



## CHALLENGES OF UNORGANIZED RETAILERS - AN EMPIRICAL STUDY

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### INTRODUCTION

Retailing shows the real way of selling goods and services. The retail sector plays a vital role in the world economy. In India, retail industry has become the second largest employer after agriculture. The final stage of any economic activity is retail and so, it has an important place in the world economy. According to Philip Kotler (2007), Retailing includes all the activities involved in selling goods or services to the final consumers for personal, non-business use. Retailing can be defined as the buying and selling of goods and services. It can also be defined as the timely delivery of goods and services demanded by consumers at prices that are competitive and affordable (Vidushi Handa & Navneet Grover, 2012). Retailing is the final step in the distribution of merchandise, for consumption by the end consumers. In the complex world of trade, today, retail would include not only the goods but also the services that may be provided to the end consumer. The Indian retail industry is divided into organized and unorganized sectors. 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. On the other hand, 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. "Unorganized retailing" is defined as an outlet which is run locally by the owner or the caretaker of a shop who lacks the technical and the accounting standardization. The supply chain and the sourcing are also usually done locally to meet the local needs (Singh, 2008). According to Ram Kishen (2010), "Unorganized retailing is that part of retailing where the retailer is not providing a standardized bill to the customers, not filing the returns for income tax purpose and operates more at the local level with customized offering".

### INDIAN UNORGANISED RETAIL MARKET

According to the National Accounts Statistics of India the 'unorganised sector' includes units whose activity is not regulated by any statute or legal provision and/or those, which do not maintain regular accounts. Thus, unorganised retailing refers to the traditional formats of low-cost retailing, for example, the local kirana shops, owner managed general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors, etc. Unorganised retailing is characterized as unstructured and high degree of fragmentation with street markets constitutes form peddlers, vegetable vendors, neighbourhood stores and consumer durable stores to manufacturer owned retail outlets.

Unorganised retail sector covers all those forms of trade which sell an assortment of products and services ranging from fruits and vegetables to shoe repair. These products and services may be sold or offered out of a fixed or a mobile location and the number of people employed could range between 10-20 people. Thus the neighbourhood baniya, the paanwala, the cobbler, the vegetable, fruit vendor, etc. would be termed as the unorganized sector. Traditionally three factors have plagued the Indian retail industry:

**Unorganized:** India is known as nation of shopkeepers where vast majority of the retail stores are small "father and son" outlets. Traditionally it is a family's livelihood, with their shop in the front and house at the back, while they run the retail business.

**Fragmented:** India has some 15 million retail outlets, however a disturbing point is that 96 percent of them are smaller than 500 square feet in area. This means that India per capita retailing space is about 2 square feet. India's per capita retailing space is thus the lowest in the world.

**Rural bias:** Nearly two thirds of the stores are located in rural areas. Rural retail industry has typically two forms: "Haats" and "Melas". Haats are the weekly markets: serve groups of 10- 50 villages and sell day-to-day necessities. Melas are larger in size and more sophisticated in terms of the goods sold (like TVs).

The unorganized retail sector is expected to grow at approximately 10 per cent per annum with sales rising from US\$ 309 billion in 2006-07 to US\$ 496 billion in 2011-12. It is a low cost structure, mostly owner-operated, has negligible real estate and labor costs and little or no taxes to pay. According to a survey by AT Kearney, an overwhelming proportion of the Rs. 4,00,000 crore retail markets is unorganised. Consumer familiarity that runs from generation to generation is one big advantage for the traditional retailing sector.

### IMPACT ON UNORGANIZED RETAILERS

- Unorganized retailers in the vicinity of organized retailers experienced a decline in their volume of business and profit in the initial years after the entry of large organized retailers.
- The adverse impact on sales and profit weakens over time.
- There was no evidence of a decline in overall employment in the unorganized sector as a result of the entry of organized retailers.
- The rate of closure of unorganized retail shops in gross terms is found to be 4.2 per cent per annum which is much lower than the international rate of closure of small businesses.
- Most unorganized retailers are committed to remain independent and barely 10 per cent preferred to become franchisees of organized retailers.

### OBJECTIVE OF THE STUDY

- To find out what are the problems influence the retailers' challenges.
- To suggest suitable measures to unorganized retailers to survive in today's world.

### HYPOTHESES OF THE STUDY

H<sub>0</sub>1: There is no relationship between retailer's problems and challenges.

H<sub>0</sub>2: Retailers problem do not have influence on challenges.

