

Comparative Study on Consumer Preference Towards Organized Retailing and Unorganized Retailing

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ABSTRACT

This study aims to examine consumer perceptions and the impact they have on both organized and unorganized retail formats. This research article gives insight on the Indian retail segment, highlighting its significance and growth potential of both sectors, which together contribute to making the retail industry the largest one across all industries in the world.

This applied research focuses on understanding consumer attitudes toward the two retail formats. A sample of 100 residents from Bangalore was surveyed using structured questionnaires, along with data gathered from online sources and relevant literature. Observations were analyzed, and correlations were drawn between consumer perception and the growth trends in the retail industry.

Identification of factors which are key in driving growth is the primary objective of the study of both organized and unorganized retail sectors, understand the challenges they face, and offer strategic suggestions for their future development. Market surveys and analysis were conducted to support these goals. The findings help eliminate non-productive practices and suggest standardized procedures to enhance performance, customer satisfaction, and market share. This research ultimately provides a substantial and significant deliberation of consumer behavior and strategic planning in the evolving Indian retail landscape.

Introduction:

Retail refers to the transfer of title which the selling process of goods or services to consumers directly to the ultimate users by the use of varied distribution channels, primarily with the objective of earning a profit. Retailers play a key role in the supply chain by responding to consumer demand, typically fulfilling small-scale orders from individual customers rather than bulk orders for wholesalers or institutional clients (Levy, Weitz, & Grewal, 2019). The term “shopping” generally denotes the activity of purchasing goods, which may be utilitarian—acquiring necessities such as food and clothing—or recreational in nature. Recreational shopping often involves browsing or window shopping and may not always result in a transaction (Babin, Darden, & Griffin, 1994). Retailing as a practice dates back to ancient civilizations, where early forms included itinerant merchants and roadside stalls. Over time, retail outlets have evolved significantly, culminating in the highly organized formats such as supermarkets and shopping malls that characterize modern consumer culture (Cox & Brittain, 2004).

Literature Review

Mr. Rajesh Gupta and Dr. D. D. Bedia (2017) conducted a study in Madhya Pradesh on comparison based on the perception of customer towards organized and unorganized retailing of food. Their highlights of research gives the growth potential of retail in the region by analyzing consumer behavior and perception. The study emphasizes the impact of organized food retailing on unorganized retailers, particularly focusing on purchase behavior and consumer preferences. Similarly, Vinodhini Y. (2012) explored consumer perception, preference, and attitudes towards organized and unorganized food retailing in Hyderabad. This research also examined merchandise management and physical store aspects, offering a comprehensive understanding of consumer attitudes in both retail formats. Dr. Amarendra Pratap Singh (2013) studied consumer perception of retail outlets in Lucknow, noting significant shifts over the past three decades.

Factors such as rising incomes, easier credit access, exposure to Western shopping cultures, and an improved standard of living have contributed to increased consumer spending and the growth of organized retail. The study focused on prominent retail stores—Shoppers Stop, Globus, and Pantaloons—and analyzed factors influencing consumer buying behavior. Johnson Johnney and Raveendran P.T. (2005) investigated retail patronage behavior and shopper segmentation among organized retail shoppers in Kerala. Their study identified shopper profiles—Grocery Shoppers, Purposeful Shoppers, and Fun Shoppers—using factor and cluster analysis. The findings suggest tailored retail formats and merchandising strategies to appeal to diverse shopper segments. Dr. K.C. Mittal (2011) examined the organized retailers about the challenges and opportunities of organized retailers happening in the tri-city region of Mohali, Panchkula, and Chandigarh. The study identified competition as the greater challenge from the sector which is so unorganized, along with logistical inefficiencies and retail shrinkage. However, a growing middle class and increasing disposable incomes among youth present substantial growth opportunities. Richa Jain (2011) researched the impact of organized retailing on grocery stores in Kota City, focusing on changes in turnover, product categories, and strategic responses adopted by traditional retailers to remain competitive. Bulsara and Hemanthkumar P. (2011) provided an exploratory study on the retailing and branding of fruits and vegetables within the Indian retail sector. They documented the transformation driven by technological advances and changing consumer preferences, emphasizing the role of the organized sector in reshaping the fruits and vegetables market. Mittal K.C. and Prashar (2012) analyzed diversity in retail purchase behavior for grocery and food items over Punjab. They stressed importance in considering demographic and geographic differences when formulating retail strategies. Their findings highlight that blindly replicating Western retail formats often leads to poor performance and advocate for region-specific retail strategies.

