

# Marketing Challenges Impeding the Growth of Retail Trade in India: A Critical Analysis (With Reference to Vellore District, Tamil Nadu)

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## Abstract

This paper attempts to study whether the various marketing challenges dealt with by the retailers are hampering the growth of retail trade in Tamil Nadu. In the total retail sector in India, the organized retail format has been growing very fast comparatively to the traditional unorganized retail formats. Now a day, the modern retail business formats have not only seen in well established metro and urban cities and also decorating in semi-urban areas. Although this modern organized retail business formats bring remarkable development in the Indian retail industry, it's a major threat for survival and further development of unorganized retail business formats. By the rapid development of modern retailers, the unorganized retailers face several challenges, among those marketing problems are considered as one of the main challenges for the growth of the small unorganized retail stores. In this circumstance the paper examines some of the key marketing problems facing by the small unorganized retailers. 300 sample respondents selected across the Vellore district by stratified simple random sampling method. The study found that heavy competition, high risk, advertisement cost, packing and delivery expenses and non availability of place are some of the vital challenges encountered by the unorganized retail traders.

**Key words:** Marketing challenges; Modern retail format; Unorganized retailers.

## Introduction

The Indian retailing sector has witnessed an ever growing trend since the past two decades. Even though there are so many developments in retail trade and its structure, the marketing problems of the retailers remain the same. The Indian retail sector comprises of unorganized and organized retail stores with the huge growth difference in marketing methods. Although the unorganized sector is large in proportion it could not dominate over the organized sector in India, and this very little portion of organized retail stores enjoy several benefits relatively.

The opening up of economy enables free flow

of foreign direct investment in retail sector and it makes the modern retail formats to adopt and accommodate very advanced marketing systems in India. The giant retailers have ample financial and technical resources to adopt the latest marketing strategies to overcome all the contemporary marketing problems effectively. Furthermore all the big retailers are incorporating various information technologies in all facets of retail business to satisfy the customers. The key to success behind the tremendous development of modern retail formats is innovative marketing methods and strategies, using latest information technology and its applications in key marketing areas, attractive promotional planning, etc.

Virtually all small unorganized retailers are still adapting the same old conventional marketing methods and running in the fear of failure due to several marketing problems in terms of rapid changes in the customers fashion changes, demand and supply conditions, heavy competition, lack of marketing research, domination of big retailers, poor knowledge about the marketing mix,

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(Received on 16.05.2013, accepted on 31.05.2013)

limited customer's satisfaction, sales promotion, packaging, branding, storing, advertising, and transporting etc., and these challenges are hindering the scope for remarkable developments in small unorganized retail stores equal to the big retailers in all perspectives etc., and find it difficult to face the severe competition with the big retailers.

An attempt has been made to study whether the small unorganized retail traders various marketing challenges are slow down their growth in Vellore district, Tamil Nadu.

#### *Study of literature*

The structure of a country's retail sector has an enormous influence on the economy and marketing activities of a firm worldwide. The retailers are the last link in the marketing distribution channel and the small retailers can reflect the consumer's wishes and wants. Retailing sector is one of the major revenue and employment generation sectors in India, it has a huge marketing potential that is why since the last decade it has got remarkable attention by more foreign retailers. Retailing today is at a fascinating crossroads. On one hand, retail sales are at their highest point in history, there are lots of opportunities to start a new retail business or work for an existing one and to become a franchise and On the other hand, retailers face numerous challenges. Retailing, as a concept is not new to India. In fact, it dates back to the period of hard-core traditional formats of retailing that prevailed in the form of Haats, Shandis, Painth, Weekly Bazaar and the famous 'Kirana' or 'Baniya ki Dukan.' It is only during recent past that Indian retail sector is witnessing a process of change and is poised to undergo dynamic transformation. India is now developing into a retail power where both organized and unorganized retail sector compete with each other. Presently the Indian retail business employs nearly 21 million people, which is around 8 per cent of the total employment. India as the most attractive retail destination globally from among thirty emerging markets

and has got fifth place in amongst the 30 emerging retail markets in the developing countries. The growth and development of organized retailing in India is driven by two main factors, the lower prices and benefits to the consumers. According to experts, economies of scale drive down the cost of the supply chain, allowing retailers to offer more benefits to the customer.