### METHODOLOGY

A descriptive study has been carried out to get a clear picture of the research topic by interacting with unorganized retailers, with regard to challenges towards retailing. For to identified the various problem faced by the retailers, research has gone through the various research articles relevant to the problems of retailing. After then researcher identified personal problems, labour problems, marketing problems, financial problems, customers problems, manufactures problems and social problems are the various problems faced by the retailers in the unorganized retail sector. Based on the various problems researcher developed a questionnaire which included all the seven problems in the 5 point scale. 5 stand for very important and 1 stands for unimportant. A sample of 528 respondents is approached by a multi stage sampling method. The schedule has been prepared based on the literature review. The data has been collected based on the prepared questionnaire through the retailers in Chennai. Then the collected data has been thoroughly checked and analyzed by the statistical software package SPSS 17. The appropriate statistical tools like frequency, correlation and regression analysis has been applied.

### RESULTS AND DISCUSSIONS

**Table-1: Opinion towards various problems faced by the retailers**

S.No	Problems	Mean	SD
1	Personal problems	4.04	1.299
2	Labour problems	4.17	1.236
3	Marketing problems	4.18	1.206
4	Financial problems	4.07	1.238
5	Customers problems	3.84	1.368
6	Manufactures problems	4.11	1.293
7	Social problems	4.23	1.291

**Source:** Primary data computed.

Retailers face a complex and diverse set of challenges. In today's chaotic environment, the key to success lies in knowing the true incremental impact of any action. By correctly identifying successful programs, retailers can effectively speed up the adoption of value-adding activities, curtail those that don't work and most importantly and target initiatives for enhanced profitability. Table-1 reveals that opinion towards various problems faced by the retailers. personal problems, labour problems, marketing problems, financial problems, customers problems, manufactures problems and social problems are the various problems faced by the retailers in the unorganized retail sector. The mean and standard deviation are calculated for each problem. From the mean score, it is noted that majority of the retailers facing social problems (4.23) followed by marketing problems (4.18). Among the various retailers problems labour problems secure a mean score of 4.17 followed by manufactures problems (4.11), financial problems (4.07) and personal problems (4.04) customer's problems secure a least mean score of 3.84. From the mean score it is noted that majority of the retailers facing social problems and very few of them are facing customers problems. The corresponding standard deviation value is also noted that no much deviation within the

group of retailers problem. It is found that among the various problems social problems is highly challengeable towards retailers.

**Table-2: Relationship between retailers' problems and challenges**

S.No	Problems	Challenges	
		r-value	P-value
1	Personal problems	0.460	0.001*
2	Labour problems	0.401	0.001*
3	Marketing problems	0.396	0.001*
4	Financial problems	0.379	0.001*
5	Customers problems	0.355	0.001*
6	Manufactures problems	0.417	0.001*
7	Social problems	0.344	0.001*

Source: Primary data computed; \* Significant @ 1% level.

Relationship between retailers' problems and challenges towards retail business is displayed in table-2.

H<sub>0</sub>1: There is no relationship between retailers' problems and challenges.

In order to examine the above hypotheses, Pearson correlation is employed. From the r values, it is inferred that the study variables have relationship with itself, because r values are significant and also positive. Hence the stated hypothesis is rejected. Retailers opined that various problems such as personal problems, labour problems, marketing problems, financial problems, customers problems, manufactures problems and social problems are having high relationship with challenge faced by the retailers. It is observed that in various retailers' problems, personal problem has secured the highest r-value of 0.460 with challenges followed by manufactures problems (0.417), Labour problems (0.401), marketing problems (0.396), financial problems (0.379), customers problems (0.355) and social problems (0.344). It is observed that personal problem, manufactures problems and labour problem are highly influence the challenge among the other retailer problems. It is inferred that personal problems, labour problems, marketing problems, financial problems, customers problems, manufactures problems and social problems are positively related with the various challenge faced by the retailers. Personal problem, manufactures problems and Labour problems are having the higher level of relationship with retailers challenge where as marketing problems, financial problems, customers problems and social problems are having least level of relationship with retailers challenge.

