

The Economic Impact of Department Stores On Small Vendors In Kurnool District, Andhra Pradesh

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INTRODUCTION

The modernization of the Indian retail sector will be reflected in the rapid growth in sales in supermarkets, department stores and hypermarkets. This is because of the growing preference of the affluent and upper middle classes for shopping at these types of retail stores, given the conveniences they offer such as shopping ambience, variety and a single-point source for purchases.

Department stores are usually a part of a retail chain of many stores. A **department store** is a retail establishment which specializes in selling a wide range of products without a single predominant merchandise line. Department stores usually sell products including apparel, furniture, appliances, electronics, and additionally select other lines of products such as paint, hardware, toiletries, cosmetics, photographic equipment, jewelry, toys, and sporting goods.

The first true department store was founded by Aristide Boucicaut in Paris. He founded **Le Bon Marché** in 1838 and by 1852, it offered a wide variety of goods in "departments" inside one building. Goods were sold at fixed prices with guarantees allowing exchanges and refunds.

Retail growth in the coming five years is expected to be stronger than GDP growth, driven by changing lifestyles and by strong income growth, which in turn will be supported by favorable demographic patterns and the extent to which organized retailers succeed in reaching lower down the income scale to reach potential consumers towards the bottom of the consumer pyramid.

India tops the A.T. Kearney's annual Global Retail Development Index (GRDI) for the third consecutive year, maintaining its position as the most attractive market for retail investment. The following Table shows that there is continuous growth in the retail sector.

India: Consumer Goods and Retail Forecast						
Retail Trade	2005	2006	2007	2008	2009	2010
Retail sales (Rs bn)	15,409	17,360	19,465	21,715	24,215	27,107
Retail sales (US\$ bn)	349.4	385.8	421.3	467.0	516.3	564.7
Retail sales volume growth (%)	6.0	7.5	7.7	6.9	6.8	7.3
Retail sales US\$ value growth (%)	13.6	10.4	9.2	10.8	10.6	9.4

Source: Economist Intelligence Unit.

The Indian retail market, which is the fifth largest retail destination globally, is estimated to grow from US\$ 330 billion in 2007 to US\$ 427 billion by 2010 and \$637 billion by 2015. Simultaneously, modern retail, which presently accounts for 4 per cent of the total market is likely to increase.

India has one of the largest numbers of retail outlets in the world. With an average of 5.5 stores per 1,000 people, India has the highest retail outlet density in the world. But almost all of the 12m "mom and pop" stores that account for 98 per cent of the \$300bn industry's sales lack access to capital and technology. Of the 12 million retail outlets present in the country, nearly 5 million sell food and related products. Even with this large number of outlets, organized retail accounts for only 4% of the total market, opening huge growth potential in this segment. India represents an economic opportunity on a massive scale, both as a global base and as a domestic market. Indian Retail sector consists of small family-owned stores, located in residential areas, with a shop floor of less than 500 square feet.

Retailing business is playing a major role throughout the world, increasing productivity across a wide range of consumer goods and services. Its fruits have been witnessed by many developed nations like U.S.A., U.K., Mexico etc. The Retail sector is slowly developing in India and its impact has also started in India. This is happening due to the Indian consumer class.

CONSUMER CONFIDENCE

The Indian consumer remains one of the most upbeat globally. According to the AC Nielsen Consumer

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Confidence and Opinion Survey, India is placed second in the 47-nation global survey. Also, Indians are the most optimistic people regarding their personal finances (88 per cent) and second most optimistic people with respect to job prospects (95 per cent)-which open attractive avenues for industries planning to tap the Indian consumer market.

FACTORS FACILITATING THE SPREAD OF DEPARTMENT STORES

➤ **Quality and Lower Prices**

The first advantage that a consumer finds is availability of quality products at lower prices.

➤ **Improved Shopping Standards**

In recent years, consumers have started seeking greater convenience, better quality, attractive prices and classy ambience in shopping. In response to this, entrepreneurs have been setting up retail stores of high sophistication.