The retail business in India in the year 2007 was 385 billion US Dollar (Rs. 1,540,000 crores) and according to McKinsey study, it is estimated to go up to 1.52 trillion US Dollar (Rs. 6,080,000 crores) by 2025. One expects that the share of organized retailing will be in the vicinity of 20 per cent by then. Organizations ready to take on this challenge can leverage the opportunities offered by a population of more than 1.2 billion. The prospects are very encouraging. Buying behavior and lifestyles in India too are changing and the concept of "value for Money" is fast catching on in Indian retailing.

#### **Objectives of the study**

1. In view of the importance of retail business in the society, the present study has been taken up since there is no study involved in retail trade services, satisfaction and relationship with big retail stores.
2. By keeping all the above points in mind, an attempt has been made to study whether the marketing problems of retail trade hindering the growth of small unorganized retail traders.
3. To give appropriate findings and conclusion based on data analysis.

#### **Materials and Methods**

The research paper has utilized primary and secondary data sets. Primary data has been taken from a sample survey from 300

unorganized retail traders in Vellore district of Tami Nadu through an interview schedule. The secondary data was collected from various reports published by the Government of India and Tamil Nadu and non-governmental sectors, books, journals, daily news papers, and internet. The secondary for the research study is very weak as majority of the reports discuss the FDI aspects and only few studies deals with related areas. The study span is ten years, i.e. from 1998 to 2007. In order to examine the opinion of the respondents regarding problems of retail business, the researcher has used five point Likert scaling technique. The data collected from the sample retailers have been analyzed by using percentage analysis and WAS analysis.

*Emergence of South India as a hub of retail activity*

The total retail market in terms of consumption off-take in the four southern states of India, viz., Tamilnadu, Andhra Pradesh, Karnataka and Kerala constitute 94 billion US Dollar per annum, share to organized retail value in the region is 8.9 billion US Dollar. The share of organized retail is around 9 per cent of total retailing in South India. The growth of modern retailing in the southern part of India is much faster than in any other region. It is now estimated that organized retailing in south India is growing at around 35 per cent per annum.

Tamilnadu is a pioneer state in the adoption of modern retail in India. 12 per cent of Tamilnadu’s retail market is estimated from organized sector. Tamilnadu came to be

known as the hub of speciality retailing in India as organized ‘saree’ and ‘jewellery’ retailing evolved more than three decades ago. The emergence of organized formats in home electronics and household appliances of retailing gained momentum in Tamilnadu long ago with the establishment of Viveks, Vasanth, Rathna, V.G. Paneer Das & Co., etc.

South India maintains its place of growth in organized retailing and this growth is expected to continue its momentum in the cities of Coimbatore, Trichy, Pondichery and Madurai in Tamilnadu, Vijayawada, Vishakapatnam, Guntur and Rajamundhry in Andhra Pradesh, Mysore, Managalore, and Belgaum in Karnataka and Kottayam in Kerala.

**Results and Discussions**

This section deals with results and discussion of the study. As already described the analysis tools of the study, Weighted Average Score analysis is calculated for the statements such as heavy competition, high risk, advertisement cost, packing and delivering charges, scarcity of place, high percentage discount, fluctuating demand, Irregular Customer Base, Poor Transport Facilities, Poor Storage Facilities, and Lack of Grading and Packing Practices.

Marketing the product is the center point of business activity. Retailers are the last link in the marketing distribution channel as they have direct link with the ultimate customers. Marketing ability may vary from one retailer

**Table 1: Share of organized retailing in total retail trade and organized retail value in South India**

States	Share of Organized Retailing	Organized Retail Value	Percentage organized total retailing
	Total Retailing in US BN		
Tamilnadu	31.96	3.84	12.00
Karnataka	24.44	2.32	9.50
Andhra Pradesh	23.50	2.00	8.50
Kerala	14.10	0.78	5.50
<b>Total</b>	<b>94.00</b>	<b>8.94</b>	<b>35.50</b>

