Impact of organized retailers on traditional markets: Implication for India

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Abstract

The retail sector has witnessed enormous growth in the recent years in India. It is one of the fastest growing and promising sectors in India. The Indian retail sector is highly fragmented, largely consisting of owner-managed shops in small sizes. The domestic organized retail industry is growing at a fast pace and the industry is also witnessing the entry of foreign retailers. Robust economic growth, fast-expanding middle class and mushrooming malls contribute to the retail boom in India. Competition in the retail sector is getting stiffer as many big players are experimenting and implementing different retail formats in the market. This rapid expansion of organized retailers may have both positive and negative impact on traditional retailers, wholesalers, manufacturers and suppliers. Many studies have been conducted in developed countries to understand the impact of these organized retailers on the traditional market. However, in a developing country like India, where the organized retailing is just at its initial phase of growth, the scope of conducting such studies is enormous. This review paper is therefore aimed at exploring various studies conducted across countries to understand the impact of organized retailers on the traditional retail sector. This review would facilitate researchers to build suitable hypothesis on the basis of which extensive research could be carried out in future.
Introduction

Retailing in India is emerging as one of the largest industries. During the past few years, retail industry in India has been receiving enormous attention both by the local and the international retailers. According to the Global Retail Development Index report published by US consulting group AT Kearney (2011), India is the fourth-most attractive retail market for global retailers among the 30 largest emerging markets. The industry report by Business Maps of India (2011) indicated that the Indian retail industry is growing at a very good pace and is expected to reach US$ 833 billion by the year 2013. The retail industry is further expected to go up to 1.3 trillion US dollars at a Compounded Annual Growth Rate (CAGR) of 10% by the year 2018. The report also indicated that the consumer spending in India has gone up to 75% in the last four years. The organized retail sector is expected to grow at a CAGR of 40% by the year 2013. This enormous growth in the Indian retail industry is mainly attributed to rising consumer demand and greater disposable income. According to a report on Indian retail industry titled, 'The Great Indian Bazaar: Organized Retail Comes of Age in India', organized retail in India is expected to increase to 14-18 per cent of the total retail market and reach US$ 450-billion by 2015 (The McKinsey report, 2008).

According to the report by Research and Markets (2011), contribution of Indian retail sector towards country's GDP and total employment includes 22 percent and 8 percent, respectively. The retail sector in India is categorized into two segments: organized and unorganized. Traditional retail stores, also known as the kirana stores (the small stores) or the mom-and-pop stores, hand cart and pavement vendors form part of the unorganized retail sector in India. On the other hand, retail chains and hypermarkets owned by corporate businesses, and other large retail stores owned individuals or group of individuals who are registered as retailers and pay sales tax, income tax etc., come under organized retailing (Guruswamy et al., 2005). The Indian retail industry is highly fragmented with unorganized retailers dominating the industry. However, the Indian retail sector is witnessing a huge revamping exercise as traditional markets make way for new formats such as departmental stores, hypermarkets, supermarkets and specialty stores. According to a report on Indian Retail Industry by Cygnus, a business consulting and research company (2008) western-style malls have begun appearing in metros and second-rung cities, introducing the Indian consumer to a shopping experience like never before.

