The Impact of Malls on Small Retailers

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Keywords
Retail store, Malls, Consumer behaviour

Abstract

Purpose: The research presented here builds a picture of the changing face of retail taking place in India which is a country poised to become a retail power house. India has well over 12 million outlets of all styles and sizes and international retailing has great opportunity here. With 50% of the population in self-employment, many of them in the retail trade, the impact of this retail boom on small retailers has to be studied.
Methodology/Approach: Delhi and Ahmedabad a class city was taken up for the study of the effect of malls on small retailers. Ahmedabad is the fastest growing business capital of Gujarat. We have chosen randomly selected samples of 215 small retailers which are referred to as unorganized with an area less than 500 sq. feet and family owned.
Findings: The present study indicates that 85% of the retailers reported decline in sales however, in terms of percentage it is only 18% decline in total sales. The Average decline in Ahmedabad was 15% compared to Delhi which was 20%. Small retailers are well aware of their competitive position and adopt adequate strategy according. Store cleanliness is an important change observed during the retail survey. Many retailers have formed cooperative ventures for bulk purchase in Ahmedabad so that products can be purchased at more economical price without affecting the profit. Entry of Malls is good for economy and beneficial consumers.
Research Limitations/Implications: The study took only one Metro city and a class city. It will be good to see the impact on B class town even though Malls have not gone to these towns
Practical implication: A very useful source in information and review of scenario should help other retailers across the world especially in developing economy to face big giants more aggressively and do better
Originality /value: This paper fulfils an identified information/resources need and offers guidance to small retailers
Article Type: Research paper and view point

Introduction

Even though India has well over 12 million outlets of all sizes and styles, it surely lacks many thing that can resemble a retailing industry in the modern term. This presents international retailing a great opportunity (Mint Report, 2007). No wonder, organized retailing is poised to become a big business in India. Retailing presently contributes 10 percent of India's gross domestic product (GDP) and 6-7 percent of employment (Kalhan, 2007) According to KSA Technopack study (2007) the organized retailing is expected to reach Rs.1800, 000 million by 2010. It means from current 4% it may reach 10-12 in another six years. It is estimated that by end of 2008 more than 300 malls across 50 million sq. feet of retail space will come up. Over 600 malls with an area of 100 million sq. feet will spring on the Indian land scope by 2010 (Prasad, 2004). According to report (Mint Report 2007) based on AT Karney report, an over whelming proportion of Rs.4000000 million retail market is still unorganized. This sector will generate 17% employment by 2010 (Bureau of Labor statistics India 2000). Sales through malls or mega stores grew more rapidly recently. Therefore, retailing is poised to become one of the largest industries in India

Survey commissioned by government of India revealed that organized retail has an impact on sales and profit of small Stores (ICRIERsurvey, 2008). According to same report organized retail sector have grown by 20% compared to 11% per annum for unorganized sector in 2007. It is expected that organized retail will grow at 45% during 2012-17 compared to 10% for unorganized report. (Mint Report, 2008). Infact, retailing sector has experienced deep changes in the last decades (East lick and Lutz 1991). With increasing number of retail opening, commercial attraction has become a basic tool for consumer option (De Juan 2004)

When 50% of population is self employed in India and many of them are in retail trade (Mint Report, 07), retail boom impact has to be studied on small retailers. Retail sector contributes significant of employment opportunity. Therefore, it will be interesting to explore the reasons for decline of unorganized retail sector. It yes how they are trying to maintain and fight competition. Majority of small retailers are family owned shops (Mukherjee and Patel 2005)

Literature Research:

Income, sex and age could influence store choice (Brock and Black, 1985), not all shopping malls have the necessary assortment and facilities to completely satisfy consumer need (De Juan 2004) Therefore, small retail do have a role to play. The consumer chooses whether or not to purchase in a particular store after searching for information and evaluating stores. But for low involvement products such activity many not happen.

"Store image" has role to play in choice of store visit which is created by different activities (Parket et. al 2003) Neighborhood retail store do create certain image through service, convenience shopping, cleanliness etc. Thus, on store image it can compete with mega store too. But it may not give "shop entertainment" which many malls are trying to give value addition to consumer. Mall visit is a family picnic for many in India (Srivastava 2008)

Although there are number of reports regarding the effect of mega retailer – wall-mart in particular but empirical reports are limited. American studies of Beaumont (1994) Stone and Art Z (1995), Shill and Taylor (1997), Cachon et. al (2004) have concluded that opening to mega retailers (Malls) has the potential to impact on existing smaller merchants in terms of sales.