**Table 2: Weighted average scores for marketing problems of retailers**

Problems	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	WAS
Heavy Competition	132 (44.00)	106 (35.33)	35 (11.67)	25 (08.33)	02 (00.67)	4.64
High Risk	23 (7.67)	104 (34.67)	123 (41)	43 (14.33)	7 (2.33)	3.31
Advertisement Cost	20 (6.67)	31 (10.33)	227 (75.67)	19 (6.33)	3 (1)	3.21
Packing and Delivery Expenses	17 (5.66)	48 (16)	212 (70.67)	20 (6.67)	3 (1)	4.38
Non-Availability of Place	14 (4.67)	35 (11.67)	199 (66.33)	46 (15.33)	06 (2)	3.02
High Percentage of Discounts	27 (9)	51 (17)	187 (62.34)	28 (9.33)	7 (2.33)	3.21
Fluctuating Demand	25 (8.33)	143 (47.67)	83 (27.67)	40 (13.33)	9 (3)	3.46
Irregular Customer Base	16 (5.33)	120 (40)	82 (27.34)	73 (24.33)	9 (3)	3.21
Poor Transport Facilities	14 (4.67)	49 (16.33)	201 (67)	32 (10.67)	4 (1.33)	3.11
Poor Storage Facilities	10 (3.33)	65 (21.67)	177 (59)	46 (15.33)	2 (0.67)	3.08
Lack of Grading and Packing Practices	11 (3.67)	71 (23.67)	177 (59)	39 (13)	2 (0.67)	3.17
Lack of Allied Services	14 (4.67)	67 (22.33)	182 (60.67)	35 (11.67)	2 (0.66)	3.18
Poor Marketing Facilities	16 (5.33)	32 (10.67)	201 (67)	47 (15.67)	4 (1.33)	3.03

Note: Percentages are given in parentheses.

to another and it depends on the experience, service delivery, and location and marketing strategies.

Table 2 shows the marketing challenges faced by the retailers. 238 retailers have been agreed positively that the heavy competition is a major threat for small retailers. Risk is inevitable one now-a-day in retail sector due to multiple growths of giant retail shops in nook and corner of the country with

modernization formats, 127 retailers have agreed that starting retail business with small size is highly risk. To entice the customers for pleasant shopping have to use different advertisement strategies, 51 retailers have positively responded that increasing advertisement cost equal to big retailers is also a challenging one. Packing and delivering is one of the vital marketing mix elements and most of the products are packing in a attractive

manner and delivering them with free of cost to get the attention of customers, it is highly expensive one and it could not be affordable by small retailers like big retailers, 65 retailers have agreed that packing and delivery expenses are considerably affect the small retailers. Location of the retail shop is one of the advantage factors, even though it will not have significant impact on small retailers business and 52 retailers have agreed this. Now a day big retail stores have competitively offered a variety of discounts to attract the customers but as far as small retail shops concern it is highly impossible to offer such discounts and this is also a big challenge for small retailers to improve their business, 78 retailers have positively reported about this problem. The demand for big retailers is consistent rather than the demand for small retailers because of space and storage capacity of the shop. The giant retailers can successfully handle this demand fluctuation through different strategies, but small retailers have no such kind of mechanism to encounter this problem and 168 retailers have been reported that fluctuating demand is very important problem. New retail formats are highly attracting customers' loyalty because of changing consumer fashion and preferences most of the customers expect quality services from the retailers and it will create strong customer base for business but most of the small retail shops could not get this and business is closing down. 136 retailers have agreed this problem. One of the strategies to attract the customers is free delivery of products after sales. As far as big retail stores concern they could bear the cost of transportation to deliver the product to customers through their own transports but since the business volume of small retailers is relatively less they may not afford it therefore, 63 retailers have agreed that the poor transport facility is one of the marketing problems. Since most of the small retail shops running in a very small place could not store more stocks to meet the customers demand. 75 retailers have positively responded that even there is more demand the limited storage facility is affecting their business. Mostly the products selling in the big retail stores are properly graded and

packed to carry easily and for the convenience of the customers but small retail stores could not do it because of involvement of additional cost and 82 retailers have reported that lack of grading and packaging practice lead to loose the new and existing customers. In addition to sell the products a lot of allied activities are required to satisfy the customers such as advertisement, packaging, grading, branding, distributing and transporting etc., 81 retailers have responded that lack of allied marketing activities is also a major problem for small retailers because of their size of investment restricts to perform those things like big retailers, this leads to unattractive the customers. Huge amount is spending for various tools and techniques as support to facilitate convenient marketing activities such as employ marketing executives and representatives to boost sales and to capture the market, innovative marketing strategies and latest information technologies in the marketing field etc., 51 retailers have responded that even such marketing facilities could not employ the small retailers within their limited investment it does not affecting much the small retailers business. The WAS analysis reveals that all the factors have high mean score values Heavy Competition (4.64), Packing and Delivery Expenses (4.38), Fluctuating Demand (3.46), High Risk (3.31), Advertisement Cost (3.21), High Percentage of Discounts (3.21), Irregular Customer Base (3.21), Lack of Allied Services (3.18), Lack of Grading and Packing Practices (3.17), Poor Transport Facilities (3.11), Poor Storage Facilities (3.08), Poor Marketing Facilities (3.03) and Non-Availability of Place (3.02).

