

UP AGAINST THE ORGANIZED RETAIL:

A study of 'Impact on' and 'Response of' small incumbent stores

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Abstract:

Retailing provides the last mile connectivity function and forms an integral part of the value chain in any organization whether dealing with products or services. Retailing is significantly important to any organization as they are the final touch point and last ambassador in front of the consumers. Retailing emerges as one of the most potent forces in influencing the performance of the value chain.

Retailing is undergoing an unprecedented change in developing economies. Retailers in Asia face issues that are unique to the continent, not only due to the co-presence of traditional and new/modern format stores (commonly referred to as organized retailing) but also because of complementary mushrooming of both the formats. Moreover, the retail growth has always been under the dichotomy of *number* of retailers versus the *size* of retailers.

In India, the retail arena today is very unique. There are plenty of opportunities but exploiting them is extremely tough. Organized retailing has started making its presence felt in the country and it is believed that the cogs are slowly but surely turning in the organized retailing sector. This phenomenon is emerging in a big way particularly in the major cities. Entry of Modern Format Stores (MFS) like Big Bazaars, More, Reliance Retail, Spencer's and others, has not only

considerably impacted the economy, employment and wage level, but also the sales of Mom-n-Pop stores. The latter is a negative effect and in some cases has also led to the closure of the stores.

The 'life and death' debate of the incumbent mom-n-pop retailers (*kirana stores*) on the entry of organized retailers is always on with protagonists exaggerating the benefits by a wide margin and the antagonists articulately verbalizing imaginary ghosts and raising concerns over the livelihood of the small mom-n-pop type formats. The literature on perceptual argument and fear psychosis of small traders are getting magnified due to ideological drive.

In our empirical research, we examine the actual impact of organized retailing (entry) on the general Kirana stores in India to gauge the future trend in similar developing economies. To explore the same, product movement data across different product categories over a time period before and after exposure to the modern-format type of competition was collected. The data was collected for stores in the vicinity of the big modern format retailers (experimental stores) and also for similar stores outside the vicinity (control stores). We have estimated and applied a hierarchical regression model to evaluate the impact on sales revenue for each category and even for major SKUs within a category.

The study consists of conducting a systematic examination of the impact on sales outcome of incumbent retailers' when exposed to new modern format stores in their local markets. There is a significant change in sales of the incumbent stores when exposed to big organized retailers. Checking across different product categories and SKU levels are helping us understand if particular product categories or particular SKUs are insulated from the competition. While analyzing categories, we see different growth rates (in some cases as it is even positive also) for

various categories. The same is being extended to various SKUs within categories. Streaming down to the research objectives, the study 1) Confirms if there is significant change in the sales outcome with the entry of organized retailing to the incumbent retailers in the vicinity of the big player, and 2) Explore the changes in pricing, promotion and product assortment for the retailers affected significantly by the new entry, and 3) The research identifies if the marketing mix changes help the retailer to seize the sales loss, i.e., the overall impact of the marketing mix strategies on the sales of the incumbent retailers.