However, small retailers are well aware of their competitive position and adopt adequate strategy to respond to new competition (Cachon et. al. 2004). To date, there is very little under standing of what the impact of corporate retail (Mall or Mega store) will be on the so called unorganized retail sector. This preliminary descriptive study is aimed at investigating the impact of mall on small shops.

If unorganized retails fail to survive what will be impact on social & economic effect specially when according to study of Kalhan (2007) retailing contribute 10% of Indian GDP and 6-7% of employment. Will neighborhood retailer be able to overcome the impact due to saving of travel time? This becomes important when 70% of retail purchase is confined to food products (Srivastava, 2008). Will there be only two types of retail business-small or big due to polarization theory? As not all malls have the necessary assortment to completely satisfy the customers, will there be the light in the funned for small retailers?

Hypothesis

This study aims to investigate the impact of malls on small shops. This study will have the following hypothesis:

H1 Existing small retailers have seen a drop in sales since mega retailers came to city

H2 Existing small retailers can identify clearly their competitive advantages and disadvantages as compared to mega retailers. This becomes easier as all of them are owners of their stores. This becomes important as value of organized retail is expected to grow 2-8 times attracting many global chains like wall-mart, Tesco and Carrefour (Outlook report, 2006). It is crucial too for Indian economy as 17% employment is generated through retail sector compared to manufacturing which is 18% (Bureau of Labor statistic 2001). 50% of the population of India is self employed and many of them are in retail trade (Mint Report 2007). The research seeks to identify what competitive advantages small retailers try to develop or maintain as they are confronted with entry of mega retailers.

Design/Methodology/Approach:

It is said that around 500 shopping malls being projected to be finished by 2011, more than 100 of these malls are situated in Delhi city alone (Sharma and Rangnekar 2008). Therefore, Delhi was chosen for research. Another city selected was Ahmedabad – a class city of India dominated by business community who are Gujaratis. Thus, Metro city Delhi and Ahmedabad a class city was taken up for study of malls effect on small retailers. Ahmedabad is the fastest growing business capital of Gujarat. Gujarati are known to have good business acumen.

Type of Small Retail Taken Up For Study

Small retailers who are also called neighborhood retailers were taken up for the study in Delhi and Ahmedabad. As 71% of consumer expenditure is on basic necessity food related retail stores dealing in groceries (Srivastava, 2008) were selected therefore, for the study. Only 4 percent of outlets are more than 500 sq. feet in size and almost all of them are family owned shop (Kalhan 2007). In this study too all are family owned shops.

Sample Size

We have chosen randomly selected samples of 215 small retailers which are referred as unorganized with area less than 500 sq. feet and owned by family. The distribution of samples shop by value and pattern of employment is given table I

"Take in Table 1''

Research Design

It was descriptive research. Questionnaire was administered to shop owners or operator in absence of owners. The first part was to find-out their profile followed by asking the impact on their sales due to Malls or Mega stores. Third aspect of questionnaire was to determine competitive scale data as rated by small retail store owners about themselves. The last point was on how they are overcoming competition.

Initially pilot testing was done in 25 samples size each in Ahmedabad and Delhi. Tactics to fight competition was added based on the survey data for final research.

Findings:

Retailing is poised to become as one of the largest industries in India. Sales through super market or Malls grew more rapidly as per Mind Report (2008). It has an impact on sales and profit of small stores. Same report mentioned about 16% decrease in sales for small retailers.

Main reason cited by small retailers was customer inclination to shop from branded store 41%. 6% reported due to discount offered by branded Mega Retailers. (Mint Report 07). Sales and profit declined for those small stores who were located near to chain stores (Mint Report, 07).

According to Cachon et. al (2004) small retailers can survive by solving customer's problem, treat customer with respect, set fairest price and save customer's time.

The present study indicates that 85% of the retailers reported decline in sales however, in terms of percentage it is only 18% decline in total sales. The Average decline in Ahmedabad was 15% compared to Delhi which was 20%. This is given in table - 2

"Take in Table 2''

The earlier study by Kalhan (2007), Cachou (2004) and ICRIER Report (2008) reported 20%, 7.51%, 16% decline in sales respectively. It is interesting to observe the fighting capacity of retailers of Ahmedabad who have more business culture. Therefore, these owners were asked to do self analysis based on earlier Cachon et. al study (2004). They and were asked to rank their store in comparison to Mega stores. Table-3 gives an interesting observation.

Take in Table 3''

By comparing USA and Indian small retailing self rating, we found that there is a perfect correlatioship. There rating matches with Indian rating. The calculated correlation value are R = 0.809.and R = 0.83 with respect to their self rating .While comparing USA and Indian self rating on Mega stores, we found there is Moderate co-relationship .The calculated value of R = 0.47and R = 0.59.