Study Objectives:

- To study the consumer perception towards organized and unorganized retailing.
- To find out the reason's consumers are patronizing unorganized retailer's despite of organized outlets.
- To determine the factor based on consumer preference towards retail outlets.

Hypothesis:

H0: There is no significant relationship between the availability of credit facilities and the frequency of visits to unorganized retail outlets.

H1: There is a significant relationship between the availability of credit facilities and the frequency of visits to unorganized retail outlets.

H₀: Location convenience has no significant impact on the frequency of customer visits.

H2: Location convenience has a significant impact on the frequency of customer visits.

Methodology

Both the data which is Primary and secondary in nature were collected for the purpose of this study. The questionnaire was structurally designed which was given to the answering respondents and the data was collected through questionnaire. Secondary sources obtained from number of sources like electronic sources, including the internet, websites, and other relevant digital publications. The size of sample selected in this study is 100 numbers. Convenience technique of sampling is used in this study and the participants were selected based on the willingness for responding the questionnaire and also the availability.

Analysis, Results and Discussions:

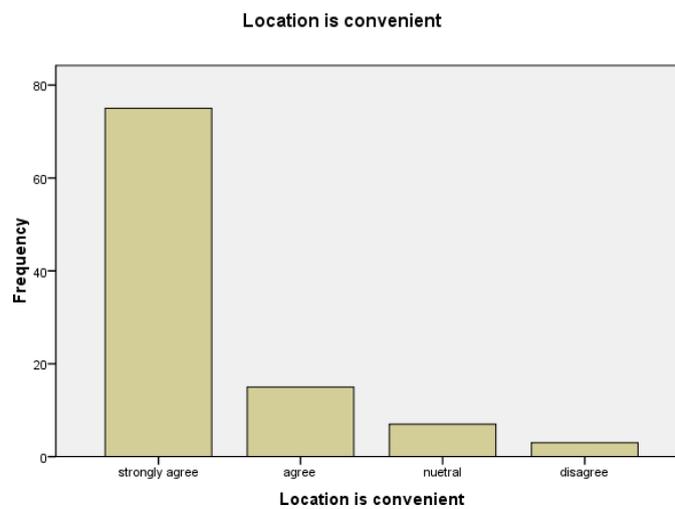
Table 1 showing the perception towards unorganized retail outlets

	Frequency	%
SA	65	65
A	20	20
N	7	7
DA	8	8
Total	100	100

Observations:

Regarding the statement "Location is convenient," 65% of respondents strongly agreed, while 20% agreed, totaling 85% expressing a positive view. Additionally, 7% were neutral, and 8% disagreed. These results indicate that a majority of respondents perceive the location as convenient.

Chart-1: Chart showing the perception towards unorganized retail outlets



Interpretation: Unorganized outlets are more in number and spread both within and outside the city.

Table 2 showing the perception towards unorganized retail outlets

	Frequency	%
SA	5	5
A	10	10
N	15	15
DA	30	30
SDA	40	40
Total	100	100

Observations:

It is clear that 5% respondents strongly agree for the statement provides good offers and discounts, 10% of the respondents agree, 15% of them are neutral, 30% of them disagree, and 40% strongly disagree.

Chart 2 Chart showing the perception towards unorganized retail outlets



Interpretation:

Offers and discounts provided in unorganized outlets are less as people still prefer to buy because of convenience and ease.