➤ **Convenient Stocking/Display**

Convenient stocking or display is another feature. Retailers are using this as a main device for hooking customers. Stocking products section by section based on purchase patterns, and placing them in easy reach of customers is an integral part of the display device. "The method of stocking and display includes special efforts for pulling customers who are prone to impulse purchases".

➤ **Shopping Blend With Entertainment**

Mega stores and shopping malls, with air-conditioned shop floors, channel music, attractive displays for products, pleasant shop assistants, coffee shops and food courts, amusement facilities, etc., make shopping an entertainment and a leisure activity.

NATIONAL AND INTERNATIONAL PLAYERS IN INDIA

Many Indian companies like Reliance, RPG group, Ajay Parimal Group, and Sahara Group are already operating in the Indian retail sector and the following MNCs are also set to enter the Indian market.

- The world's largest retailer- Wal-Mart has tied-up with Sunil Mittal's Bharti Enterprises to enter the Indian retail market.
- Microsoft's first shop-in-shop pilot has been launched with the Tata Group subsidiary Infiniti Retail's multi-brand consumer durables retail format, Croma.
- The Consumer product retailing arm of the global animation giant - Walt Disney Company will soon add 135 new stores to its existing 15 stores.
- World's leading coffee chain, Starbucks enters India through a tie-up with the country's leading multiplex operator, PVR Limited.
- Apple Inc. has entered into an exclusive marketing and distribution deal with Reliance Retail through "iStore by Reliance Digital".
- The UK-based international coffee chain, Costa Coffee plans to double the number of retail outlets by the end of 2008.

Some of the international players that have already entered India include McDonald's, Pizza Hut, Dominos, Levis, Lee, Nike, Adidas, TGIF, Benetton, Swarovski, Sony, Sharp, Kodak, Medicine Shoppe among others.

FOREIGN DIRECT INVESTMENT

The entry of FDI into the retail sector will expedite the growth of the retail industry. For this, Government's favorable talks on Foreign Direct Investment (FDI) has ignited ambitions in many of the global players to be among the first movers into a virgin retail territory i.e. India. So far, India allows 51 per cent foreign investment in single-brand retail with prior government permission. FDI is also allowed in the wholesale business. Single-brand retailers such as Louis Vuitton, Fendi, Lladro, Nike and Toyota can now operate on their own. Metro is already operating through the cash-and-carry wholesale mode. In the new scheme of things, there could be various entry options for foreign players.

There is opposition to the retailer's plans, it has been argued that livelihood of the traditional formats (low-cost retailing) such as the local grocery shops (kirana stores), owner-manned general stores, paan/beedi shops, convenience stores; handcarts, pavement vendors, small scale and rural vendors will be threatened. This study concentrates on the economic impact that organized retailing (Department stores) will have on small vendors particularly with respect to Kurnool District in the state of Andhra Pradesh.

OBJECTIVE OF THE STUDY

The main objective of the study is to measure the economic impact on Small Vendors with the entry of Department stores with respect to Kurnool District in the state of Andhra Pradesh.

LIMITATIONS OF THE STUDY

The vendors may not follow what they have stated in their response. Thus, the degree of reliability cannot be taken to be always correct. The constraints of the study are:

1. The study is limited to Kurnool district in the state of Andhra Pradesh.
2. The period of study is limited.
3. It is assumed that the respondents are true and honest while expressing their views.
4. The study is applicable only to Kurnool district and not to any other similar areas.

DATA COLLECTION

The primary data was collected through a questionnaire designed exclusively for the study. Secondary data was taken from websites, magazines, newspapers, research papers, journals etc.

METHODOLOGY

The sample consists of small vendors from the rural, sub-urban and urban areas of Kurnool district, Andhra Pradesh. The gross sample size of the survey is 220 where the small vendors are selected using Simple Random sampling method.