A research report by Cuts International (2008) has indicated various factors that influence the growth of organized retailing in the country. These factors include an increase in the retail consumer base, growing disposable income of Indian families, technological innovations like credit cards and online shopping, and the growing popularity of one stop shopping. These factors are also supplemented by other reasons such as additional income by the employed women, huge investment by the government in infrastructure development, changing lifestyle of the Indian youth and changing customer choice. The McKinsey report (2007) on, 'The Bird of Gold: The rise of Indian Consumer Market' estimated that the Indian consumer market is likely to grow four times by 2025. It is this size of the opportunity that attracts global retailers like Wal-Mart, Tesco and Carrefour interested in starting their business operations in India despite government restrictions on foreign direct investment in retail sector. Scott Price, president and CEO of Wal-Mart Asia, has referred India as a potential future retail market for Wal-Mart due to the availability of highly educated workforce and young generation of population (Chhabra, 2010).
Wal-Mart, the world’s largest retailer has taken enormous initiatives to establish a bigger presence in emerging markets such as India due to the already saturated markets in their home country (US) and other developed countries. Other major global retailers such as Carrefour and Tesco are also trying to expand across boundaries to generate revenue. The largest retailer, Wal-Mart entered into the “cash and carry” wholesale market through a joint venture with Bharti Enterprises in India. The second largest retailer Carrefour has also made its presence in the Indian market by opening a “cash and carry” wholesale format in the capital city. The Indian retail industry is also experiencing huge investments by local business giants such as Reliance Industries, Tata Group, and The Future Group, etc. Reliance Industries Limited has identified organized retailing as one of the five main business areas of growth for future (Amor, 2009). Owing to the success in almost all the leading metros, the organized retailers are penetrating into Tier II and Tier III cities in India to tap the enormous potential available in these cities.

Today, the Indian retail industry is facing huge competition as many big players are coming out with different retail formats and implementing these formats in the market. Foreign retailers have also identified Indian retail market as a potential market for future growth. These retailers are trying to use a variety of entry modes to penetrate into the Indian retail market. However, the Indian government is reluctant to open the doors to foreign players in the interest of the traditional local retailers. Foreign Direct Investment in the Indian retail industry is restricted to 51 percent in single-brand retail and 100 percent in wholesale cash-and-carry venture. It is witnessed that the international retailers are continuously behind the Indian Government to relax the FDI norms in the retail sector. Especially, Wal-Mart keeps insisting the Indian Government because its efforts in India are critical to its global growth strategy. A media report highlighted that Wal-Mart is lobbying with the US Congress members as also the departments of commerce, trade and treasury, among others, to put forward its case on issues like “discussions on India and foreign direct investment”, and “enhanced access for investment in India” (The Economic Times, 2010).

This emerging trend in India has stimulated researchers to explore the competitive scenario in the Indian retail sector. The growth of organized retailing in India may have both positive and negative impact on traditional retailers. Positive impact would be the adoption of industries’ best practices from the organized retailers while, the negative impact would be the loss of business due to their incompetence to compete with them. This critical situation demands that traditional retailers understand the impact of growing organized retailing and upgrade their operational capabilities to face the competition in the near future. If global retailers like Wal-Mart and Carrefour are successful in convincing the Government to relax the FDI norms in the retail industry, their expansion in India will be very aggressive. Therefore, the traditional retailers in India should be in a position to face any kind of challenge without compromise to sustain in the business. The present study aims to explore the studies that have been conducted to understand the impact of organized retailers on traditional retail market and the counter measures taken by the traditional retailers to sustain competition. The study will also highlight various areas that need to be explored in future.

**Research Evidence**

Studies pertaining to the retail industry were carried out initially in the United States in late 1980’s to understand the impact of organized retailers on traditional markets. This was the
time when Wal-mart was rapidly expanding in almost all parts of the country. Many studies were conducted to understand the impact of Wal-Mart on various local markets across the United States. Studies on the impact of Wal-Mart on other businesses especially, other local retailers were first done by Stone (1988 and 1997). Stone (1988) studied the impact of Wal-Mart stores on Businesses in Host Towns and surrounding towns in Iowa. The study was conducted on the request posed by chambers of commerce and business people concerning the likely effects of Wal-Mart stores on their local businesses.

