

## Comparative Analysis of Constraints of Customers of Organized and Unorganized Retail Markets in Kolkata District of West Bengal

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Received: 3.01.2019 | Revised: 7.02.2019 | Accepted: 16.02.2019

### ABSTRACT

*Retailing includes the business activities which involve reaching goods and services to their consumers for their personal family / household use. Organized retailing is demand based and unorganized retailing is supply based. Singh et al.<sup>4</sup> revealed that customer's preferences for grocery shopping were gradually shifting from unorganized to organized markets. The study intends to analyse the relevant constraints of the customers of organised and unorganised retailing. The major finding of the study reveals that in case of organised retailing major constraints are system barrier, access, market negotiation etc., while, the most important constraint is problem of branding followed by communication barrier, capacity, convenience etc. in case of unorganized retail market. Number of malls and number of items should be increased, and fresh unprocessed agricultural products are to be made available in organised retail outlets. In case of unorganized retail outlet brand should be endorsed.*

**Key words:** Constraints, Customers, Organized, Unorganized, Retail, Principal Component Analysis.

### INTRODUCTION

Retailing is derived from the French word 'retailer' meaning 'breaking bulk', specifically, breaking bulk quantities into smaller saleable units.

Retailing encompasses the business activities involving goods and services to their consumers for their personal family / household use.

### Organized Retailing (Demand-based)

The organized retailing refers to trading activities undertaken by the retailers having license and they are accountable to the department of sale tax, income tax, etc. Organized retailing is done by the big corporate sectors. In this case value chain is managed and customer services are maintained in a proper way.

**Cite this article:** Sinha, S., Ali, M. H. and Mondal, S., Comparative Analysis of Constraints of Customers of Organized and Unorganized Retail Markets in Kolkata District of West Bengal, *Int. J. Pure App. Biosci.* 7(1): 230-239 (2019). doi: <http://dx.doi.org/10.18782/2320-7051.7322>

### Unorganized Retailing (Supply-based)

On the other hand the unorganized retailing refers to the traditional formats of low-cost retailing, for example, the local kirana shops, owner managed general stores, convenience stores, hand cart and pavement vendors, etc. This market is characterized by typically small retailers who tend to evade taxes and do not follow labor law. This type of market is more common in developing nations.

Munjal *et al.*<sup>3</sup> through their research concluded that the kirana shops being affected by malls are only a myth. He further concluded that in spite of the available opportunities to the organized retail to grow in India these kirana shops also were benefited from this growing economy. But Singh *et al.*<sup>4</sup> revealed that customer's preferences for grocery shopping were gradually shifting from unorganized to organized markets. Brand choice and credit card facilities were the main determinants which influenced preferences from kirana to organized retail. Payment through credit cards increased purchases from organized retail store. Srivastava<sup>5</sup> in his study showed that the overall customer's perception across urban and suburban was not varied. The customers were able to incur higher prices for better goods and services living in urban areas and surroundings. They gave priority to purchase grocery from nearby shops while for purchasing of apparel they liked to travel some distance.

In view of the above, it is pertinent to study the pros and cons of establishment of organised retail shops in our developing country. The study intends to analyse the effect of organized retailing on unorganized sector in the context of West Bengal, in general and Kolkata. But the specific objectives of the study are as follows --

#### The objectives of the study:

- (i) To analyse the relevant constraints of the customers of organized and unorganized retailing.

### MATERIAL AND METHODS

The present study is based on primary information with a view to fulfill the objectives set out. Relevant data are collected from primary sources. The study is confined to Sealdah organised retail shop (Big Bazar) and small unorganized shops. The reference period of the study is the year 2013-14.

#### Selection of study area

Sealdah areas of Kolkata have been selected because of the following factors. Firstly, Sealdah railway station is one of the important railway stations located in Kolkata. Sealdah is one of the busiest railway stations in India and an important suburban rail terminal. Lakhs of passengers are passing through the Sealdah railway station every day from the dawn to the late at night. Secondly, both organised and unorganized retail shop are co-existing side by side. Thirdly, Big Bazar-Sealdah is dealing in agricultural commodities.

