



## A STUDY ON MARKETING PROBLEMS OF UNORGANISED RETAIL SHOPPERS

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### Abstract

Retail business played a major role in world over in increasing productivity across the country especially in consumer goods and services. Retail sector is largely dominated by unorganized players such as Kirana shops, mom and pop shops, neighbourhood and convenience retailing in India. The aim of this study is to analyse the marketing problems on unorganized retail shoppers. The samples of retailers are chosen from Chennai city, Tamilnadu. Totally 600 retailers were approached. Finally 528 retailers are considered as a sample size for the study. Descriptive statistics, Friedman's multiple comparison tests and multiple regression analysis are used to describe the sample. The result observed that Marketing problems significantly positively as well as negatively influence the challenges of retailing business.

**Keywords:** Unorganised Retail Sector, Marketing Problem, Challenges, Retailers, Shops.

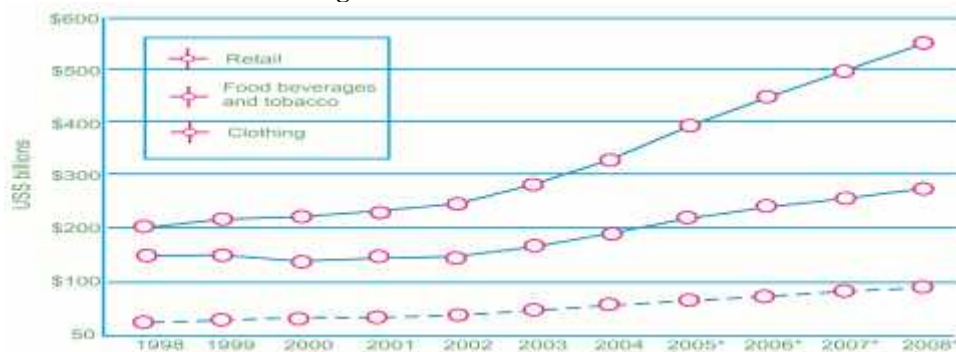
### Introduction

The size of Indian retail industry is more than US \$350 billion but it is highly unorganized. The organized sector has started developing in the past few years. Many International brands have entered the market. With the growth in organized retailing, unorganized retailers are fast changing their business models. The Indian retail sector was not untouched by this global economic slump. Subhiksha's operation became languish and required liquidity injection. Indian retail giants 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 growing 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 for the existence. These intrinsic needs can't be avoided and hence consumers are forced to knock the doors of the unorganized retailers. This phase has also witnessed the rise and rise of social media. Social media has evolved as the highest-flying technological tool. The wide reach ability of social media combined with nominal monetary investment makes it a powerful technological tool to strengthen the unorganized retail sector.

India is known as the 'nation of shops'. After agriculture, retailing is the second largest employer in India. Approximately, over 12 million shops exist in various parts of the country. These shops are totally unorganized, independent, owned-managed outlets. Presence of unorganized/traditional retailing is highly prominent in small towns and cities with main presence of neighbourhood "kirana" stores, push-cart vendors, "melas" and "mandis". Organized formats are only in the initial stages of adoption in these regions. Leading retail players in the industry are beginning to explore these markets and the rural consumers are slowly beginning to embrace the newer organized retail formats.

Due to rising per capita income and fast emerging middle-class has made India as the favourable destination for retailing. New and new malls are coming up in the urban parts of the country. Franchisee outlets are mushrooming. More and more business houses are venturing into the retail industry.

Figure-1: Retail Sales in India



Sources: Economical Intelligence Unit and A.T. Kerney analysis.



New retail formats are emerging and even changing the traditional face of jewellery shops, furniture shops, book stores and pharmacy shops. People are spending their major portion of income on food and clothing. The share was 72.8 percent in 2006, worth approximately 9861.4 billion; while non-food and clothing sales was worth 3476.8 billion and this trend seems to continue in the years to come.

### Research Methodology

The aim of this paper is to analyse the marketing problems of on unorganized retail shoppers. Retailer's opinion is described in this study; hence this study falls under descriptive in nature. Marketing problem refers to the retailers problems in marketing faced in their day to day life. Marketing problem scale has been developed by the researcher. There are 20 statements are considered for analyzing the marketing problems of the retailer in the study. It is measured with five point 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 Chennai city, Tamilnadu. Totally 600 retailers were approached. However, 528 responses are fit for the further analysis. Hence, 550 is the sample size of the study. Finally 528 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: Retailer opinion towards marketing problems in retail business**