The survey was conducted across ten small to medium size towns in the state of Iowa, United States. This included both the host towns and the outlying towns. The study relied on the secondary data, collected from Iowa Retail Sales and Use Tax Reports. The findings revealed a rise in the total per capita sales in the host towns due to the entry of Wal-Mart stores. In addition, the study observed that the entry of Wal-Mart resulted in the development of trade area in terms of extended boundary and improved customer traffic. This in turn acted as an advantage for other non competing businesses selling goods different from that of Wal-Mart. It was also estimated that Wal-Mart stores drained as much as $200,000 per year from neighbouring towns with a population of 1,000 people. On the other hand, the local stores selling similar goods in the neighbourhood experienced a decline in total sales. Retail sales drop was experienced in Iowa towns that were within a 20-mile radius of a Wal-Mart store. On an average, retail sales in the surrounding communities declined by nearly ten percent after five years.

In the above direction, Peterson and McGee (2000) surveyed many small retailers in several rural, Midwestern US communities to understand the economic impact of Wal-Mart’s entry in the area. The survey was done three years after the arrival of Wal-Mart in the area. The respondents included 428 businesses in the Upper Plains region of Nebraska and Kansas. In the mail survey conducted by the authors, almost fifty two percent of the small retailers reported a negative impact while forty eight percent indicated that the impact was either neutral or positive. This observation was further confirmed with the help of cross tabulation which concluded that smaller retailers located in central business districts were more negatively affected by Wal-Mart's arrival than other retailers. Of the total respondents, thirty percent of the retailers reported that the sales dropped by more than ten percent, while twenty three percent reported a drop in sales by less than ten percent. However, on the positive side fourteen percent of retailers reported a sales boost of up to ten percent after Wal-Mart's arrival, while six percent reported that their stores' sales increased more than ten percent. The study also suggested that, local retailers who experienced decline in sales discharged various promotional activities to attract customers. In spite of the changes in their strategies, these retailers reported lower performance even after three years of Wal-Mart’s arrival than other local retailers.

Seiders and Tigert (2000) analyzed the impact of Supercenters (Meijer, Wal-Mart, Kmart, and Target) on traditional food retailers in four markets in the US. The markets included two small cities and two large cities. The number of respondents varied between 600 and 1000 in all the four cities. The authors conducted telephonic interviews and observed in-store price baskets in all major retail chains in the four markets. The first issue addressed by the authors was the impact of Supercenters in the four markets. The results show that supercenters had captured fifteen to twenty percent of the retail food business in three of the four markets studied. The result also indicated that price leadership strategy is mandatory for Supercenters to succeed. The study also answered another research question which is the impact of
supercenters on consumer preference structures. These supercenters changed consumer preference structures for about twenty percent of households. The study highlighted that consumers preferred traditional supermarkets for convenience, quality, and personalized service and chose supercenter chains due to lower price and larger assortment. The final research question addressed by the authors was to understand whether these supercenter chains brought about any visible, sustainable competitive advantage to the retail food sector. The results of the study indicated that a successful supercenter can easily destroy another weaker retail chain selling similar merchandise if it doesn’t differentiate itself in its strategies.

Arnold and Luthra (2000) studied the market entry effects of large format retailers on various stakeholders which include retail consumers, existing retailers, other businesses, citizens, local communities, governments and nearby markets. The study was based on various published and unpublished research articles, suggestions taken from knowledgeable individuals, and interviews conducted among developers, economic development officials, municipal government officials, urban planners and professionals. In addition, the opinions of executives and store managers of the local retailers were also considered. The results of the study suggested that retail consumers were attracted by the low price offers and consistent way of delivering various services by the large format retailers. The large format retailers penetrated into the market in an accelerated rate thereby causing a considerable decline in the sales of competing local retail stores. Their entry had also positively as well as negatively affected other commercial sectors in the market. These large format retailers have also impacted other stakeholders in terms of economic growth in the community, employment opportunities and losses, changes in job quality and economic decline in nearby markets.