#### Selection of sample:

Selection of Sealdah Big Bazar is purposively selected. 30 sample customers from Sealdah Big Bazar have been selected randomly on the basis of availability of them in Sealdah Big Bazar.

15 customers from unorganized retail shops and 15 customers organized retail outlet (Big Bazar) have been randomly selected on the basis of availability of them in Sealdah.

#### Collection of data:

Collection of data has been made by visiting and interrogating each and every sample respondents with the help of a set of pre-tested survey schedules. Both tabular and statistical analysis has been made to analyse and interpret the data in order to get desirable results from the study.

#### Constraints Analysis

After discussion with the experts and the small traders and customers, a large no. of constraints has been identified. Initially, large no. of the constraints has been selected. After editing the statements, finally important constraints have been selected for data collection. The details of the constraints are given below –

Sl. No.	Description	No. of constraints before screening	No. of constraints after screening
1	Consumers – organized retailing	30	22
2	Consumers – unorganized retailing	25	16

Its statements (constraints) have been presented to the respondents in a 4-point continuum like *very much, much, not so much, not at all*, with weightage **4, 3, 2, 1**, respectively.

After collection of data, total scoring was done for each of constraints and the constraints have been ranked on the basis of **total scoring**.

In order to identify the important constraints, factor analysis is done with **Principal Component Analysis (PCA)** which involves extraction of factors, rotation and

interpretation of factors. For interpretation of factors, variables, with factor loadings, were taken into consideration. Constraints were named on the basis of the similarity of the variables representing the factors. The items were arranged on the basis of high factor loading. In this way, all factors have been identified relating to the constraints of **consumers – organized retailing and consumers – unorganized retailing** separately which are presented in the results.

**Table 1: Identification of Constraints of Customers of Unorganized Markets**

1	Lack of purchasing power (X1)
2	Lower income groups(X2)
3	Lack of brand awareness(X3)
4	Lack of proper communication(X4)
5	Less market relationship(X5)
6	Lack of brand endorsement by the markets(X6)
7	Problems of transport (X7)
8	Lack of product education(X8)
9	Underdeveloped people and underdeveloped markets(X9)
10	Problems of middlemen(X10)
11	Inadequate media coverage for rural communication(X11)
12	No proper packaging(X12)
13	Lower quality of products(X13)
14	Low literacy level(X14)
15	No. of small traders are high(X15)
16	High price due to more no. of middlemen(X16)

**Table 2: Identification of Constraints of Customers of Organized Markets**

1	Budget of poor and pro-poor families does not comply with modern marketing system(X1)
2	All products are not available(X2)
3	Low-priced products are not always available(X3)
4	Small packs are not always available(X4)
5	Small quantity is not always available(X5)
6	Most of the necessary products are easily available in traditional markets(X6)
7	Problems of transport (X7)
8	No. of malls is limited(X8)
9	In modern markets, sales are made on cash basis(X9)
10	No bargaining is possible in modern marketing, it impacts rural people negatively(X10)
11	Rural people do not dare to go to malls (X11)
12	Rural people are accustomed to traditional markets(X12)
13	Unprocessed agricultural products are easily available at lower price in traditional markets (X13)
14	High taxation(X14)
15	Malls are generally located at metropolitan areas, therefore, rural people are bound to go to traditional markets(X15)
16	Personal friendship of buyers with sellers in traditional markets(X16)
17	No personal friendship of buyers with sellers in traditional markets(X17)
18	Unprocessed agricultural products are not fresh in malls(X18)
19	Unprocessed agricultural products are very limited(X19)
20	All grocery items are not available(X20)
21	People are accustomed to buy grocery and agricultural products from a nearby shops as and when required(X21)
22	Processed agricultural Products are also available in local traditional markets(X22)