Small retailers are well aware of their competitive position and adopt adequate strategy according. Store cleanliness is an important change observed during the retail survey. Many retailers have formed cooperative ventures for bulk purchase in Ahmedabad so that products can be purchased at more economical price without affecting the profit. The benefit can be pasted on to customers. This was also reported in USA study by Cachon et. al (2004). Kalhan (2007) reported that in city like Mumbai retailers have increased working hour.

With increased foreign direct investment in retail segment, the number of malls and chain stores will multiply. This will lead to intense competition (Kalhan 2007) Many retailers have already started proactive approach in taking tactical decisions to face the competition. Table 4gives the tactical steps taken by retailers which emerged during the survey.

"Take in Table 4''

Ahmedabad retailers are more adoptive and innovative in their tactical more. Even in Mumbai city, as reported by Kalhan (2007) tele orders, home deliveries sales on credit were the new initiative taken by small retailers to fight competitors. Kalhan (2007) and Cochen (2004) did not report long, hours as a tactic by retailers. The present study mentioned longer hours as tactical more by retailers to fight competition. Difference in Ahmedabad & Delhi could be due to cultural difference between two cities. Ahmedabad retailers could be more business oriented compared to Delhi retailers.

Entry of organized sector will ensure better quality prices and service quality to the consumer. It will encourage investment in supply chain management which can be adopted by small retailers through cooperative joint ventures. According to Kalhan (2007), Shills and Taylor (1999) small retailers may not survive on a long run. However the present study does not indicates the same. Small retailer can survive in the shadow of retail giants the key being levels of customer service. This too was mentioned by Archer and Taylor, (1994). This is also reported recently in a study as reported in HT (2008). The report says that there is no evidence of drop in overall employment in unorganized sector. Therefore, small retailers can survive.

Conclusion

Entry of Malls has affected small retail business. However, the business extinct of owners has enabled them to find the tactical more the tackle the competition. Their approach can be applied in larger organization too. It is remarkable to observe their flexibility in fighting competition. Entry of Malls is good for economy and beneficial consumers.

Research Limitation: The study took only one Metro city and a class city. It will be good to see the impact on B class town even though Malls have not gone to these down. Study of B class town will give their preparedness to face competition.

Practical implication: A very useful source in information and review of scenario should help other retailers across the world especially in developing economy to face big giants more aggressively and do better.

Originality / Value: This paper fulfils an identified information/resources need and offers guidance to small retailers

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Annexure

Table I: Distribution of sample shops by value and employment

Sales Value in Million Rupees (Per month)	Ahmedabad			Delhi			Total	%
	No. shop	Run Family	Run by Family + Employee	No. shop	Run by Family	Run by Family + Employee		
Up to 0.4 million	58	58	-	69	60	9	127	59
0.5-1 Million	29	20	9	37	25	12	66	31
1.1-1.5 Million	10	3	7	12		12	22	10
	97	81	16	118	85	33	215	100

Table 2: Analysis of Sales Impact due to Malls on Small Retailers

Sales Level	Delhi	Ahmedabad
Decline Reported (AV)	21	15
No decline	97	82
Total N =	118	97

X2 = 0.143

There is no significant difference between the two cities as x2 (cal) < x2 (tab) al 5% level of significant.

Table-3: Self Rating by small retailers in comparison to Mega retailer stores or Malls (Ranking)

No.		Self Rating by US study (Cachon 2004)		Small Retailers(Rank) Present Indian study 2008			
		Small Retail	Mega store	Small Retail N = 97 N = 118		Mega store N = 97 9=118	
				Ahme-dabad	Delhi	Ahme-dabad	Delhi
1	Respect for customer	1	3	1	1	7	8
2	Courteous Sales Person	2	5	2	2	6	6
3	Service Quality	3	7	3	3	3	3
4	Product Quality	4	4	4	5	4	4
5	Reasonable Price	8	1	6	7	1	1
6	Store cleanliness	6	6	5	4	5	5
7	Shopping hour	7	8	7	6	8	7
8	Competent Person	5	2	8	8	2	2

Table-4: Tactical steps taken by retailers

Tactical steps	Delhi	(%)	Ahmedabad	%	Total	%
Home deliveries	100	85	97	100	197	91
Telephonic order a delivery	115	97	96	99	211	97
Credit for amount	118	100	97	100	215	99

Fair Pricing	95	81	97	100	192	88
Longer hour (extend by one hour in morning & evening)	100	85	95	98	195	90
Cleanliness	90	76	97	100	187	86
Packed goods	118	100	97	100	215	99
Total N=	118		97		217	