In the same year, Davidson and Rummel (2000) examined the retail changes associated with Wal-Mart's entry into Maine. The study was carried out in Wal-Mart towns, neighboring towns, and other towns in the state, in the years before and after Wal-Mart's arrival. Sales tax reports were used to document retail sales of host towns, neighboring towns, and other towns in the state. The study confirmed that Wal-Mart towns attract new shoppers and total retail sales increased at rates substantially higher rate than other towns in the state, while in neighboring towns retail sales either decreased or increased at very low rates. In the empirical study conducted, Brennan and Lundsten (2000) surveyed three hundred consumers in five small Minnesota towns to examine the impact of large discount stores. The study was done one year after the arrival of six discount stores in these towns. The survey was done to understand the reasons for the retail consumers’ store choice and how the new retailers’ strategies had affected their shopping. The results of the study had clearly shown that consumers were drawn towards the low price and larger assortment of goods in the large discount stores such as Wal-Mart. The study had also highlighted that, if small retailers have to survive in the business, they have to focus on the fewer customers who value the specialty goods and personalized service offerings. The authors concluded that only those retailers which focused on merchandise offering to fewer customers will remain in the business and other small retailers would invariably fail if they don’t rework on their strategies.

Do these large format retailers have a role in changing the market structure in which they enter? Artz (2001) analyzed the impacts of Wal-Mart on the retail market structure in Maine. The findings of the study in deed confirmed the findings of the study conducted by Stone (1998). The study revealed that there had been significant changes in the retail market structure since the opening of a Wal-Mart store in nineteen towns across Maine. The study evidenced that some local traders benefited from the increased customer traffic generated by
the Wal-Mart stores. As a result, the overall consumer sales and the trade area size grew faster in a Wal-Mart host town compared to a town without a Wal-Mart store in Maine. However, the impact of Wal-Mart on retail sales varied across host towns. Half of the host towns reported a net gain in consumer sales while the other half reported a net loss in consumer sales. The study claimed that this variation might be due to differences in economic base characteristics across towns or may be the result of other events not observed in this research. The impact of Wal-Mart on the small, rural community of Lincoln, Maine also confirmed the above findings.

Similar study was conducted by Stone et al. (2002) on the economic impact of Wal-Mart Supercenters on existing businesses in Mississippi. The authors used sales tax reports in Mississippi to analyze changes in the sales of food stores, general merchandise stores, furniture stores, building materials stores, miscellaneous retail stores and the total county. The results of this study proved that the total sales gains of Wal-Mart supercenters were equal to the corresponding sales losses of the existing local businesses in the trade area. The study also highlighted two major implications of the entry of a new supercenter on local merchants. Local merchants that sell merchandise different from the supercenter tend to fare well and gain sales as the additional traffic generated by the big stores spills over into their stores. On the other hand local merchants that sell the same merchandise as the big stores face a reduction in sales because of the difficulty in competing with major chains.

These findings were further confirmed by Singh et al. in 2004. An empirical study was conducted at a store located in a small town in the east coast region of the US. The study used an unique frequent shopper database that recorded purchases for over 10,000 households before and after Wal-Mart’s entry in the town. The authors proposed a model on two key household decisions of whether to visit the store and in-store expenditure. This in turn used a flexible model of inter-purchase time and basket size. The findings of the study revealed that following Wal-Mart’s entry, the incumbent store lost seventeen percent of sales revenue amounting to a quarter million dollars a month. It was also observed that majority of the losses were due to fewer store visit with little impact on the basket size. Another interesting finding was that a small proportion of customers accounted for a large proportion of losses. In terms of consumer characteristics, it was found that households that respond to Wal-Mart are more likely to be weekend shoppers and large basket consumers.

In yet another significant contribution by Zhu et al. (2005), the competition between two multi-product retailers one located nearer to and the other one at a far off distance from the new entrant was analyzed. The new entrant was a dominant discount retailer which had somewhat similar assortment of goods as the existing retailers. The study was conducted to determine the impact of the discount retailer on the pricing and profit of the existing retailers and the role-played by the location of the new entrant. The results of the study showed that before the entry of the new retailer, the two existing retailers earned equal profits with a symmetrical market focusing both on the poor and rich consumers. However, after the entry of a discount retailer, most of the price sensitive consumers moved away from the existing market to buy from the discounter. This in turn led to the existing retailer in close proximity to the discounter to focus mostly on the price insensitive consumers. It was also observed that, after the entry of the discount retailer, the prices for the products offered by the existing retailers, which were not offered by the discount retailer, were higher than the pre-entry prices. Another interesting finding of the study was that the retail store that was closer to the new entrant was in a better position compared to the store located away from the new entrant.
The study concluded that the assortment of product offering by the large retailer attracted more consumers to visit the location, which created a positive demand to the neighboring retailer also. This in turn improved the sales of the neighboring retailer for the non-competing products confirming the above findings.