**RESULTS AND DISCUSSION****Constraints analysis of Customers of Organised Markets**

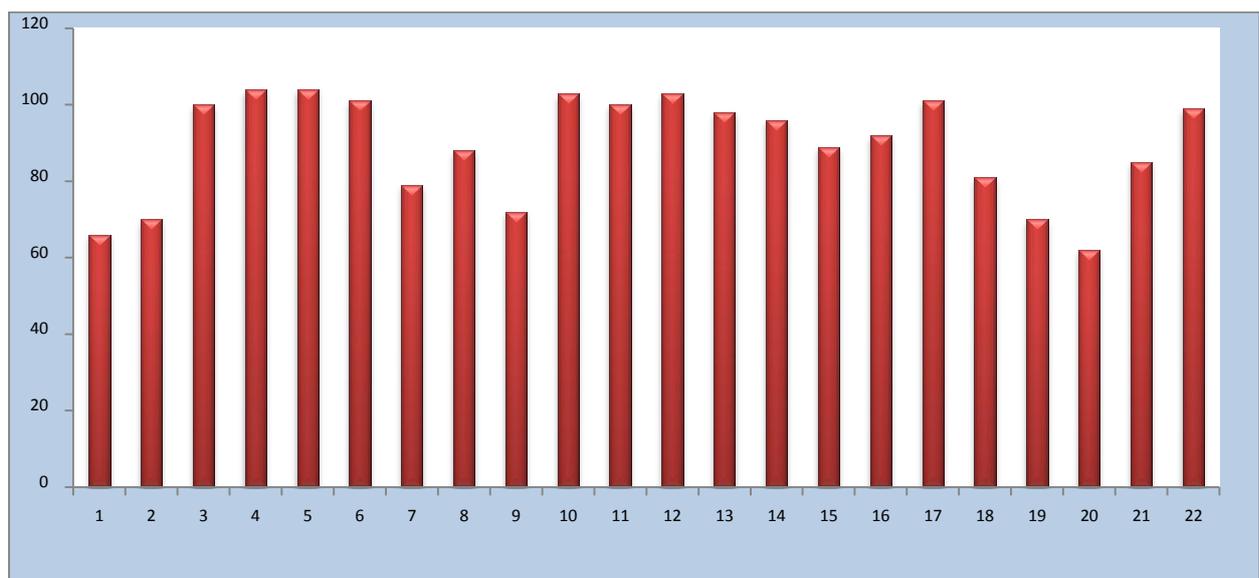
The ranking is done according to the respondent perception.

Each respondent give score against each statement according to their situational PERCEPTION.

Then by calculating the frequency against each constraint the SCORING has been done.

**Table 3: Constraint Analysis of Customers of Organised Markets on the Basis of Total Scoring**

Statement	Score	Ranking
X1	66	21
X2	70	19
X3	100	7
X4	104	1
X5	104	2
X6	101	5
X7	79	17
X8	88	14
X9	72	18
X10	103	3
X11	100	8
X12	103	4
X13	98	10
X14	96	11
X15	89	13
X16	92	12
X17	101	6
X18	81	16
X19	70	20
X20	62	22
X21	85	15
X22	99	9



**Fig. 1: Graphical Representation of Constraint Analysis of Customers of Organized Markets on the Basis of Total Scoring**

**Table 4: Constraint Analysis of Customers of Organized Markets on the Basis of Principal Component Analysis (PCA) matrix**

Factor No	Factor Name	Factor Loading %	% of Variance	Cumulative %	Rename factors
Factor 1	• No. of malls are limited	0.73	40.97	40.97	System barrier
	• All products are not available	0.90			
	• Most of necessary Products are easily available in traditional markets	0.88			
	• Problems of transports				
	• In modern markets sales are made in cash basis	0.61			
	• High taxation				
	• No personal friendship of buyers with sellers in traditional markets	0.96			
	• Unprocessed agricultural products are not fresh in malls	0.55			
	• Unprocessed agricultural products are very limited	0.73			
		0.91			
		0.67			
Factor2	• Small packs are always not available	0.70	20.82	61.80	Access
	• Small quantities are not always available	0.70			
	• Rural people do not dare to go to malls	0.74			
	▪ Rural people are accustomed to traditional markets	0.84			
	▪ Unprocessed agricultural products are easily available at lower price in traditional markets	0.94			

