

Impact of malls on sales and turnover of small shop keepers: An empirical analysis of Pune City

Jini Saxena¹, Rakesh Jain², Rajendra Jarad³, Rupali Pramanik⁴, Gyan Prakash⁵

^{1,2,3} Institute of Engineering and Technology, Pimpri Pune Pune, 411018, India,
a_treesa@yahoo.com, jainrakesh@rediffmail.com, rajendrarajad@gmail.com

⁴ Institute of Technology and Management Greater, Noida, Gautam Nagar (Uttar, Pradesh, India)

⁵ School of Social Science, D. A. University, Indore (Madhya),
gyan_kalpana@rediffmail.com

Palabras clave: Malls, small shopper, retail, customers retention strategies, sales

1. Introduction

The retail scenario in India is very unique in nature. The major part is in the unorganized sector, with over 12 million retail outlets of various sizes and formats. If you watch closely 96% of these retail outlets are less than 500 sq. ft. in size. The per capita retail space in India being 2 sq. ft. compared to United States figure of 16 sq. ft., India's per capita retailing space is thus the lowest in the world with more than 9 outlets per 1000 people; India has the largest number in the world. Most of them are independent and contribute as much as 96% to total retail sales. Because of the increasing number of nuclear families, working women, greater work pressure and increased commuting time, convenience has become a priority for Indian consumers. They want everything under one roof for easy access and multiplicity of choice. This offers an excellent opportunity for organized retailers in the country who account for just 4% (and modern stores 0.5%) of the estimated US \$180 billion worth of goods that are retailed in India every year. Título del segundo epígrafe (Times New Roman, 9,5 puntos negrita, estilo 'Título 1')

2. Objectives of study

To estimate impact of malls on sales and turnover of small shoppers.

3. Review of literature

Zenia Kotval and John R.Mullin, The Economic and Fiscal Impacts, so far as concerned malls tend to have a positive fiscal impact for the host community. Some writers have made

conceptual links between shopping malls semiotic messages and consumer emotions, fantasy and acting (Kowinski 1985, Zepp 1986). Because the mall is enclosed it is protected from the outside world and controlled inside.

According to Zenia Kotval and John R.Mullin, malls also provide decent second jobs or part time jobs for children spouses and senior citizens. Further they have mentioned their work about impacts and downtowns. According to them malls hurt downtowns! Local department stores, unable to compete with the mall in terms of prices and variety will inevitably close. Family owned stores will suffer and few will survive the transition.

According to Anuradha Kalhan (2007) who have made a study in Mumbai “ only 14 percent of sample of small shoppers and hawkers has also so far been able to respond to the competitive threat of the malls”. Dionne Bunsha (2007) has highlighted in his paper, In Mumbai, where there is conflict over every inch of space, hawkers are losing the battle. In the past few years, several street vendors have been forced to vacate. The booksellers along Flora Fountain, as much a part of the landscape as the monument itself, have been evicted. The city’s trade mark vada pau stalls now function in clandestine corners ever since the Supreme Court banned cooking of food on the street.

4. Research methodology

The study has been conducted in Pune city (Maharashtra). There are around 100 malls in the city. Only four malls have been selected by random sampling method from those areas where malls have not been established in planned colonies / towns. The selected malls represent four corners of the city. From each selected mall area 50 each small shoppers (within the radius of 1 kilometer of selected mall), has been chosen randomly for comprehensive study. Thus, 4 malls, 200 small shoppers have undergone for comprehensive study.

5. Analysis

Organized corporate retailing is poised to become the business of the decade in India. Retailing presently contributes about 10 percent of India’s gross domestic product (GDP) and 6-7 percent of employment. With some 15 million retail outlets, India has the highest retail density in the world. But only 4 percent of these outlets are more than 500 sq. ft. in size and almost all are family owned shops and establishments (Mukherjee and Patel 2005). What is particularly disquieting is the pace at which corporate retail chains are entering and expanding in the retail market, with the analysts quoted as saying that India is attempting to do in 10 years what took 25 – 30 years in other major global markets. However, to-date there is very little understanding of what the impact of corporate retail will be on the so-called unorganized retail sector and the agriculture sector (the country’s two largest sources of employment). This study is aimed at investigating the impact of malls on small shoppers and vendors.

From the above study the researcher has found out that 73.5 percent shops were below 600 sq ft area. To be more specific 53.50 percent shops are functioning with floor area less than 400 sq ft. Only 26.50 percent shops have more than 600 sq ft floor space. This shows that most of the retailers are operating from a very small space. From the survey results it is clear that fixed fruits and vegetables business doesn’t need much space. In apparel category only out of 37 shop keepers have been interviewed 3 shop keepers had less than 200 sq.ft. floor area, 16 shop keepers have a floor area less than 600 sq. ft., 18 shop keepers have floor area more than 600 sq.ft. From the above table it is clear that 63.00 percent of shoppers are having a working

capital of less than 5 lakhs. 37.00 percent of shoppers are operating with more than 5 lakhs of working capital.