The above studies exposed the impact of retailers’ expansion especially Wal-Mart on traditional markets in their host country. These retailers took decades to expand throughout their host country. It was in the mid of 1980’s that the need for retail internationalization was realized when many of the retail formats reached saturation level in developed countries like United States. Alexander (1990) claimed that the saturation of domestic markets precipitated the internationalization of retailing and the major retailers were able to finance international expansion with profits from domestic markets. Farhangmehr et al. (2001) analyzed the impact of different types of retail format, on consumers and local retailers in Braga, Portugal. The author used two types of questionnaires, one for the consumers and the other for the traditional retailers. The findings of the study were also in line with the above studies. The study revealed that the consumers preferred hypermarkets due to its convenience and lower prices. On the contrary, the local retailers perceived these hypermarkets as a threat to their business.

An article published in a Chinese local daily (2001) reported that the Chinese retailers experienced huge pressure due to massive inflow of foreign capital into China's retail market. Major retailers like Wal-Mart of the US, Carrefour of France, Metro AG of Germany and Ito Yokado of Japan have established their presence in China. It was reported that, the traditional department stores were unable to sustain in the market and were gradually elbowed out by colorful foreign formats such as supermarkets, round-the-clock stores, shopping centers and chains, stockroom-style supermarkets, etc. The report also highlighted that the less competitive businesses were weeded out from the market and at the same time due to increased competition from the foreign hypermarkets, the domestic retailers were forced to improve their performance.

Tosonboon (2003) investigated the impact of world class distributors on the retail industry in Thailand. The study was addressing the distribution system which comprised of three main parties namely; consumers, distributors and suppliers/producers. The study highlighted that the arrival of world class distributors like Big C, Lotus (Tesco), Carrefour and Makro led to the closure of local department stores and half of local supermarkets. However, the larger and stronger firms were able to survive the competition. The study also revealed the fact that between the year 2000 and 2001 about half of the department stores in Thailand were closed.

Sreejith and Raj (2007) studied the impact of organized retail market on the Indian society. The authors identified many positive and negative impacts of organized retail sector on the Indian society. As a positive note, the authors claimed that the entry of global players like Wal-Mart would bring in the best practices available in the world with respect to managing inventories and logistics. However, the authors argued that the entry of such big players might also eliminate the friendly neighborhood kirana stores in addition to the disappearance of the wholesale commodity markets.

Suryadarma et al. (2007) analyzed the impact of supermarkets on traditional markets and retailers in Indonesia's urban centers. The study applied both qualitative and quantitative methods to study the impact. Quantitative techniques include difference-in-difference
methodology and the econometric model. Qualitative impact evaluation was done with the help of a questionnaire for the traders to know about their opinions of their business and the impact of supermarkets. Five traditional markets were chosen as the treatment group and two markets as the control group. The study identified that the two groups had similar characteristics except for the proximity to supermarkets. The control group had no supermarket nearby. In depth interview was also conducted across thirty seven stakeholders such as, selected traditional market traders, traditional market managers, supermarket managers, relevant government officials at the district planning agencies, district trade and industry office, district market management office, Modern Retailers’ Association (APRINDO) and Traditional Traders' Association (APPSI).