Factor3	<ul style="list-style-type: none"> <li>No bargaining is possible in modern marketing system</li> <li>Malls are generally located at metropolitan cities</li> <li>Personal friendship of buyers with sellers in traditional markets</li> <li>People are accustomed to buy grocery and agricultural products from nearby markets</li> <li>Processed agricultural products are also available in local traditional markets</li> </ul>	0.45  0.71  0.76  0.12  0.30	13.98	75.78	Market negotiation
Factor4	<ul style="list-style-type: none"> <li>Low priced products are not always available</li> <li>Budget of poor and pro-poor family does not comply with modern marketing system</li> </ul>	0.59  0.79	9.56	85.34	Consumer capacity
Factor5	<ul style="list-style-type: none"> <li>All grocery items are not available</li> </ul>	0.81	7.90	93.24	

**Discussion** - It is observed from the above table that the different constraint factors are divided into 5 component matrix or factors with the help of Principal Component Analysis (PCA) matrix

**The Factor-1** includes constraints like number of malls are limited, all products are not available, most of necessary products are easily available in traditional markets, problems of transports, in modern markets sales are made in cash basis, high taxation, no personal friendship of buyers with sellers in traditional markets, unprocessed agricultural products are not fresh in malls, unprocessed agricultural products are very limited Which have contributed of 40.97 per cent variation and has renamed as system behaviour.

**The Factor-2** includes constraints like small packs are always not available, small quantities are not always available, rural people do not dare to go to malls, rural people are accustomed to traditional markets,

unprocessed agricultural products are easily available at lower price in traditional markets which have contributed of 20.82 per cent variation and has renamed as Access.

**The Factor-3** includes constraints like no bargaining is possible in modern marketing system, malls are generally located at metropolitan cities, personal friendship of buyers with sellers in traditional markets, people are accustomed to buy grocery and agricultural products from nearby markets, processed agricultural products are also available in local traditional markets are high which have contributed 'of 13.98 per cent variation and has renamed as market negotiation.

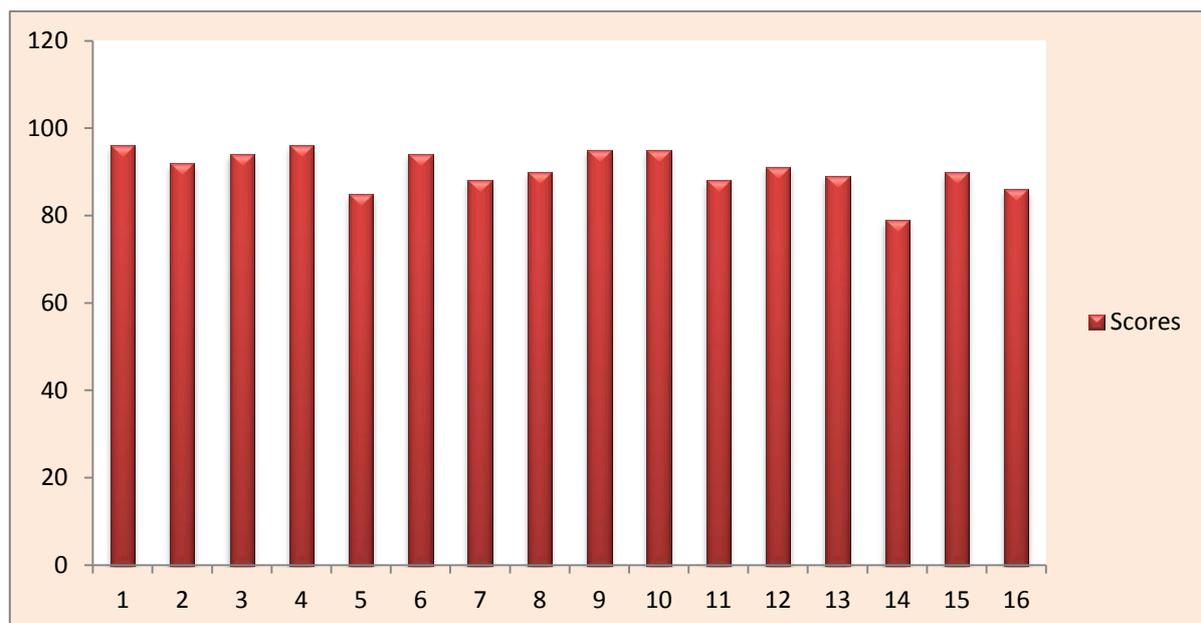
**The Factor-4** includes constraints like low priced products are not always available, budget of poor and pro-poor family does not comply with modern marketing system have contributed of 9.56 per cent variation and has renamed as consumer capacity.