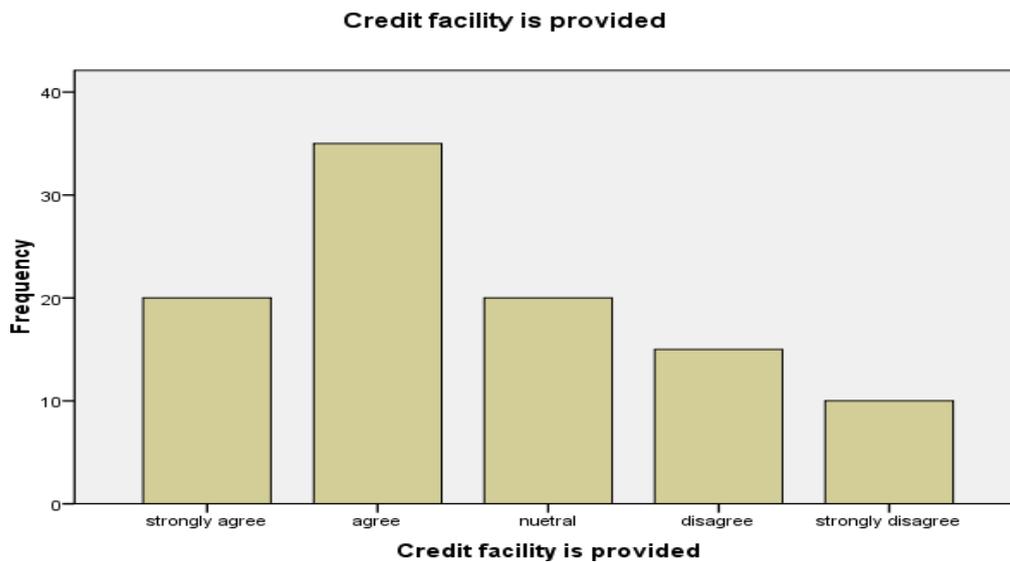
Table 3 showing the perception towards unorganized retail outlets

	Frequency	Percent
SA	20	20
A	35	35
N	20	20
DA	15	15
SDA	10	10
Total	100	100

Observations:

20% strongly agree statement “credit facility is provided” 10% of the respondents agree, 15% of them are neutral, 30% of them disagree, and 40% strongly disagree.

Chart 3: Chart showing the perception towards unorganized retail outlets



Interpretation:

The credit facility is the biggest advantage for people to buy in unorganized outlets. To encourage more buying, more loyalty and to survive in the market unorganized outlets provide credit facility.

Table 4 showing the perception towards organized retail outlets

	Frequency	Percent	Cumulative Percent
DA	40	40	40
SDA	60	60	100.0
Total	100	100.0	

Observations:

The data indicates that a majority of respondents disagree with the statement “Impulse buying does not happen.” Specifically, 60% strongly disagree and 40% disagree, meaning that all 100% of respondents reject the idea that impulse buying does not occur. This clearly suggests that consumers believe impulse buying is a common behavior, particularly in the retail environment being studied. It may also imply that retailers, especially organized ones, successfully influence unplanned purchases through store layout, promotions, or product placement.

Chart 4: Chart showing the perception towards organized retail outlet



Interpretation:

Impulse buying happens in organized outlets and its one of the main motives of organized retailers.

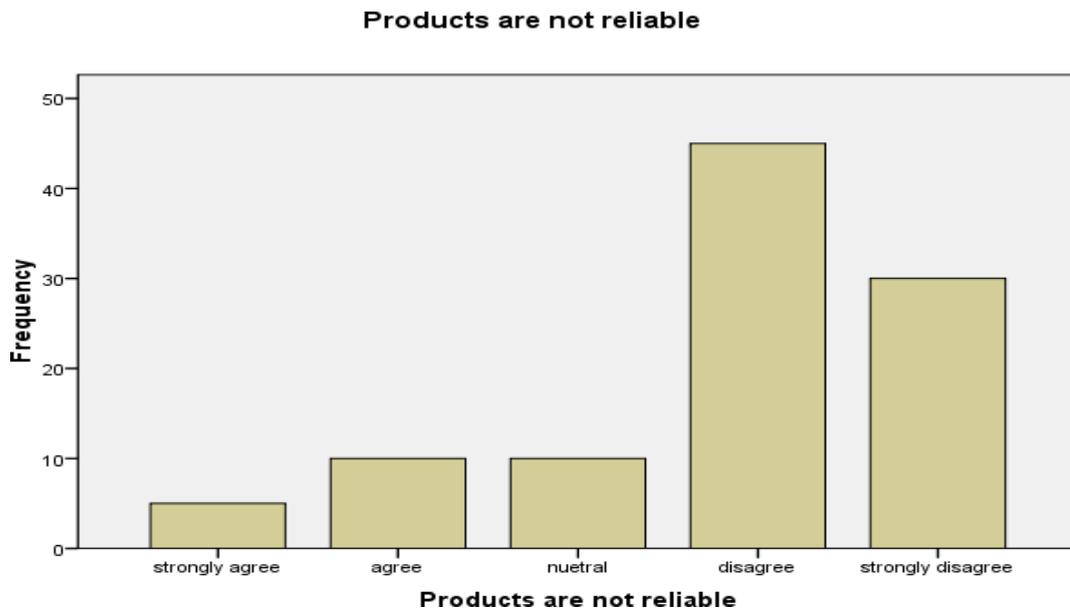
Table 5 showing the perception towards organized retail outlets