The qualitative analysis highlighted that the traders believed that hypermarkets caused a decline in their earnings and profits. However, the quantitative analysis found that there is no significant difference in changes in profit and earnings between the treatment and control groups. This implied that the decline in earnings and profit of traditional markets cannot be fully attributed to the presence of supermarkets near the traditional markets. The presence of supermarkets is one of the reasons for decline in earnings and profits with the other reasons being weakened purchasing power of their customers due to the fuel price increases and the increased competition from street vendors. The authors also concluded that a competitive traditional market will be able to successfully compete with and exist near supermarkets.

Kaliappan et al. (2008) investigated the impact of liberalization of retail sector and foreign hypermarkets in Malaysia on local retailers. This study was based on the model of the impacts of retail internationalization proposed by Dawson (2003) and Coe and Wrigley (2007) which comprises of seven broad areas of which one is impact on indigenous modern and traditional retailers. The survey was conducted across three retail locations namely, Batu Caves, Wangsa Maju and Puchong in Malaysia. The sample of the study comprised of hundred and thirty five respondents who are either the owner or a senior employee of the local retail outlet. Fifty six percent of the respondents were drawn from provision shops and minimarkets as it was widely believed that these type of businesses were the most likely to be affected by the presence of large scale retailers such as foreign hypermarkets. Data was collected using a self-administered questionnaire and an interview. Cross tabulation was done between type of retail businesses and whether these businesses were negatively affected by the presence of foreign hypermarkets. The findings revealed the fact that the entry of foreign hypermarkets in a town often affected the business environment of the local retail businesses. The newly established foreign hypermarkets tend to acquire much larger market share from the existing local businesses. However, some businesses, especially complementary type of retail businesses benefited from the presence of foreign hypermarkets as compared to those retail businesses that were related to similar business.

In yet another study conducted by Joseph et al. (2008) an attempt to understand the impact of organized retailing on the unorganized sector in India was made. It was witnessed that organized retailers experienced a decline in sales volume and profit in the initial years after the entry of large organized retailers. However, the adverse impact on sales and profit weakens over time. It was also evidenced that there has been competitive response from traditional retailers through improved business practices and technology upgradation. The study also highlighted that the overall consumer spending has improved with the entry of organized retailers.
Although many studies have focused on the impact of hypermarkets on local retailers, there are some studies (Da Rocha and Dib 2002; Bianchi and Mena 2004) that highlighted the strategies adopted by the local retailers to defend their position in the competition. For instance, Da Rocha and Dib (2002) studied the impact of the entry of Wal-Mart in Brazil and in turn the competitive responses from the local retailers. With the help of Porter's model (1985), the authors substantiated that Wal-Mart was a “bad” competitor, because it did not follow the rules of the industry. The authors also explained four competitive responses to Wal-Mart’s entry in the Brazilian retail market. The local retailers of Brazil came out with strategies to neutralize competitor’s action, established competitive advantage, redefined their markets and changed their ownership pattern. The study concluded that the competitor’s responses were so strong in Brazilian retail market that almost all their actions were directed towards building competitive advantage which in turn contributed to the modernization of Brazilian retail industry.

Fernie and Arnold (2002) conducted a study to assess the opportunities for Wal-Mart in the European market. The study revealed the real impact of Wal-mart in Germany, which is a complex, very competitive and highly regulated market in the European continent. Wal-Mart’s entry into the German market was by acquiring local hypermarket stores such as Wertkauf and Spar Handels AG. Wal-Mart tried to attract the German customers by restructuring the acquired stores and introducing various customer service features. The retailer also tried to change customer perceptions from their narrow focus on low price as the attribute for store patronage. The supply chain systems were also improved by the retailer to achieve cost efficiency. Wal-Mart indeed created a strong price war in the German retail market by reducing its prices to achieve overall price leadership. In spite of all its efforts it was very difficult for Walmart to achieve success in the German market. The other hypermarket chains in the German retail market such as Metro, Globus and Kaufland also reduced prices to match Wal-Mart’s prices. These retailers are national players in Germany and have their retail stores in almost all parts of the country. To compete with Wal-Mart, these retailers adopted different prices in different parts of the country to match Wal-Mart prices in areas where they are a primary competitor. In addition to the defensive mechanisms adopted by the competitors, the legal environment in Germany and the nature of ownership of the companies that were acquired by Wal-Mart restricted its growth in the German market.

