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E-Content BCH-604 : Retailing Management

Lecture 7

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Organized Vs. Unorganized Sectors

- The Indian retail industry is divided into organized and unorganized sectors.
- The unorganized retail comprises of the local baniya or kirana shop, paan and beedi shops and the other owner manned general stores .
- These retailers normally do not pay taxes and most of them are not even registered for sales tax, VAT, or income tax.
- On the other hand, the organized retail comprises of the licensed retailers who are registered for sales tax, income tax etc. and it comprises of the malls, supermarkets, hypermarkets etc.

Organized retail

- 'Organized Retail refers to the set-up of any retail chain supported by a well defined Supply Chain which usually has a small number of middlemen when compared to the unorganized sector.
- Due to a number of factors like cutting down of middlemen, removing of bottlenecks along the supply chain, efficiency in the processes, etc., the end user is rewarded with a better product at a cheaper price as against the unorganized retail sector.
- As the consumer base is growing each minute, the organized retail sector is believed to have a huge growth potential.'

Unorganized retail

- Unorganized retailing refers to the traditional formats of low cost retailing for example, the local kirana shops, owner manned general stores, paan-bidi shops, convenience store, hand cart and pavement vendors.
- Traditional or unorganised retailing contributing to over 95% of total retail revenues.
- The unorganized retailing comprises of 'mom and pop' stores or 'kirana' stores.
- Trading hours are flexible and the retailer to consumer ratio is very low due to the presence of several kirana stores in the locality.
- More than 99% of retailers function in less than 500 Sq. Ft of area. The pricing was done on ad hock basis or by seeing the face of customer.

Significance of Organized Retail

- Experience Shopping to Middle Class
- Employment generation
- Increasing efficiency in agriculture
- Rapid economic growth
- Potential untapped market
- Deep Assortment of product or broad choice to customer

Challenges to organized retail

- Regulatory barriers
- Unfavorable taxation structure
- Lack of integrated IT usage
- High competition
- High training cost
- Constant changes in shopper preferences