S. No	Marketing problems of Retailers	Mean	S.D	Friedman's test Mean Rank	Chi square value	P-value	Multiple comparison test
1	Competition from other retailers	3.40	1.309	10.44	135.328	0.001*	13,14,12 11,7,18,4,17 20,16,6 2,1,5 9,3,10 19,15,8
2	Competition from Supermarkets	3.33	1.438	10.47			
3	Lack of information about changing market trend	3.34	1.383	10.05			
4	Availability of sub standard product	3.44	1.393	10.75			
5	Credit sales offered by other retailers	3.31	1.434	10.39			
6	Special discount / offers given by the competitor	3.42	1.423	10.53			
7	Difficult to analyse the demand forecasting	3.50	1.337	10.84			
8	Problems in dealer selection	3.27	1.206	9.14			
9	Poor stock control practices	3.37	1.366	10.14			
10	Inefficient display of products	3.28	1.419	10.01			
11	Inconsistence of sales	3.45	1.424	10.88			
12	No scope for special sales	3.49	1.410	11.10			
13	Poor response on retail promotion	3.57	1.434	11.59			
14	Higher expenses in selling activities	3.56	1.426	11.57			
15	Increase of operational cost / rent / EB bills	3.21	1.404	9.64			
16	Un suitable place to run the business	3.41	1.357	10.54			
17	Price variation	3.45	1.356	10.61			
18	Delay in delivery	3.44	1.430	10.81			
19	Low profit margin	3.30	1.377	9.94			
20	MNC Entry	3.44	1.358	10.55			

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



Now a day's unorganized retail stores are the first choice of the consumers for shopping, because they provide everything under good relationship. Food, medical, footwear and grocery stores put many efforts to attract the consumers by providing them attractive offers like organized retailing store.

Competition from other retailers and from supermarkets, lack of information about changing market trend, availability of sub standard product in the market, credit sales offered by others, special discount /offers given by the competitor, difficult to analyze the demand forecasting, problems in dealer selection, poor stock control practices, inefficient display of products, inconsistency of sales, no scope for special sales, poor response on retail promotion, higher expenses in selling activities, increase of operational cost / rent / EB bills, un suitable place to run the business, price variation, delay in delivery, low profit margin and MNC entry are the various problems faced by the unorganized retailers in the marketing side. The respondents asked to rate their opinion towards these problem. The result is displayed in table-1. The mean value is ranged from 3.21 to 3.57. Based on the mean value, it is inferred that the marketing problems of the retailers are at average level. The corresponding standard deviation values indicate that there is no much deviation within the group of retailers.

H<sub>0</sub>: Opinion about marketing problem is found to be similar among all the respondents.

In order to test the above stated hypotheses, Friedman's test is applied. The Friedman's mean rank value lies between 9.14 and 11.59. Chi square value is 135.238, which is significant at one percent level. Hence, the hypothesis is rejected.

To identify the highest contributing factor of the marketing problems, Friedman multiple comparison test is applied. After applying the test, 20 statements are grouped into 6 categories. Poor response on retail promotion, higher expenses in selling activities and no scope for special sales are placed in first rank and these factors together contribute towards marketing problems followed by inconsistency of sales, difficult to analyse the demand forecasting, delay in delivery, availability of sub standard product and price variation together occupy the second place. MNC entry, unsuitable place to run the business and special discount/ offers given by the competitor together occupy the third place.

Competition from super markets, competition from other retailers and credit sales offered by other retailers along takes place the fourth position followed by poor stock control practices, lack of information about changing market trend and inefficient display of products as fifth place. Low profit margin, increase of operational cost/ rent/ EB bills and problems in dealer selection are in the sixth position.

**Table 2 : Effect of marketing problem on challenges**

R	R Square	Adjusted R Square value	F- value	P-value.
0.859	0.612	0.585	11.498	0.001*

Marketing problems	B	Std. Error	Beta value	t-value	P-value
(Constant)	5.102	0.142	-	35.944	0.001*
Competition from other retailers	0.309	0.124	0.335	2.497	0.013**
Competition from Supermarkets	-0.135	0.074	-0.161	-1.822	0.069 (NS)
Lack of information about changing market trend	0.163	0.095	0.187	1.713	0.087 (NS)
Availability of sub standard product in the market	-0.064	0.066	-0.074	-0.966	0.334 (NS)
Credit sales offered by others	0.109	0.077	0.130	1.413	0.158 (NS)
Special discount / offers given by the competitor	-0.314	0.160	-0.371	-1.970	0.049**
Difficult to analyse the demand forecasting	0.105	0.080	0.117	1.326	0.186 (NS)
Problems in dealer selection	0.037	0.095	0.037	0.389	0.697 (NS)
Poor stock control practices	0.324	0.086	0.367	3.783	0.001*



