was intercepted and interviewed with a structured questionnaire. The questionnaire was prepared after a detailed literature was reviewed on customer perception of grocery store attributes and customer patronage of stores.

Collection of data :

Hyderabad city in A.P. was identified for the study as there is an influx of many major retail stores in last decade. About 5 centers where there is concentration of supermarkets and Kirana stores were identified. From each centre 10 kirana stores and 20 consumers were selected randomly. Therefore a total of 100 consumers and 50 kirana stores formed the base of the study. Both primary and secondary data were collected for the research study. A suitable questionnaire was designed separately for the retailers and consumers to access information on the impact on small business, future plans for business, and possible strategies. The secondary data with regard to number of stores, consumer's income pattern, turnover of supermarkets etc were collected from both primary and secondary sources.

Methods of computation :

The collected data were tabulated by using MS-Excel and is illustrated appropriately to make meaningful inferences. The data was subjected to appropriate statistical techniques like average, percentage, range techniques and the same have been presented in the form of table and charts.

ANALYSIS AND DISCUSSION

The findings of the present study as well as relevant discussion have been summarized under the following heads and Table 1 to 7.

Impact of supermarkets on small retailers :

Impact on turnover and profit :

The study indicated that there has been an adverse impact of supermarkets on small retailers with regard to turn over and profit. Nearly 42 per cent of the retailers claimed that they experienced a decrease in profit and turnover. In Mehdipatnam and the Dilsukhnagar area the small retailers were more affected when compare to the other areas. Only 34 per cent of retailers expressed that their business has increased, whereas, 24 per cent revealed that their business turnover remained constant over the past few years. Among the 5 places in the city, Kukutapally area has experienced no improvement in profit and turnover over the years.

The reasons for decline in turnover, nearly 52 per cent of the retailers claimed decrease in profit is due to competition from organized retail. About 20 per cent told that it is because of other small stores which have opened recently and 29 per cent said the decline is due to other reasons.

Impact on employment :

From the Table 1 below it can be inferred that there

is no decline in the recruitment of the employees. In majority of the retail shops (72 %) the number of employees remain constant, whereas 26 per cent of the retailers enhanced the number of employees in their stores. Only in Kukutapally region 1 retailer has reported decrease in employment which is only 2per cent of the total sampled retailers. The sampled organised retail outlets employed more hired labour than the family labour. On an average the retailers employ 2 hired persons compared to 1 family person in the shops. So overall there is no negative impact on the employment though the majority of retailers are facing decrease in their profit and turnover.

Preparedness of the small retailers to face competition :

Home delivery service offered by retailers :

Home delivery service was offered by 16 per cent of retailers in the city. In Mehdipatnam and Dilsukhnagar regions no home delivery by retailers has been observed. Whereas, in Tarnaka and Himayatnagar, 20 per cent of retailers gives home delivery to their loyal customers. Highest per centage (40 %) of retailers who are providing

Table 1 : Profit and turnover of unorganized retail owners over the past 5 years

Sr. No.	Turnover	Area of study					Total
		Tarnaka	Mehdipatnam	Himayatnagar	Kukutapally	Dilsukhnagar	
1.	Decrease	4	5	4	3	5	21 (42%)
2.	Increase	4	4	4	2	3	17 (34%)
3.	Remained same	2	1	2	5	2	12 (24%)
	Total	10	10	10	10	10	50 (100%)

Figures in the parenthesis indicate percentages to the total

Table 2 : Reasons for decrease of profit and turnover of small retailers

Sr. No.	Reasons	Area of study					Total
		Tarnaka	Mehdipatnam	Himayatnagar	Kukutapally	Dilsukhnagar	
1.	Competition from organized retail	2	2	2	2	3	11 (52%)
2.	Competition from unorganized retailers	2	-	1	-	1	4 (20%)
3.	Other reasons	-	3	1	1	1	6 (29%)
	Total	4	5	4	3	5	21 (100%)

Table 3 : Employee recruitment situation by small retailers

Sr. No.		Area of study					Total
		Tarnaka	Mehdipatnam	Himayatnagar	Kukutapally	Dilsukhnagar	
1.	Increase	3	1	4	3	2	13(26%)
2.	Decrease	-	-	-	1	-	1 (2%)
3.	Remained same	7	9	6	6	8	36 (72%)
	Total	10	10	10	10	10	50(100%)

Figures in the parenthesis indicate percentages to the total

home delivery are in Kukatapally.

Cash credit sales :

It could be seen from Table 5 given below that 80 per cent of the retailers are giving cash credit to their customers. In Kukatapally 100 per cent of retailers have been found giving goods against credit to their customer. Both in Himayatnagar and Dilsukhnagar 70 per cent of the retailers are giving credit to their customer, whereas in Tarnaka and Mehdiptnam, in both the places 80 per cent of retailers provide credit to the customer. Also it can be inferred from the Table 5 that 26 per cent of the retailers are providing credit to more customers and 22 per cent of them are providing more quantum of credit. Whereas, 18 per cent of retailers are providing credit for longer period of time and only 8 per cent of retailers reduces credit sales to their customers.

Infrastructure improvements by small retailers :

The mom and pop stores are trying to improve infrastructure facilities for their convenience and also to please the customers with better offers. Presently refrigerator or freezers are by 40 per cent of the total retailers in the city and another 30 per cent are planning to use it in the near future, further on an average 92 per cent of retailers are using electronic weighing scale. In Kukatapally and Dilsukhnagar 100 per cent of retailers are using electronic weighing machine. In Kukatapally,

50 per cent of retailers are also using refrigerator. A very less per centage of retailers (5-6 %) are willing to start computerised billing in future, whereas, 10-15 per cent of retailers are planning to start the air conditioned facilities in their business.