DATA INTERPRETATION

TABLE: 1 : Details Regarding General Profile of Small Vendors

Factors	Classification	No. of Vendors			Percentage
		Male	Female	Total	
Sex	Male	143			65%
	Female	77			35%
Age		Male	Female	Total	
	21-30 yrs	33	17	44	20%
	31-40 yrs	51	28	77	35%
	above 40 yrs	63	30	99	45%
	TOTAL	143	77	220	
Education		Male	Female	Total	
	Illiterate	32	23	55	25%
	Below 5 th standard	63	25	88	40%
	6 th to 10 th standard	28	16	44	20%
	Intermediate(PUC)	7	4	11	5%
	Graduate & above	13	9	22	10%
TOTAL	143	77	220		

Sources: Primary Data

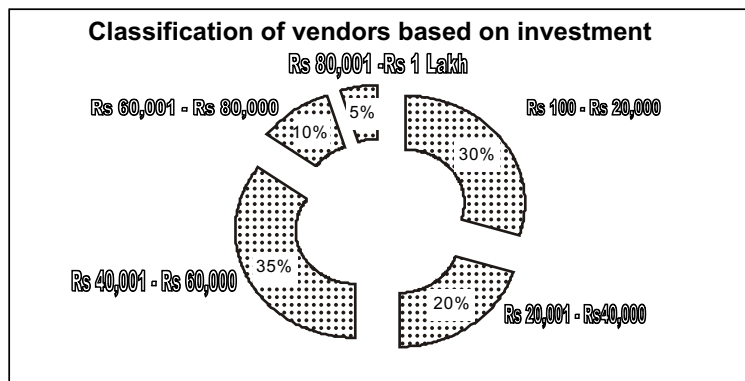
Regarding the personal profile of Small Vendors, the above table shows that 65% of the vendors are male and 35% of the vendors are female. Age wise, 20% of the vendors are between 21- 30 years, 35% of vendors are between 31 40 years, and 45% of the vendors are above 40 years of age. Regarding education, 25% of the vendors are illiterate, 40% of the vendors are educated below 5th Standard, 20% of the vendors are between 6th to 10th standard, 5% of the vendors are educated upto Intermediate(10+2), and 10% of the vendors are Graduate and above.

TABLE: 2:Classification of Vendors Based On Investment

Investment	No. of vendors			Percentage
	Male	Female	Total	
100 - 20,000	41	25	66	30%
20,001 - 40,000	27	17	44	20%
40,001 – 60,000	56	21	77	35%
60,001 – 80,000	13	9	22	10%
80,001 – 1 lakh	6	5	11	5%
Total	143	77	220	

Sources: Primary Data

The above table and the below given chart shows that 35% of the vendors (56 male, 21 female) invested an initial amount of 40,001-60,000. 30% of the vendors (41 male, 25 female) invested between Rs100-Rs 20,000; 20% of the vendors (27male, 17 female) invested



Sources: primary data

between Rs20, 001- Rs40, 000, 10% of the vendors (13 male, 9 female) invested between Rs 60,001-Rs 80,000, and 5% of vendors (6 male, 5 female) invested between Rs 80,001 – Rs 1,00,000.

TABLE: 3 :Classification of Vendors Based On Daily Sales

Investment	No of vendors			Average Daily sales in Rupees		Sales in Rupees Before DS entry			Sales in Rupees After DS entry		
	Male (M)	Female (F)	Total	Before DS (B)	After DS (A)	Male (MXB)	Female (FXA)	Total (MXB)+(FXA)	Male (MXB)	Female (MXA)	Total (MXB)+(FXA)
100-20,000	41	25	66	2100	875	86100	52500	138600	35875	21875	57750
20,001-40,000	27	17	44	4850	2150	130950	82450	213400	58050	36550	94600
40,001 – 60,000	56	21	77	7240	3450	405440	152040	557480	193200	72450	265650
60,001 – 80,000	13	9	22	9350	5230	121550	84150	205700	67990	47070	115060
80,001 – 1 lakh	6	5	11	13875	6860	83250	69375	152625	41160	34300	75460
Total	143	77	220					1267805			608520

Sources: primary data (Department stores = DS)

Daily Sales of Vendors Before Entry of Department Stores = Rs12, 67,805

Daily Sales of Vendors After Entry of Department Stores = Rs6, 08,520

Difference = Rs6, 59,285

% fall in sales = Sales Before Entry of Department Stores-Sales after Entry of Department stores