The above finding was further confirmed by Knorr and Arndt (2003). The researchers tried to explore the facts behind Wal-Mart’s failure in Germany. The study revealed that factors such as acquisition of retail chains owned by Germans, change of management leading to clash of cultures and repeated violation of German laws and regulations led to the fall of Wal-Mart in Germany. In addition, the competition from its primary competitor Aldi, inhibited Wal-Mart’s growth in the German retail market. Aldi, the domestic retailer, maintained its cost and price leadership position throughout Germany. Other domestic retailers such as Lidl, Rewe and Edeka were also able to match the every day low pricing strategy of Wal-Mart. It was claimed that the wide assortment provided by Wal-Mart was not even cheaper than the traditional retailers’ offerings in Germany.

Further to the above study, Bianchi and Mena (2004) described the actions taken by Chilean retailers to defend themselves against the attempt of foreign hypermarkets to capture their market. Many of the foreign retail firms like Sears, J.C Penney and Home Depot withdrew their operations from the Chilean retail market after many difficult years with huge losses. The study explored the overall Chilean retailing industry’s reaction towards threats from
foreign firms. It was identified that the largest retailers in Chile were local family businesses that have established themselves as legitimate organizations. These retailers adopted various defensive strategies such as increased level of consolidation, concentration, improved retail offer for consumers, and incorporation of best retail practices from foreign retailers. The local retailers made huge investments in technology, logistics and training in addition to reduced prices of their offerings. Domestic retailers concentrated more on their formats to increase their market share. It was also claimed that local retailers from all sectors have taken advantage of their knowledge of the local consumer by implementing strategies and using the tools developed by international retailers.

The competitive reaction to market entry of foreign hypermarkets was further probed by Uusitalo (2004) in Finnish Grocery Market. The author investigated the reaction of local competitors in terms of identifying the processes that occurred before and during the entry of the foreign discount retailer Lidl. The study found that the local retailers were highly reactive to the pricing strategy of the new retailer and, wide range and assortment of products offered by them. The domestic retailers added new low-priced private label brands into their product categories. Thus, the domestic market leaders became followers and the foreign retailer played the role of the market leader.

D’Andrea, et al. (2006) explored the various drivers behind the overall success of small retailers, after a decade of prolonged growth of the organized retail sector in Latin America. The study was conducted across the Latin American countries like, Argentina, Brazil, Chile, Colombia, Costa Rica and Mexico. The study evidenced that the retail offerings of small scale retailers fit the needs of emerging consumers quite well. Further, these retailers had a sustainable business model with a focus on inventory turnover. These retailers were very efficient in converting inventory in to cash in a shorter period of time. Small retailers were able to turn their inventory two times higher than that of large supermarkets. It was also found that the small retailers were efficient in terms of gross margin return on sales, labor and inventory.

**Conclusion**

The studies pertaining to the impact of organized retailers on the traditional retail sector are very few in number. Also, most of the studies focused on the impact of Wal-Mart, the largest retailer on various markets in the US and other countries. The above review of literature makes it very clear that there are instances where the traditional retailers have learnt best practices from the organized retailers and there are also many instances where they were the victims of the hypermarkets. This implies that the impact of these hypermarkets on traditional retailers may be positive or negative, however, the direction and magnitude of impact depends on various factors such as the type of local retail businesses, the proximity of existing business and the new entrant, the size and competitiveness of local retail businesses and whether the local business are willing to take competitive measures to withstand the strong competition from new entrant. These areas still need to be explored in its totality. Future studies could also take into consideration the various strategic dimensions of retailing and their individual impact on the performance of traditional unorganized retailers. This would give a deep insight into the individual aspects of a retailer that will improve their overall performance.
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