From the study the researcher had found out that 54.00 percent of the shoppers have their fixed capital more than 10 lakhs. Only 3.00 percent shoppers have less than one lakh as fixed capital these shops are fixed fruit and vegetables because they don't require much capital to start. These are perishable goods so they can't store it for long time; it should be consumed within that stipulated time. The general store which has less than 1 lakh fixed capital is not owned by the shopper which is on rent and the size is less than 200 sq. ft. 72.00 percent of shoppers have reported a turnover per annum of more than 10 lakhs, 13.00 percent have reported 5 to 10 lakhs and 15.00 percent reported less than 5 lakhs. From the above table it can be concluded that 72.00 percent of people are doing a business which has more than 10 lakhs of annual turnover.

Some of the employees have lost their job because of decrease in the sales due to malls. Around 8 shoppers have fired their employees, which is less than 2.00 percent of the total employment. Total 518 employees are working in 200 sample shoppers. So there is a negligible percent of job loss. As per the Table 5.12 the self-employed family members is 62.50 percent. So the sample was largely composed of the self-employed shoppers. 40.50 percent had no employees other than family members and 37.50 had only employees no family members. Around 50% shoppers have reduced their high value customers to less than 100. 93.50 percent shoppers have less than 300 customers in their credit. Those customers used to be in the books have decreased, previously there used to be 350 customers now reduced to 200. So there is a huge decline in the regular customers. The mall culture has enforced the people to go for branded products.

53.40 percent of the shoppers reported falling of sales. Only 32.50 percent of the respondents were sales unaffected by the large retail chain malls. Only 14.00 percent reported an increase in the sales. These were shops offering products and services not available in the malls, e.g. stationeries, medicines, sweets etc. Most frequent shops reported a 20% fall in sales. 28.04 percent shown less than 10 percent sales. Only 10.28 percent were shown a sales decline more than 40 percent. Out of 200 shoppers 107 shoppers have shown a sales decline due to various reasons. 89.72 percent shops were shown a sales decline less than 40 percent. The major sales decline is reported by the apparel shops. 67.56 percent of total sales decline which is highest as compared to general stores and groceries. This is because people started going to malls for branded apparels.

Despite of 53.50 percent of decline in sales, 26.50 percent of respondents have not started any customer retention strategies. 73.50 percent of people have started the customer retention strategies. The main consumer retention strategies are discounts, home delivery, credit facility, quality, good service, keep all items, advertisement, good rapport with customers, reasonable rate. Out all these strategies the main is discount. People are inclined towards discount and second preference is given to home delivery. In apparel discount, quality and advertisement is the main customer retention strategies. In general stores discount, home delivery and credit facility are the main customer retention strategies.

The main customer retention strategy is discounts. People are still inclined towards discounts. The second one is home delivery since people are working they hardly have any time for grocery items so they prefer to have home delivered. And the third one is credit facility means people are use to the credit system but in malls there is no credit facility

available. So this is an advantage to our shoppers to retain the customers. Then comes the quality, this is also an important factor. Now a days customers are very concious about the quality of the product they are buying. They also see the service, if items are delivered on time or not for e.g. milk should reach by 8.00 o' clock in morning.

6. Conclusions

It has been found that all the retailers are educated with 34.00 percent graduates, 22.00 percent HSC holders, 17.00 SSC holders. 24.00 percent of the retailers were below SSC and 3.00 percent were post graduates.

73.5 percent shops were found below 600 sq ft area. To be more specific 53.50 percent shops are functioning with floor area less than 400 sq ft. Only 26.50 percent shops have more than 600 sq ft floor space. This shows that most of the retialers are operating from a very small space.

25.00 percent shops have their own godowns in the study area. The maximum number of godowns found was in apparel and general stores. 64.00 percent of godowns were below 600 sq. ft. area. 24.00 percent of shoppers had more than 1000 sq. ft. godown size.

63.00 percent of shoppers are having a working capital of less than 5 lakhs. 37.00 percent of shoppers are operating with more than 5 lakhs of working capital. 54.00 percent of the shop keepers have their fixed capital more than 10 lakhs. Only 3.00 percent shop keepers have less than one lakh as fixed capital. These are mainly fixed fruit and vegetables shop because they don't require much capital to start their business and also these are perishable goods.

