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Consequences of Retailers Challenges on Unorganised Retail Outlets

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Abstract

The India Retail Industry is the largest among all the industries, accounting for over 10 per cent of the country's GDP and around 8 per cent of the employment. Retail industry is often known to be influenced by the economy and changes in the shopping seasons. However, there are other significant problems in this industry. This paper is analysed the Retailers faced challenges of unorganised retail outlets. 523 retailers were considered as a sample size for the study. Descriptive statistics, Friedman's multiple comparison test, and Multiple regression analysis are used to show that which are the problems those highly influenced. It is found that the retail business is significantly influence the challenges.

Key words: Retail business, Unorganised Retail sector, Challenges, Problems

Introduction

The retail scenario in India is unique. Much of it is in the unorganized sector, with over 12 million retail outlets of various sizes and formats. Almost 96 percent of these retail outlets are less than 500 sq.ft. in size, the per capita retail space in India being 2

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sq.ft. Compared to the US figure of 16 sq.ft. India's per capita retailing space is thus the lowest in the world. With more than 9 outlets per l,000 people, India has the largest number in the world.

Most of them are independent and contribute as much as 96 percent to total retail sales. Because of the increasing amount of nuclear families, working women, greater work pressure and increased commuting time, convenience has become a priority for Indian consumers. They required everything under one roof for easy access and wide variety of choice. This offers an outstanding opportunity for organized retailers in the country who account for just two percent (and modern stores 0.5 percent) of the estimated US $180 billion worth of goods that are retailed in India every year. The growth and development of organized retailing in India is driven by two main factors - lower prices and benefits the consumers can’t resist (Ajay Soni, 2010).

The Indian retail system was also not untouched by this global economic slump. Subhiksha’s operation became unpleasant and required liquidity injection. Indian retail players like Reliance and Pantaloons too had to scale down their operations and kept their expansion plans on safe racks for the right time. The organized retail sector had to bear the brunt of this economic recession but the unorganized sector kept expanding in this recessionary phase as well. Small retailers escaped from the heat of such a widespread fire. It may be mainly because unorganized sector deals with the day to day needs of the masses which are important

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for the existence. These intrinsic needs can't be avoided and hence consumers are forced to knock the doors of the unorganized retailers.

Retailers are the last and vital members in the channel of distribution. The retailer serves to the manufacturer by offering his goods and services to the consumers and creates a channel of information where customers' feedback, their expectations and points of dissatisfaction (if any) are shared with the manufacturer. From customer's point of view, the retailer's main function is to provide merchandise in the right quality, quantity, price, time, and at the right place.

The Unorganized sector consists of unincorporated businesses that are owned and run by individuals or households. These businesses are not legally distinct from their owners, who raise capital at their own risk and have unlimited personal liability for debts and obligations. Informal businesses typically employ family members and casual labor without formal contracts. Unorganized Retailing refers to the conventional formats of low-cost retailing, for example, the local kirana shops, owner manned general stores, paan or beedi shops, convenience stores, hand cart and pavement vendors, etc.Undeniably, around 96 percent of Indian retail sector is unorganized and hence majority of sales take place through unorganized stores popularly known as kirana or mom-and-pop stores

Unorganized retailing or neighbourhood retailing or convenience store is a traditional feature of the Indian retail scene. Traditional retailing is typically small family business (D'Adrea et. al., 2006, Bianchi, 2004) linked with local culture and a non-organized distribution. These stores are performing various functions like social

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meeting place, points of exchanging of information and serve as socially integrated units beyond buying selling activity.

So, the researcher made sincere attempt to analyze the challenges faced by unorganized retailer. A personal problem arises due to a person's own choices and the effects those decisions have for that individual alone. It has no affect on society whatsoever. It could be problems he or she may have to deal with on their own. The challenges of many retail outlets are, facing administrative challenges. In the present day competitive world, to satisfy the consumers, retail shop has to be organized with certain standards.

However, there are certain laws that the retailers need to follow, which are general in nature and which pertain to the establishment of stores and the conduct of activities. Hence, this paper analyse the challenges of unorganized retailers in retail market scenario in Tamilnadu, India.

Research Methodology

The main aim of this paper is to analyze the effect of retailer's challenges on the unorganized retail outlets. Retailer's opinion is described in this study; hence this study falls under descriptive in nature. Personal problems, labour problems, marketing problems, financial problems, customers problems, manufactures problems and social problems are refers to the retailer challenges faced by their day to day life. Its scale has been developed by the researcher. There are 72 statements are considered for analyzing the problems of the retailer in the study. It is measured with the five-point

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scale where 5 stands for strongly agree, 4 for agree, 3 for neutral, 2 for disagree and 1 for strongly disagree. The samples of retailers are chosen from Madurai city, Tamilnadu. Totally 600 retailers were approached. However, 523 responses are fit for further analysis. Finally, 523 retailers are considered as a sample size for the study. Descriptive statistics, Friedman's multiple comparison test, and Multiple regression analysis are used to describe the sample, to show that which are the statements those highly influenced and measure the linear association between the dependent and independent variable.

Table-1: Respondents opinions towards unorganised retail business

Unorganised retail business	Mean	S.D
Comfortable	3.78	1.360
Highly profitable	3.46	1.568
Family background	3.70	1.568
Support from family members	3.24	1.661
Owing interest	3.42	1.416
Demand for the product or services	3.56	1.445
To avail Government concessions	3.26	1.440

Source: Primary data computed.

