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CUSTOMER BASED PROBLEMS IN UNORGANISED RETAIL BUSINESS

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ABSTRACT: -

In India, the most of the retail sector is unorganized and the retail business contributes around 11 percent of GDP. Of this, the organized retail sector accounts only for about 3 percent share, and the remaining share is contributed by the unorganized sector which is mostly a family owned business in India. The main challenge facing the organized sector is the competition from unorganized sector. This paper analysed the effect of customer's based problems on unorganized retail sector. The samples of retailers are chosen from Chennai city, Tamilnadu. It is observed that customer based problems are significantly positively as well as negatively influence the unorganised retailing business.

KEYWORDS: organised retail, unorganised retail, customers problems, shoppers

INTRODUCTION

Retail in India changed radically to become one of the sunrise sectors in the economy. It gained importance in terms of employment generation and business opportunity. The waves of globalization, liberalization and privatization have been responsible for this change. But the retail industry has been hard-hit by the economic downturn, with many retailers put a brake on their expansion plans.

The retail industry is definitely one of the pillars of the India. Going forward, with the competition intensifying and the costs scaling up, the players who are able to cater to the needs of the consumers and grow volumes by ensuring footfalls, while being able to reduce costs, withstand downturns, and face competition will

have a competitive advantage. Since 2010, it is tough year for

the retail sector, India fell slightly in the rankings of the US-based global management consulting firm, A T Kearney, in its Global Retail Development Index (GRDI) 2011, has ranked India as the fourth most attractive nation for retail investment, among 30 emerging markets. However, India ranks higher when compare to other emerging markets like Brazil and Russia. Compared to other emerging markets, India is a more stable and stronger economy and penetration levels are low, while domestic consumption is high. Due to these reasons, India is still one of the most attractive destinations for international retailers looking at expanding into emerging markets.

Retailing in India is gradually inching its way



toward becoming the next boom industry. The whole concept of shopping has altered in terms of format and consumer buying behavior, ushering in a revolution in shopping in India. Modern retail has entered India as seen in sprawling shopping centres, multi-storeyed malls and huge complexes offer shopping, entertainment and food all under one roof. The Indian retailing sector is at an inflexion point where the growth of organized retailing and growth in the consumption by the Indian population is going to take a higher growth trajectory.

The Indian population is witnessing a significant change in its demographics. A large young working population with median age of 24 years, nuclear families in urban areas, along with increasing working-women population and emerging opportunities in the services sector are going to be the key growth drivers of the organized retail sector in India (Heera Lal Sharma, 2012). 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.

The unorganized retail businessman purchases the products from intermediate who moves from farmer or producer to the consumer. Most of the transactions at unorganized retail shops are done with hand cash also the retailers faced many problems such as personnel problems, labour problems, marketing problems and financial problems (Vetrivel, 2016, 2017). In such a way this paper focused the problems of retail sector towards customer based problems. In the retailing business the shoppers meet customer based problems in their day to day life such as over bargaining, Expecting discount, Expecting offers, Seeking credit facilities, Expecting cheap cost products, Hard in approach, Shop lifting and Parking issues.

RESEARCH METHODOLOGY

The objective of this paper is to examine the customer’s based problems on unorganized retail business. Retailer’s opinion is described in this study; hence this study falls under descriptive in nature. Customer’s problem refers to the retailer customers barriers. Customer’s problem scale has been developed by the researcher. There are eight statements are considered for analyzing the customers 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 customer based problems in retail business

S. No	Customer based problems of retailers	Mean	S.D	Friedman’s test Mean Rank	Chi square value	P-value	Multiple comparison test
1	Over bargaining	3.30	1.398	4.51	102.435	0.001*	2 3,6 1,4 8,5
2	Expecting discount	3.60	1.455	5.08			
3	Expecting offers	3.43	1.334	4.66			
4	Seeking credit facilities	3.33	1.477	4.50			
5	Expecting cheap cost products	3.16	1.509	4.35			
6	Hard in approach	3.39	1.472	4.62			
7	Shop lifting	3.05	1.398	3.83			
8	Parking issues	3.29	1.541	4.45			

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

In unorganized retailing most of the stores try to build long term relations with their customers by providing them facilities like product demonstration, different methods of payment, parking, etc. They have introduced many new services such as credit, home delivery etc. In comparison to organized retailing the expansion of organized sector depends on its positive effect on economy.

The Over bargaining, Expecting discount, Expecting offers, Seeking credit facilities, Expecting chief cost products, Hard in approach, Shop lifting and Parking issues are the various problems faced by the unorganized retailers from the customer side. These 8 statements are asked to the respondents to rate their opinion towards these problems. The results are displayed in the table-1, the mean value is ranged from 3.05 to 3.60 and the corresponding standard deviation values indicate that there is no much deviation within the group of retailers. It is inferred that the respondents are opinioned about consumer based problems is at average level. The corresponding standard deviation values indicate that there is no much deviation within the group of retailers.

H0: Opinion about consumer based problems is found to be similar among all the respondents.

In order to the test the above stated hypothesis Friedman test is applied. The Friedman mean rank lies between 3.83 to 5.08 and chi square value is 102.435 which is significant at one percent level.