72.00 percent of shoppers have reported a turnover per annum of more than 10 lakhs, 13.00 percent have reported 5 to 10 lakhs and 15.00 percent reported less than 5 lakhs. From the above table it can be concluded that a higher percentage of people are doing business with more than 10 lakhs annual turnover. 92.50 percent of shoppers have less than 5 lakhs monthly turn over and only 7.5 percent of shoppers have a monthly turn over more than 5 lakhs.

The pattern of employment in these retail shops can be divided into 3 parts viz. self employed family members, employees and mixed. Nearly 40. 50 percent retail shops are looked after by self employed family members only. 37.50 percent stores are looked after by only employees and 22.00 percent sees a mixed employment.

It was found that a few employees of retail stores have lost their job because of decrease in sales due to the arrival of malls. Around 8 shoppers have fired their employees, which is less than 2.00 percent of the total employment. Total 518 employees are working in 200 samples. So there is a negligible percent of job loss.

7. Recommendations

From the above study is clear that if the number of malls is increasing then the retailers have to take some preventive measures for their survival. The customers may be habituated with malls so the existence of small shoppers will be a question mark.

The people employed in the small shoppers are barely literate and cannot be replaced with the organized retail. The 40 million persons are currently employed in unorganized sector can not be replaced with the organized sector due to various reasons.

The employment in the unorganized sector is informal employment. It implies the absence of contracts, rights, HR policies and bargaining power. Hence exploitation of employees in the sector will increase.

In the present study the focus has been given completely on this segment and the impact of the malls on the small shoppers are harmful. If preventive measures were not taken then the competition may worsen the situation of small shoppers.

From the above findings, it is recommended that grocery sector should be standardized for optimum results. The retail format has to be Indianized, in terms of communication, assortment, ambience, service and locational points, due to other retail product factors.

Grocery is low involvement goods, customers hardly waste time in purchasing these goods. But the customers have become more aware regarding grocery still they are price sensitive.

The retailers have to redesign the retail format strategies on the basis of customized regional approach. The analytical mass of the research makes it sufficiently evident exclusive showrooms and branded companies and goods (like Wal Mart) are not feasible in the Indian scenario and they have to reframe their strategies.

It is amazing that only 4 percent of the total retailing is being catered to by the malls (organized sector) in India. The main reason for this is that the western pattern of retail format in India does not suit the people and culture.

Blindly opting and replicating of western retail format without considering the differences in all types of micro and macro environmental factors would not give fruitful results. India is known for her diversities of socio-economic and cultural factors.

The research should be extended using large sample areas across the country to the unaffected retailers to fully understand the income and employment impact.

References

Bajaj Chetan, Rajnish Tuli & Nidhi V Shrivastava (2005), "Retail Management in India", Oxford University Press, U.K.

Bearden, W.O., Mason, J.B. (1979) "Elderly Use of In-Store Information Sources and Dimensions of Product Satisfaction/Dissatisfaction", *Journal of Retailing*, Vol. 55 No. 1, pp 70-82.

Census Report (2001).

Hawkins, D.I.R.J. Best and K A Coney (2002), "Consumer Behaviour: Building Marketing Strategy" Tata McGraw Hill.

KSA Techno Pak & Images India Report 2007

Kaushal Rajeev, Raghu banshi C.S. and Sinha, BK,(1987),” Purchasing Behaviour Pattern of the Consumer and Their Brand Preferences for Washing Soap/ Detergents - A Case Study of Simla City”, Indian Journal of Marketing, Vol VII, No.4 December 1976 pp 9-14

Lumpkin. J.R. Greenberg, B.A. Goldstucker, J.L. (1985) “Marketplace Needs of the Elderly: Determinant Attributes and Store Choice”, Journal of Retailing, Vol 61 No. 2 PP 75-105

Manson, J.B. Bearden W.O. (1979) “Satisfaction/ Dissatisfaction with Food Shopping Among Elderly Consumer”, the Journal of Consumer Affairs, Vol 13 No. 2 PP 359-69

Mc-Kinsey Global Institute Report (2007 un Report 2003.

At Karney Retail Report 2006

Singh J.D. (1981), “A Study of Brand Loyalty in India,” Indian Journal of Marketing, Vol. XI, No. 11-12 July Aug pp 15-20

Sinha, SK (2004), “ Age of Zippe”, Outlook, Jan, pp 54-56

Subramanyam G. Ramkrishna Rao B, and Krishna Mohan V. (1985) “Brand Loyalty – Understanding the Consumer”, Business standard, 20th & 21st Nov p 5

Rao Ramkrishna, Rama, Raju, B. Ram Prasad, ASVS, (1987), “Husband wife Involvement in Buying Decision Making;” The Economic Times, Bombay, Oct 1, p 8.

Techno Pak Report 2007.

UN Report (2005)