**Table 5: Constraint Analysis of Customers of Unorganized Markets on the Basis of Total Scoring**

Each respondent give score against each statement according to their situational PERCEPTION.

Then by calculating the frequency against each constraint the SCORING has been done.

Statement	Score	Ranking
X1	96	1
X2	92	7
X3	94	5
X4	96	2
X5	85	15
X6	94	6
X7	88	12
X8	90	9
X9	95	3
X10	95	4
X11	88	13
X12	91	8
X13	89	11
X14	79	16
X15	90	10
X16	86	14



**Fig. 2: Graphical Representation of Constraint Analysis of Customers of Unorganized Markets on the Basis of Total Scoring**

**Table 6: Constraint Analysis of Customers of Unorganized Markets on the Basis of Principal Component Analysis (PCA) matrix**

Factor number	Factor Name	Factor Loading %	% of Variation	Cumulative %	Factor Rename
1	Lack of brand endorsement by the market	0.82	27.12	27.12	Branding
	Underdeveloped people and underdeveloped market	0.77			
	No proper packing	0.79			
2	Lower income groups	0.74	19.42	46.55	Communication barrier
	Lack of proper Communication	0.46			
	Less market relationship	0.69			
	Inadequate media coverage for rural communication	0.49			
	Low literacy level	0.73			
Problems of grading					
3	Lack of purchasing power	0.29	12.85	59.40	Capacity
	No of small traders are high	0.77			
4	Lack of brand awareness	0.70	11.11	70.52	Conveyance
	Problems of transport	0.60			
5	Lack of product education	0.47	9.45	79.94	Perception
	Problem of middlemen	0.29			
	Lower quality of product	0.54			

**Discussion** -It is observed from the above table that the different constraints are divided into 5 component matrix or factors with the help of Principal Component Analysis (PCA) matrix

**The Factor-1** includes constraints like, lack of brand endorsement by the market, underdeveloped people and underdeveloped market which have contributed of 27.12 per cent variation and has renamed as Branding.

**The Factor-2** includes constraints like lower income groups, lack of proper communication, less market relationship, inadequate media coverage for rural communication, low literacy level, problems of grading, which have contributed of 19.42 per cent variation and has renamed as Communication Barrier.

**The Factor-3** includes constraints like lack of purchasing power, no of small traders are high which have contributed of 12.85 per cent variation and has renamed as Capacity.

**The Factor-4** includes constraints like lack of brand awareness problems of transport which have contributed of 11.11 per cent variation and has renamed as Conveyance.

**The Factor-5** includes constraints like lack of product education, problem of middlemen, lower quality of products which have contributed of 9.45 per cent variation and has renamed as Perception.

#### SUMMARY AND CONCLUSIONS

The above study may be summarized that in case of organised retailing major constrains are

system barrier, access, market negotiation etc. System barrier contributes the major share on the basis of principle component analysis. In system barrier, non availability of fresh unprocessed agricultural product is a major issue. But in case of unorganised retail market most important constraint is problem of branding followed by communication barrier, capacity, convenience etc. Lack of brand endorsement by the unorganised retail market is the important matter in branding.

From the above study it is concluded that number of malls and number of items should be increased, and fresh unprocessed agricultural products are to be made available in organised retail outlets. In case of unorganised retail outlet brand should be endorsed and logistic facilities expected to be developed.

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