----- X 100
Sales Before Entry of Department Stores

$$= (659285 \div 1267805) \times 100 = 52.00208 \%$$

Similarly %fall in sales of Male Vendors = 52.09963 %

%fall in sales of Female Vendors = 51.81889 %

- The above table shows that with an investment between Rs 100-Rs 20,000, on an average, daily sales of Rs. 2,100 were generated before entry of Department Stores(DS), daily sales of Rs. 875 were generated after entry of DS.
- An Investment between Rs 20,001-Rs 40,000 generated daily sales of Rs 4,850 before entry of DS and Rs 2,150 after entry of DS.
- An investment between Rs 40,001-Rs 60,000 generated daily sales of Rs 7,240 before entry of DS and Rs 3,450 after entry of DS.
- An Investment between Rs 60,001-Rs 80,000 earned daily sales of Rs 9,350 before entry of DS and Rs 5,230 daily sales were reported after entry of DS.
- An Investment between Rs 80,001-Rs 1, 00,000 generated sales of Rs 13,875 before entry of DS and Rs 6,860 after entry of DS.

- An average total daily sale for the entire Kurnool District was Rs12, 67,805 before the entry of DS and Rs 6, 08,520 daily sales after the entry of DS. The study shows that with the entry of department stores, the sale of small vendors fell by 52 % with 52.09% fall in daily sales of Male Vendors and 51.9% fall in daily sales of female vendors.

TABLE: 4 : Classification of Vendors Based On Profit Margin Depending Upon Daily Sales

Investment	Daily sales		% margin of profit on daily sales		Daily profit on sales in Rupees		Difference	% fall
	Before (MXB)+(FXA)	After (MXB)+(FXA)	Before DS entry	After DS entry	Before DS entry	After DS entry		
100-20,000	138600	57750	20%	11%	27720	6352.5	21367.5	77.08333
20,001- 40,000	213400	94600	18%	9.25%	38412	8750.5	29661.5	77.21936
40,001 – 60,000	557480	265650	17.5%	9.75%	97559	25900.88	71658.13	73.45107
60,001 – 80,000	205700	115060	19%	10%	39083	11506	27577	70.56009
80,001 – 1 lakh	152625	75460	18.8%	8.75%	27472.5	6602.75	20869.75	75.96597
Total	1267805	608520			230247	59112.6	171134	

Source: primary data ; Before (MXB) + (FXA), After (MXB) + (FXA) are from table 3.

Daily profits of vendors before DS entry = Rs 2,30,247
 Daily profits of vendors after DS entry = Rs 59,112.6
 Difference = Rs 1,71,134
 % fall in profit margin = $(171134 \div 230247) \times 100$
 = 74.33%

- The Table 4 shows that small vendors investing between Rs 100-Rs 20,000 on an average earned a profit margin (PM) of 20% on daily sales. Hence, an investment of Rs.100-Rs 20,000 generated a total profit of Rs 27,720 before entry of DS and Rs 6,352.50 after entry of DS.
- An investment of Rs 20, 001 - Rs 40, 000 generated a profit of Rs 38,412 (PM 18%), before entry of DS and after the entry of DS, a profit of Rs 8,750.50 (PM 9.25%), was earned.
- With an investment of Rs 40, 001 - Rs60, 000, profit for small vendors before entry of DS was Rs 97,559 (PM 17.5%), and after entry of DS, profit for small vendors was Rs. 25,900.88 (PM 9.75%).
- With an investment of Rs 60,001 - Rs80, 000, small vendors generated a profit of Rs 39,083 (PM 19%) on daily sales and after the entry of DS; profit for small vendors was Rs 11,506 (PM 8.75%).
- With an investment of Rs80, 001 - Rs1, 00,000, before entry of DS, profit for small vendors was Rs 27,472.50 (PM 18%), and after entry of DS, profit for small vendors was Rs 6,602.75 (PM 9.25%).
- Average total daily profit for the entire Kurnool district was Rs 2, 30,247 before the entry of DS and Rs59, 112.6 daily profits were generated after the entry of DS. It can also be noted that with the entry of Departmental stores, the profits of small vendors fell down by 74.33%.