**Table-3: Effect of retailers' problem based on challenges**

R- value	R-square value	Adjusted R square value	Std error	F-value	P-value
0.854	0.607	0.598	1.356	32.86	0.001*

Factors	B-value	Std error	Beta	t-value	p-value
Constant	0.832	0.168	-	4.94	0.001*
Personal problems	1.502	0.201	1.164	7.47	0.001*
Labour problems	-0.482	0.163	-0.392	-2.96	0.003**
Marketing problems	0.149	0.261	0.120	0.569	0.569 (NS)
Financial problems	-0.299	0.147	-0.261	-2.03	0.043 (NS)
Customers problems	-0.421	0.132	-0.353	-3.18	0.002**
Manufactures problems	0.827	0.136	0.763	6.09	0.001*
Social problems	-0.728	0.160	-0.624	-4.55	0.001*

Source: Primary data computed; \* Significant @ 1% level; \*\* Significant @ 5% level; NS:Non-significant.

Table-3 brings the effect of retailer's problem based on challenges. Here the retailer's problem is considered as an independent variable and challenges are treated as dependent variable.

H<sub>0</sub>2: Retailers problem do not have influence on challenges.

To verify the above stated hypothesis multiple regressions is carried out. The purpose of regression analysis is to find the most predictors variables on brand retailers challenges. The result is displayed in table-3. The measure of strength of association in the regression analysis is given by the co-efficient of regression determination denoted by R-square as 0.607



and R-value as 0.854. The F-value is 32.86 which is significant at one percent level and ascertain that there is significant relationship between dependent and independent variable. So, the hypothesis is rejected.

Further, R-square value indicates that the independent variables influence at 60.7% on the dependent variable. The standardized co-efficient beta value indicates the relative importance of the predictors on retailers challenge. It is inferred that retailers problem are significantly and positively as well as negatively influenced the challenges.

Personal problems, Marketing problems and Manufactures problems are positively predicting variables where as Labour problems, financial problems, Customers problems and Social problems are negatively predicting variables on retailer challenges. The corresponding p-value of these variables is significant at one and five percent level. So, these variables significantly influenced on retailer challenges. Challenges are expressed by the following equation.

Challenges = 0.832 (constant) + 1.502 (Personal problems) - 0.482 (labour problem) + 0.149 (Marketing problems) - 0.299 (Financial problems) - 0.421 (Customers problems) + 0.827 (Manufactures problems) - 0.728 (Social problems)

The equation is explained that the personal problems, marketing problems and manufactures problems have positive impact on retailers' challenges. Whereas labour problem, financial problems, customers problems and social problems have negative impact on retailers' challenges. From the regression beta value, it is inferred that to have one unit decrease of challenges faced by the retailers, personal problem is decrease by 1.502 level when other factors remain constants. Similarly marketing problems and manufactures problems is decreased by 0.149 and 0.827 level when other factors remain constants.

It is found that the Personal problems, Marketing problems and Manufactures problems are positively influenced the retailers' challenges. Labour problem, financial problems, customers problems and social problems are negatively influencing the retailers challenges which means, retailers are facing least level problems from the labour, financial, customers and society.

#### **RECOMMENDATION AND CONCLUSION**

Majority of the retailers facing social problems and very few of them are facing customer problems. It is found that among the various problems social problems is highly challengeable towards retailers. Personal problem, manufactures problems and Labour problems are having the higher level of relationship with retailers challenge where as marketing problems, financial problems, customers problems and social problems are having least level of relationship with retailers challenge. It is found that the Personal problems, Marketing problems and Manufactures problems are positively influenced the retailers challenges. labour problem, Financial problems, Customers problems and Social problems are negatively influencing the retailers challenges.

Traditional retailers faced a major challenge with the entry of organized retail sector in the market. In response to competition from organized retail, unorganized retailers can take certain measure like:

- Adding new product lines and brands.
- Better displays.
- Renovation of the store.
- Introduction of self service.
- Enhancing the store ambience.
- Differentiating services.
- Enhanced home delivery.
- Acceptance of credit cards.

Some of the general strategies that can be adopted are as follows:

- Modernize Existing Stores
- Computerized Billing
- Air Conditioned Stores
- Corporate Support
- Store promotion
- Prominent Feed Back System
- Phenomenon of Discounting
- Hire the Right People



The purpose of the study is to in depth understanding of challenges in unorganized retailers. In that way, now a day's Indian consumers are showing rapid changes by shifting their buying attitude from unorganized outlets to organized outlets. In the emerging Indian retail environment, this research paper has brought insights into challenges of unorganized retail sector in India and this research paper will thus help unorganized retailers to frame strategies to face the challenges in this sector. By implementing these strategies the unorganized retailers can sustain and survive in the competitive market.

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