Retailing involves sale of goods and merchandise from a fixed location like a shop in small quantities for the direct consumption by the consumer. The retail industry in India is contributing to the GDP and is also creating employment opportunities. Unorganized retail is playing important role in the developing countries. Unorganized retailers are also interested in staying in the market and compete with the organized retailers.

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The retailer opinion towards the reason for opting the retail business are analyzed with prior experience, technical qualification, family business, Support from family members, owing infrastructure facilities, demand for the product or services and to avail government concessions. Their opinion is displayed in the table-1.

Respondent's opinion was collected in the five point scale for each factor, then mean and standard deviation are calculated. From the mean score, it is noted that majority of the retailers are stated that comfortable (3.78) followed by family background (3.70), demand for the product or service (3.56), highly profitable (3.46), owing interest (3.42), avail government concessions (3.26) and support from family (3.24). The corresponding standard deviation value also indicated that there is no much deviation within the group of the respondents. It is evident from table the unorganised retailers felt that it is very comfortable and it is obtained the highest mean value than other statement about retail.

Table-2: Relationship between retail business based on challenges

Challenges	Challenges relating to retailing business	
	r-value	p-value
Personal problem	0.460	0.001*
Labour problem	0.401	0.001*
Marketing problem	0.396	0.001*
Financial problem	0.379	0.001*
Consumer problem	0.355	0.001*
Manufacturing problem	0.417	0.001*
Social problem	0.344	0.001*

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

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

H_0: 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 opinion that various problems such as personal problems, labour problems, marketing problems, financial problems, customers problems, manufactures problems and social problems have high relationship with challenge faced by the retailers.

It is observed that among 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), customer based problems (0.355) and social problems (0.344). It is observed that personal problem, manufactures problems and labour problem are highly influencing 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 challenges faced by the retailers. Personal problem, manufactures problems and Labour problems have the higher level of relationship with retailers challenge where as marketing problems, financial problems,

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customers problems and social problems have least level of relationship with retailers challenge.

Table-3: The effect of retail business based on challenges

R- value	R- Square value	Adjusted R Square value	F- value	P-value
0.854	0.607	0.598	32.867	0.001*

Challenges	B-value	Std. Error	Beta value	t- value	P-value
(Constant)	0.832	0.168	-	4.943	0.001*
Personal problem	1.502	0.201	1.164	7.473	0.001*
Labour problem	-0.482	0.163	-0.392	-2.966	0.003**
Marketing problem	0.149	0.261	0.120	0.569	0.569 (NS)
Financial problem	-0.299	0.147	-0.261	-2.031	0.043**
Customer based problem	-0.421	0.132	-0.353	-3.182	0.002**
Manufacturing problem	0.827	0.136	0.763	6.092	0.001*
Social problem	-0.728	0.160	-0.624	-4.552	0.001*

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

Table-3 explains the effect of retail business based on challenges. Here, retailers challenges are classified as personal problem, labour problem, marketing problem, financial problem, consumer problem, manufacturer based problem and social problems. Problems are treated as independent variable and challenges are treated as dependent variable.

H_0: The challenges of retailers do not have influence on retail business.

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Regression analysis is applied to identify the strongest predictor of problems in challenges. The measure of strength of association in the regression analysis is given by the co-efficient of regression determination denoted by R square value is 0.607. The adjusted R square value is to be 0.598 which display that 59.8 percent of the influence on the level of challenges. The F-value is 32.867 and P-value is 0.001 which is significant at one percent level. Hence above stated hypothesis is rejected. It is inferred that the retailers problems are significantly influence the challenges. The corresponding P-value of these problems is significant. So these problems significantly influence on challenges. The extent of challenges is expressed by following equation.

Challenges = 0.832 (Constant) + 1.502 (personal problems) + 0.827 (manufacturer based problems) – 0.299 (financial problems) – 0.421 (customers problems) – 0.482 (labour problems) – 0.728 (social problems)

The equation is explained that the personal problem and manufacturer based problems have a positive impact on challenges. Whereas labour problem, financial problems, social problem, and customer-based problems have a negative impact on challenges. To increase one unit of challenges, the personal problem increased by 1.502 and manufacturer based problems increased by 0.827. However financial problem decreased by 0.299, customer-based problem decreased by 0.421, labour problem decreased by 0.482, and the social problem decreased by 0.728.Where other factors remain constant. It is found to be personal problems and manufacturer based

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problems are positively influence the challenges. However financial problems, customer based problems, labour problems and social problems have negatively significantly impact on challenges. This finding supported by earlier researcher Tazyn Rahman (2012) studied the opportunities and challenges faced by organized retail players in India. It is found that organized retailers face competition from the unorganized sector as their biggest challenge, followed by competition between organized retailers and the inefficiency of distribution channels, internal logistical problem, social problem and marketing problem in retailing business.

Conclusion

It is concluded 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 problems, manufactures problems and Labour problems have the higher level of relationship with retailers challenge where as marketing problems, financial problems, customers problems and social problems have least level of relationship with retailers challenge.

Organized retail players must adopt strategies to enhance their growth. Without doubt, they have to make substantial investments in technology to ensure zero wastage of goods, time and effort and in particular, they have to invest in supply chain infrastructure. On the other hand, the Government can take several steps to help enhance organized retail growth.

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This study clearly point out that the unorganized retailers are facing many challenges and competition. These reduce their sales, profit and employment considerably. So retailers should follow effective managerial implication to avoid losses.

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