Hence the hypothesis is rejected. Totally 8 statement are the contributing factor to the consumer problems. Friedman multiple comparison test is applied. After applying the test 8 statements are grouped in the 4 categories. Discount placed as first rank and this factor together contribute towards consumer based problems. Followed by the expecting offers and hard in approach together occupies the second place. Over bargaining and seeking credit facilities is in the third place. Parking issues and expecting cheap cost products as fourth place. Shop lifting alone takes place the last position. It is found that expecting discount and expecting offers are the major problems of retailers from customer side. This findings match with the research of Lakshmi Narayana, Ajata Shathru Samal and Nagaraja Rao (2013) they have studied to understand consumer behavior towards unorganized retail stores. It is found that major factors that affect unorganized retailers are, customers are expecting proximity, goodwill, credit sales, bargaining, loose items, convenient timings and home delivery. There is clear evidence of a competitive response from traditional retailers who are gearing up to meet the threat from organized retailers. Priyavij (2013) investigated the consumer behavior towards organized and unorganized retail stores. It was found that consumers satisfaction level is high from organised retail stores to unorganised retail stores.

Table-2: The effect of customers problems based on unorganised retail business

R-value	R Square value	Adjusted R Square value	F-value	p-value.
0.777	0.528	0.516	19.107	0.001*

Customer based problems	B	Std. Error	Beta value	t-value	P-value
(Constant)	5.147	0.160	-	32.166	0.001*
Over bargaining	-0.261	0.058	-0.266	-4.466	0.001*
Expecting discount	0.008	0.074	0.008	0.104	0.917 (NS)
Expecting offers	-0.073	0.077	-0.071	-0.949	0.343 (NS)
Seeking credit facilities	-0.236	0.059	-0.255	-3.991	0.001*
Expecting chief cost products	0.108	0.049	0.119	2.207	0.028**
Hard in approach	0.366	0.071	0.393	5.128	0.001*
Shop lifting	-0.316	0.071	-0.323	-4.426	0.001*
Parking issues	-0.017	0.075	-0.019	-0.228	0.820 (NS)

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

Here, over bargaining, expecting discount, expecting offers, seeking credit facilities, expecting cheap cost products, hard in approach, shop lifting and parking issues and the customer based problem is treated as independent variable, unorganised retail business is treated as dependent variable.

H0: customer based problem do not influence on unorganised retail business.

Regression analysis is applied to identify the strongest predictor of consumer problem on unorganised retail business the measure of strength of association in the regression analysis is given by the co-efficient of regression determination denoted by R square value 0.528.

The adjusted R square value is 0.516 which displays that 51.6 percent of the influence on the level of challenges. The F-value is 19.107 and P-value is 0.001. Which is significant at one percent level. Hence above stated hypothesis is rejected. It is noted that customer based problems are significantly influencing the unorganised retail business of retailing business. The corresponding P-value of these variables is significant at one percent and five percent. So, these variables significantly influence on unorganised retail business. Challenges are expressed by the following equation.

Challenges = 5.147 (constant) + 0.366 (Hard in approach) + 0.108 (expecting cheap cost products) – 0.236 (seeking credit facilities) – 0.261 (over bargaining) – 0.316 (shop lifting)

The equation explains Hard in approach and expecting cheap cost products have positive impact on unorganised retail business. Whereas the seeking credit facilities, over bargaining and shop lifting have negative impact on unorganised retail business. To increase one unit of challenges the Hard in approach increased by 0.366 and expecting cheap cost products increased by 0.108. However seeking credit facilities decreased by 0.236, over bargaining decreased by 0.261 and shop lifting decreased by 0.316 where other factors remain constant.

It is found that hard in approach and expecting cheap cost products have positive impact on the unorganised retail business. However seeking credit facilities, over bargaining and shop lifting have negative significant impact on unorganised retail business. This result is supported by previous study of Shenbagasuriyan, Muthukumar and Senthilrajan (2014). They studied about the factors influencing the Consumers in selecting an Unorganized Retail. The respondents says that the credit facility of unorganized retail is satisfied. And the availability of branded product is very low. Most of the respondents reveals that the variety of products available in unorganized retail are inadequate. In another study it differs from this finding, Most small stores will accept product returns, exchange damaged goods and give credit to customers with whom they have longstanding relationships (Vishwanathan, Rosa and Ruth 2010, Martinez and Haddock 2007). They know the likes and dislikes of individual customers, recommend new products to them and adjust prices for different customers. Organized retailers typically cannot, and indeed do not, provide such services.

CONCLUSION

The above analysis about unorganised retail business, It is observed that customer based problems are significantly positively as well as negatively influence the unorganised retail business. Hard in approach and expecting cheap cost products have positive impact on the unorganised retail business. However seeking credit facilities, over bargaining and shop lifting have negative significant impact on unorganised retail business. The organized retailers have been trying to improve the customer relationship in their stores. The stores intentionally make the setting of a wholesale market than a sophisticated shop. The retailers need to give their customers a more personalized shopping experience. The retailers should continue to benefit from the cost advantage and the variety they offer to the customers. The Retail stores are bound to impact some of the small stores in the long run. The extent of effect will be decided by the strategies of the organized retailers and unorganized stores in the coming future.

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