	Frequency	%
SA	5	5
A	10	10
N	10	10
DA	45	45
SDA	30	30
Total	100	100

Observations:

It is clear 5% respondents strongly agree for the statement “products are not reliable” 10% of the respondents agree, 10% of them are neutral, 45% of them disagree and 30% of them strongly disagree.

Chart: Chart showing the perception towards organized retail outlet



Interpretation:

More prominence is given to the quality of the products in organized outlets. Products are not sold on losing too.

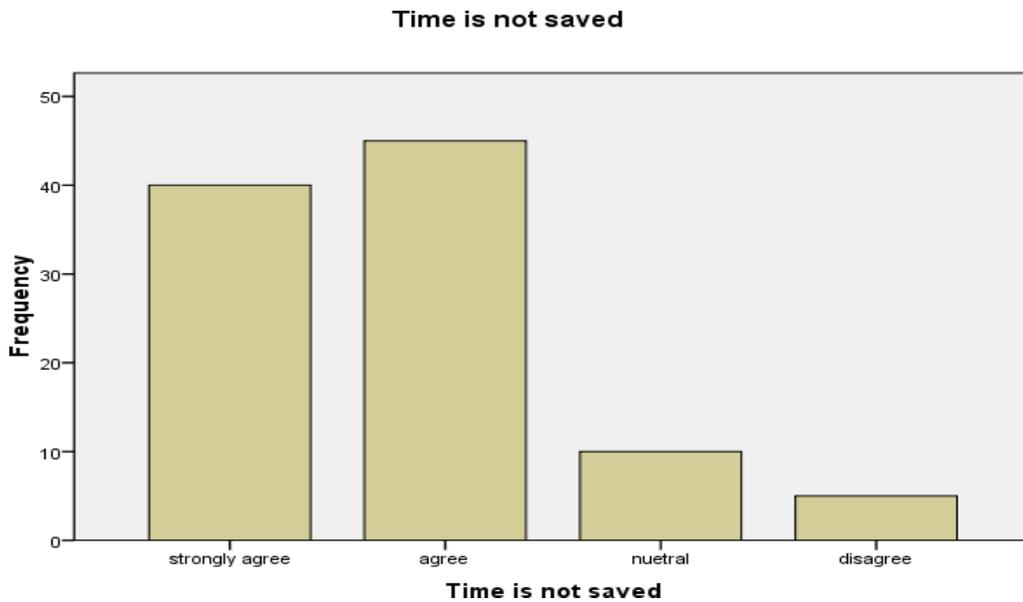
Table showing the perception towards organized retail outlets

	Frequency	%
SDA	40	40
A	45	45
N	10	10
DA	5	5
Total	100	100

Observations:

40% strongly agree for statement “time is not saved” 45% of the respondents agree, 10% of them are neutral, 5% of them disagree.

Chart: Chart showing the perception towards organized retail outlet



Interpretation:

Organized outlets are big in size and located less in number. More varieties of products are available and it consumes more time for customers. Billing takes time too.

Hypothesis testing:

H₀: The frequency of customer visits do not have significant impact on convenience of location

H₂: The frequency of customer visits do have significant impact on convenience of location

Correlation:

Correlations

		location convenience	frequency of visit
location convenience	Pearson Correlation	1	.763**
	Sig. (2-tailed)		.000
	N	100	100
frequency of visit	Pearson Correlation	.763**	1
	Sig. (2-tailed)	.000	
	N	100	100

** . Correlation is significant at the 0.01 level (2-tailed).

According to the correlation test, Pearson correlation value is 0.763 and it is positive. Therefore, there is a positive relation between credit facility given at stores and the frequency of visit to stores.