Inefficient display of products	-0.024	0.084	-0.028	-0.281	0.779 (NS)
Inconsistence of sales	-0.183	0.068	-0.215	-2.685	0.007**
No scope for special sales	0.238	0.075	0.278	3.168	0.002**
Poor response on retail promotion	-0.096	0.140	-0.114	-0.683	0.495 (NS)
Higher expenses in selling activities	-0.489	0.084	-0.578	-5.814	0.001*
Increase of operational cost / rent / EB bills	-0.205	0.064	-0.238	-3.179	0.002**
Un suitable place to run the business	-0.821	0.141	-0.924	-5.834	0.001*
Price variation	0.529	0.085	0.594	6.239	0.001*
Delay in delivery	0.077	0.134	0.091	0.573	0.567 (NS)
Low profit margin	-0.031	0.124	-0.036	-0.250	0.803 (NS)
MNC Entry	0.208	0.132	0.234	1.571	0.117 (NS)

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

Table-2 shows that the effect of marketing problems on challenges. Competition from other retailers, competition from supermarkets, lack of information about changing market trend, availability of sub standard product in the market, credit sales offered by others, special discount / offers given by the competitor, difficult to analyse the demand forecasting, problems in dealer selection, poor stock control practices, inefficient display of products, inconsistence of sales, no scope for special sales, poor response on retail promotion, higher expenses in selling activities, increase of operational cost / rent / EB bills, un suitable place to run the business, price variation, delay in delivery, low profit margin and MNC entry are the marketing problem treated as independent variable and challenges is treated as dependent variable.

$H_0$ : Marketing problems do not have influence on challenges

Regression analysis is applied to identify the strongest predictor of marketing problems on challenges. The measure of strength of association in the regression analysis given by the co-efficient of regression determination denoted by R square value is 0.612. The adjusted R square value is to be 0.585 which displays that 58.5 percent of the influence on the level of challenges. The F-value is 11.498 and the P-value is 0.001 which is significant at one percent level. Hence, above stated hypothesis is rejected.

Challenges = 5.102 (constant) + 0.529 (price variation) + 0.324 (poor stock control practices) + 0.309 (competition from other retailers) + 0.238 (no space for special sales) – 0.183 (inconsistence of sales) – 0.205 (increase of operational cost) – 0.314 (special discount offered by the competitors) – 0.489 (higher expense in selling activities) – 0.821 (unsuitable place to run the business)

The equation explains that the price variation, poor stock control practices, competition from other retailers, no space for special sales are positively impact on challenges.

Whereas The inconsistence of sales, increase of operational cost, special discount offered by the competitors, higher expense in selling activities, unsuitable place to run the business have negative impact on challenges. To increase one unit of challenges the price variation is increased by 0.529, poor stock control practices increased by 0.324, competition from other retailers increased by 0.309, no space for special sales increased by 0.238. However inconsistence of sales decreased by 0.183, increase of operational cost decreased by 0.205, special discount offered by the competitors decreased by 0.314, higher expense in selling activities decreased by 0.489, unsuitable place to run the business decreased by 0.821 where other factors remain constant.

It is found that price variation, poor stock control practices, competition from other retailers and no space for special sales have positive impact the challenges, inconsistence of sales, increasing of operational cost, special discount offered by the competitor, higher expense in selling activities have negative significant impact on challenges retail business. This result supports another problem of marketing researcher forecasting demand is one of the main challenges for organized retailers.



Retailers face several challenges when it comes to forecasting like scale of the problem (large number of stores and items to forecast), Intermittent demand (slow and erratic sales for many items at the store level), Instability of assortments (frequent new-item introductions and seasonal assortment changes), pricing and promotional activity.

Available studies in abroad consistently show out-of-stock rates to be higher for promoted items (Corsten & Gruen, 2003; Taylor & Fawcett, 2001) and the differences between promoted and non-promoted items in most cases are substantial. Out-of-stock items mean dead-time, money and energy, but more importantly, stock-outs contribute to consumers switching to other brands or retail stores to fulfill their demands. Consumers facing out-of-stocks behave in a variety of ways including switching the brand or changing the shopping location. A similar challenge has affected other major components of labour and personal problem on unorganised retail sector (Vetrivel, 2016).

### Conclusion

The above tables clearly indicate that marketing problems significantly positively as well as negatively influence the challenges of retailing business. Price variation, poor stock control practices, competition from other retailers, no space for special sales positively impact the challenges, inconsistency of sales, increasing of operational cost, special discount offered by the competitor, higher expense in selling activities have negatively significant impact on challenges retail business. It is identified that majority of the sample respondents ranked poor market condition as their major problem. Hence, it is suggested to the retailers could successfully market their products by more careful identification of market segments and providing service superior to that of the competitors. The promotional measures such as advertising in local television, banners etc. This result in confidence and trust by customers on the store about the availability of the specialized items or products. The amount of promotion done by a shop depends on a number of factors such as store policy, how frequently they bring in new products and new stocks conducting of promotional schemes, general awareness of the shop, the market segment catered to and the budget available for promotion.

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