Other measures of small retailers to face the organised sector competition :

Unorganised retailers have introduced a number of steps in order to face competition from organised retail such as reduction of prices by 10 per cent. About 12 per cent and 14 per cent of the retailers reduced expenses and added new product lines, respectively to stay in the market. Better displaying in the shops is adopted by 10 per cent of the retailers. 8 per cent of the retailers also started home delivery service to their customers. About 32 per cent of the retailers did not adopt any strategy to face the competition from organised outlets. In Tarnaka, 30 per cent of the retailers reduced their price for the product by 30 per cent. Similarly in Kukatapally area, 30 per cent of the retailers improved their home delivery service to compete with the organised retailers.

Summary and Conclusion :

Out of the total 50 retailers, 42 per cent of retailers profit and turnover declined due to growth of organised retail. Thirty four per cent of retailers profit and turnover increased, whereas 24 per cent of retailers profit remained

Table 4 : Home delivery service by retailers							
Sr. No.	Details	Area of study					Total
		Tarnaka	Mehdiptnam	Himayatnagar	Kukatapally	Dilsukhnagar	
1.	No. of retailers giving home delivery service	2	0	2	4	0	8
2.	Started home delivery only recently	1	-	1	1	-	3 (36%)
3.	Giving delivery to more customers recently	1	-	1	3	-	5 (64%)
4.	Reduce home delivery order size	-	-	-	-	-	-
	Total	2	0	2	4	0	8 (100%)

Figures in the parenthesis indicate percentages to the total

Table 5 : Credit sales by the unorganized outlet							
Sr. No.	Details	Area of study					Total
		Tarnaka	Mehdiptnam	Himayatnagar	Kukatapally	Dilsukhnagar	
1.	No. of retailers giving credit	8	8	7	10	7	40 (80%)
2.	Reduces credit sales	1	1	1	1	-	4 (8%)
3.	Giving cash credit to more amount	2	1	3	1	4	11 (22%)
4.	Giving cash credit to more customer now	4	2	1	3	3	13 (26%)
5.	Giving cash credit for longer period	1	3	2	3	-	9 (18%)
6.	Started giving cash credit only now	-	1	-	2	-	3 (6%)

Figures in the parenthesis indicate percentages to the total

Table 6 : Infrastructure improvement by the unorganised retailers

Sr. No.	Infrastructure	Area of study					Total
		Tarnaka	Mehdipatnam	Himayatnagar	Kukatapally	Dilsukhnagar	
1.	Refrigerator	4 (40)	4 (40)	3(30)	5 50)	4 (40)	20
2.	Computerised billing	-	-	-	-	-	-
3.	Air conditioning	-	-	-	-	-	0
4.	Electrical weighing machine	8(80)	9 (90)	9 90)	10 (100)	10 (100)	46
5.	Computerised billing	0	0	0	0	0	0
6.	Credit card machine	0	0	0	0	0	0

Figures in the parenthesis indicate percentages to the total

Table 7 : Other measures adopted by small retailers to face competition

Sr. No.	Response to competition by	Area of study					Total
		Tarnaka	Mehdipatnam	Himayatnagar	Kukatapally	Dilsukhnagar	
1.	Increase no of brands	1	1	-	-	1	3 (6%)
2.	Added new product lines	3	1	-	1	2	7 (14%)
3.	Reduce prices	3	-	1	1	-	5 (10%)
4.	Better display	1	1	1	-	2	5 (10%)
5.	Reduce staff	-	-	-	-	-	-
6.	Reduce expense	1	2	1	1	1	6 (12%)
7.	Discontinued some product lines	-	-	1	-	-	1 (2%)
8.	Improved home delivery	-	-	1	3	-	4 (8%)
9.	Increased store space	-	-	1	-	1	2 (4%)
10.	Others	-	1	-	-	-	1 (2%)
11.	Nothing done	1	4	4	4	3	16 (32%)
	Total	10	10	10	10	10	50(100%)

the same. Nearly 52 per cent of retailers profit and turnover decreased due to organised retail, 20 per cent of retailers business decreased due to other small retails and rest 29 per cent of retailers experienced decrease due to other reasons.

There is no decline in the employment after the expansion of organised outlets, as 74 per cent of retail shops are having same number of employees, whereas 26 per cent of retail shops increased the number of employees over the years.

The home delivery service is being provided by 8 per cent of the small retailers. Among them 50 per cent retailers have just started this service and the other 50 per cent retailers were offering home delivery services since a very long time.

Credit sales are being provided by the 80 per cent of sampled retailers, of which 26 per cent have started extending credit recently. Whereas, 22 per cent were extending large amount of credit since long time. More or less similar results were obtained by Bansal and Singh (2008); Bhattacharya and Laha (2010); Das and Kumar

(2009) and Kalhan (2007). Similar work related to the present investigation was also done by Goswami and Mishra (2009); Jahan and Ramakrishnan (2009); Pathak and Tripathi (2009); Patil and Vedak (2007); Ramanathan and Hari (2008); Sahoo and Mishra (2008) and Venkateswaran and Mahalakshmi (2009).

– Unorganised retailers are moderately affected in the city of Hyderabad and their profit and turnover have decreased due to the presence of organised retail outlets.

– There was no considerable negative impact found on employment opportunities after the opening of organised outlets in the small retail .

– Challenging responses by the retailers have been found to stay in the market through new business practices like extended credit, Home delivery services etc.

– Most of the retailer's in spite of decrease in profit and turnover want to continue in the same business by adopting new business strategies.

– Majority of the retailers have resorted to credit

sales to their customer in order to retain the customers.

– The rate of closure of unorganized outlet is very low. Though some outlets have been closed which is not because of organized retail but for other reasons.

– The study also found that majority of the consumers do shopping in both in unorganized as well as organized retail shops as per their convenience.

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