Regression:

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.763 ^a	.582	.577	.510

a. Predictors: (Constant), location convenience

ANOVA^b

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	35.482	1	35.482	136.263	.000 ^a
	Residual	25.518	98	.260		
	Total	61.000	99			

a. Predictors: (Constant), location convenience

b. Dependent Variable: frequency of visit

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.597	.107		5.562	.000
	location convenience	.799	.068	.763	11.673	.000

a. Dependent Variable: frequency of visit

The value of is 0.000 and the significance value is below 0.05 which is less. Null hypothesis deemed to be rejected as the alternate hypothesis is accepted.

Impact identified on frequency of visit by location convenience.

Hypothesis Testing

H0: There is no significant relationship between the availability of credit facilities and the frequency of visits to unorganized retail outlets.

H1: There is a significant relationship between the availability of credit facilities and the frequency of visits to unorganized retail outlets.

Correlations

		frequency of visit	credit facility
frequency of visit	Pearson Correlation	1	.908**
	Sig. (2-tailed)		.000
	N	100	100
credit facility	Pearson Correlation	.908**	1
	Sig. (2-tailed)	.000	
	N	100	100

** . Correlation is significant at the 0.01 level (2-tailed).

According to the correlation test, Pearson correlation value is 0.908 and it is positive. Therefore, there is a positive relation between location convenience and the frequency of visit to stores.

Regression:

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.908 ^a	.824	.823	.331

a. Predictors: (Constant), credit facility

ANOVA^b

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	50.286	1	50.286	459.947	.000 ^a
	Residual	10.714	98	.109		
	Total	61.000	99			

a. Predictors: (Constant), credit facility

b. Dependent Variable: frequency of visit

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.214	.077		2.792	.006
	credit facility	.571	.027	.908	21.446	.000

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.214	.077		2.792	.006
credit facility	.571	.027	.908	21.446	.000

a. Dependent Variable: frequency of visit

0.006 is the derived p value which is below the significance value 0.05. Basing on that hypothesis which alternate accepted and null hypothesis is rejected. Impact on frequency of visit by availability of credit facility.

Findings:

1. Unorganized outlets:

- Offers and discounts provided in unorganized outlets are less as people still prefer to buy because of convenience and ease.
- The credit facility is the biggest advantage for people to buy in unorganized outlets. To encourage more buying, more loyalty and to survive in the market unorganized outlets provide credit facility.
- Unorganized outlets are more in number and spread everywhere both within and outside the city. Outlets are small in size and parking facility is bad.
- Home delivery is good and unorganized outlets have an edge over organized because of this option.
- Impulse buying does not happen as the merchandising is weak or not arranged well in unorganized outlets. It is usually the retailers who pack the products for customers and hence impulse buying is less.

2. Organized outlets:

- To attract more customers and encourage mass buying, organized outlets provide more offers and discounts.
- Well established parking is available in organized outlets. The size of the outlets is big and the basement is used as parking lot. People buy in more quantities and this demands vehicle for movement of goods.
- Organized outlets are big in size and located less in number. More varieties of products are available and it consumes more time for customers. Billing takes time too.
- Variety of products is huge and it demands merchandise to be organized. It promotes mass buying.
- Size of outlets are big and to promote more impulse buying and mass buying, ambience is maintained well in organized outlets.
- Impulse buying happens in organized outlets and it is one of the main motives of organized retailers.

Conclusion:

The divers responsible for growth of organized retailing in the retailing industry are provides more offers and discounts, parking facility is good, ambience is refreshing, products are reliable, merchandise appear to be organized, multiple brands and multiple sizes are available, brand preference has increased in the minds of customer and membership cards are provided to retain loyal customers. The drivers responsible for sustenance of unorganized retailer’s despite of existence of organized retailers are location is convenient for customers, credit facility is provided, home delivery facility is carried out good, impulse buying is less comparatively, time is saved and relationship is established between the store person and customer. Challenges faced by unorganized retailers is the high number of competitors and increased prominence given by them to increase their standards. Challenges faced by organized retailing is to make the customers visit their stores, that is to increase the customers and retain the customers.

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