TABLE: 5 : Classification of Vendors Based On Consumers Coming To Their Shops

Investment	No of Vendors (V)	Average No. of consumers visiting small vendors		No. of consumers visiting daily		Difference (VXB)-(VXA)	% fall
		Before DS entry(B)	After DS entry (A)	Before DS Entry (VXB)	After DS Entry (VXA)		
100-20,000	66	210	126	13860	8316	5544	40
20,001- 40,000	44	360	198	15840	8712	7128	45
40,001 – 60,000	77	565	226	43505	28028	26103	60
60,001 – 80,000	22	460	207	10120	4554	5566	55
80,001 – 1 lakh	11	520	312	5720	3146	2288	40
Total	220			89045	42416	46629	

Source: primary data; No. of vendors taken from table 2

No. of consumers coming to the shop for purchase before retail entry = 89,045 persons
 No. of consumers coming to the shop for purchase after retail entry = 42,416 persons
 Difference = 46629 persons
 Percentage fall in consumers coming to shops = $(46629 \div 89045) \times 100$
 = 52.36%

- The above table shows that with an investment between Rs100 - Rs 20,000; before the departmental stores entered the scene, 210 consumers daily visited the store to purchase goods and after the entry of DS, only 126 consumers visited the stores of small vendors.
- For an investment between Rs 20,001- Rs 40,000, 360 consumers visited the store before the entry of DS and 198 consumers visited the store after DS entry.
- An investment between Rs 40,001- Rs 60,000 got 565 consumers to visit the store of a small vendor to make purchases before DS entry, which fell to 226 consumers after entry of DS.
- For an investment between Rs 60,001 - Rs 80,000, 460 consumers visited to the local shop to purchase their required goods;but after the entry of Department stores, this number fell to 207 consumers.
- Similarly, an investment between Rs 80,001 - Rs 1, 00,000 made 520 consumers to visit the local store. But after the entry of DS,this number fell down to 312 consumers.
- An average of total consumers who visited the local store to purchase the goods were 89,045 persons (before the entry of DS) and this number reduced to 42,416 persons after the entry of DS. It is clear from the data that 52.36% consumers of the local shops were cannibalized by the Department Stores.

FINDINGS OF THE STUDY

- Regarding the personal profile of small vendors, 65% are male vendors and 35% are female vendors with 45% of the vendors having their age above 40 years and 40% of the vendors are educated below 5th Standard.
- The maximum initial amount that was invested by majority of the vendors (35%) was Rs 40,000 -Rs 60,000.
- An average total daily sale for the entire Kurnool District was Rs12, 67,805 (before the entry of DS) and Rs 6, 08,520 after the entry of DS.
- With the entry of Department Stores, the daily sales of small vendors fell by 52%, with 52.09% fall in daily sales of Male Vendors and 51.9% fall in daily sales of female vendors.
- An average total daily profit for the entire Kurnool district was Rs 2, 30,247 before the entry of DS and Rs59, 112.6 after the entry of DS.
- With the entry of Department stores, the profit of small vendors fell by 74.33%.
- The average total consumers who visited the local shops to purchase their goods were 89,045 persons before the entry of DS which fell to 42,416 persons after the entry of DS.
- 52.36% consumers of the local shops were cannibalized by the Department Stores.

CONCLUSION

1. With the entry of Department Stores and with the dwindling profits, the survival of the small vendors in the market is becoming increasingly difficult.
2. The entry of Department Stores itself has created a massive impact on small vendors. If retail giants and FDI are also brought into Kurnool district, the plight of the small vendors would be unimaginable.
3. As small vendors are less educated, they cannot enter other professions or start new businesses. The livelihood of small vendors will be threatened by the entry of organized retail into Kurnool District of Andhra Pradesh.

SUGGESTIONS

The small vendors should try to gain the confidence of the consumers through door to door service. They need to maintain quality. They also need to stock variety of products, improve upon the existing customer relationships. The small vendors have to sell their products at competitive prices compared to the prices of products sold by Department stores in order to stay in business.

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