### **Findings and Conclusion**

From the above WAS table, the impact of the marketing challenges have been ordered to indicate the severity in the small unorganized retail trade. The WAS analysis table clearly reveals that all the factors have high mean score values Heavy Competition (4.64), Packing and Delivery Expenses (4.38),

Fluctuating Demand (3.46), High Risk (3.31), Advertisement Cost (3.21), High Percentage of Discounts (3.21), Irregular Customer Base (3.21), Lack of Allied Services (3.18), Lack of Grading and Packing Practices (3.17), Poor Transport Facilities (3.11), Poor Storage Facilities (3.08), Poor Marketing Facilities (3.03) and Non-Availability of Place (3.02).

The conclusion has been drawn based on the findings are:

Heavy competition is a major threat for small unorganized retail traders because of giant supermarkets, hypermarkets, departmental stores and specialty stores which are often started with the collaboration of foreign direct investments.

Modern retail formats are spending considerable portion of cost for delivering a quality service to customers in terms of re-packaging the products attractively and freely delivering them at their door step. Small unorganized retail stores could not bear this extra burden this affects their business much because now majority of consumers giving preference for convenient shopping.

The demand for big retailers is consistent rather than the demand for small retailers because of space and storage capacity of the shop, offering standardized and graded products in each category. The giant retailers can successfully deal with this demand fluctuation through employing variety of Information Technologies, but small retailers have no such kind of mechanism to encounter these problems.

Since the giant retailers are bulk purchaser, the producers are bearing cost of all kinds of free advertisements on behalf of them but small retailers could not afford on their own.

Big retail stores have competitively offered a variety of discounts to attract the customers it is feasible because they could adjust this in bulk sales but as far as small retail shops concern it is highly impossible to offer such discounts.

Consumer fashion and preferences keep on changing and they expect quality services from

the retailers. New retail formats are highly focused on customers' loyalty through offering loyalty discount, contest, and free trip etc., for loyal customers and it will create strong customer base for business but most of the small retail shops could not get this and business is closing down.

Allied activities are getting prominent place to satisfy the customers such as advertisement, packaging, grading, branding, distributing, after sales service and transporting etc. since small retailers' investment size is relatively very limited and it restricts to carryout such allied activities like big retailers, this leads to unattractive the customers.

Mostly the products selling in the big retail stores are properly graded and packed comfortably to carry easily and it makes customers pleasant shopping. Small retail stores could not do it because of involvement of additional cost and it leads to loose the new and existing customers.

As far as big retail stores concern they could bear the cost of transportation to deliver the products to customers through their own transports and it is feasible because the size of the customers are huge. Since the business volume of small retailers is relatively less they may not afford it.

Since most of the small retail shops running in a very small place could not store more stocks to ensure the supply of products to meet the customers demand though there is more demand. This limited storage facility is affecting particularly their business in the peak seasons.

The giant retailers spending huge amount for employing various personnel and latest Information Technologies to support their marketing activities, though it could not afforded the small retailers business it does not affecting much.

Location of the retail shop is one of the determinant factors of the success of the business, as far as small retail shoppes concern, even they are not having much space and good location like big retailers it will not affect

significantly their business.

Retail trade is not a new phenomenon in the modern business world; it is an age old concept, has rich historical perspectives and has begun from the barter system too. India has huge population with high proportion of middle income as well as low income population. The middle class expects varieties of products at various prices and quantities. The growth of retail business over the past years has witnessed tremendous changes in their formats because of the development of science and technology.

Economic reforms of the 1990s have brought about significant changes in all spheres of the economy, many industries were started and capital supply was injected into the economy due to severe competition. The retail trade has been facing severe problems in spite of its growth. Numerous problems are encountered by the retailers not only from the big retailers, foreign companies, government and from consumers too.

From the above conclusion states clearly that the small retail traders could not compete with the modern retail formats in all facets. Even though the big retail stores are not directly affecting the small unorganized retail formats growth, its marketing strategies, financial background, sophisticated service delivery, using advanced Information Technologies are the major threats for small retailers growth potential in the retail sector in the distant future.

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