

A Study on The Problems Faced by Small Retailers in India

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Abstract: Retail industry in India is among the fastest growing industries in the world. The industry contributes to around 10 percent of the nation's GDP. With the coming up of more organised retailers and foreign competitors to the industry the small retailers in the country are facing a lot of issues to earn their share of profits. The study tries to analyse the importance of small retailers in India their problem and possible solutions that can be followed in order to bring up these retailers. The study follows a qualitative research design. The secondary data has been collected from various published sources, books articles and websites.

Keywords: Problems, Retail, Retailer, Retailing, Small Retailers, Solutions of Retailing, Retail Industry of India.

I. INTRODUCTION

Retailing in simple terms refers to sale of goods and services to the end users. The term retailing comes from the French term retailer which means breaking of bulks. Retailing can also be referred to as selling small quantities of goods and services to large number of customers instead of small number of customers ordering bulk quantities of products. Retailing generally occurs in busy streets, roadside, shopping malls or shopping streets. Mail order and online shopping are also other forms of retailing. It is the first hand transaction with the end users. The Indian retail industry is growing at a faster phase. The competitions are higher. Retail sector consist of both organised and unorganised retailers. Organised retailers refer to the big retailers and chain stores who sell defined products to customers. A major share of Indian retail industry lies with the unorganised retailers. It refers to those retailers who run their own small and medium level shops in their locality to earn a livelihood. They may lack knowledge or proper training in the field. Due to heavy competition and many other factors these small unorganised retailers find it difficult to prosper in their business. The stud tries to analyse the problems faced by small town retailers in India and the possible solutions that can be adopted to support these retailers to gain their share of profit.

II. OBJECTIVES

- 1) To identify the problems faced by small retailers in India
- 2) To suggest few solutions for the development of small retailers in India

III. INDIAN RETAIL INDUSTRY

According to India Brand Equity Foundation "The Indian retail industry has growing as one of the most dynamic

industries in the world. Total consumption expenditure is expected to reach around US\$ 3,600 billion by 2020 from US\$ 1,824 billion in 2017. It accounts for over 10 per cent of the country's Gross Domestic Product (GDP) and around 8 per cent of the employment. India is the world's fifth-largest global destination in the retail sector. India's retail market is expected to increase by 60 per cent to reach US\$ 1.1 trillion by 2020, on the back of factors like rising incomes and lifestyle changes by middle class and increased digital connectivity. Online retail sales are forecasted to grow at the rate of 31 per cent year-on-year to reach US\$ 32.70 billion in 2018. India is expected to become the world's fastest growing e-commerce market, driven by robust investment in the sector and rapid increase in the number of internet users. Various agencies have high expectations about growth of Indian e-commerce markets. Luxury market of India is expected to grow to US\$ 30 billion by the end of 2018 from US\$ 23.8 billion 2017 supported by growing exposure of international brands amongst Indian youth and higher purchasing power of the upper class in tier 2 and 3 cities"

INDIAN RETAIL INDUSTRY ANALYSIS



SOURCE: www.ibef.org

Small retailers

Small retailers refer to independently owned and operated retail stores that are not dominant and selling goods and services to the end customers. It includes food stores, apparel stores, kirana stores, footwear stores, clothing stores, consumer durable stores, hardware shops, general

machine stores, fruits and vegetable stores, non-vegetable stores etc...

IV. RESEARCH METHODOLOGY

A qualitative research design has been adopted for the study in order to understand the various problems faced by small retailers in India. In this research the researcher tries to analyse the importance of small retailers in India, their problems and possible solutions to cope with these problems. The secondary data has been collected from various sources such as websites, articles and published sources. Further the collected data has been analysed and suggestions for improving the small retailers in India and conclusion has been drawn based on the analysed data.

V. REVIEW OF LITERATURE

According to Bansal, Sanjeev and Kumar, Pankaj (2014) "Small retailers contribute not only to the economy and but also to the society as they are playing both roles as employers in local communities and place identifiers on the landscape. As small retail enterprises offer numerous positive externalities like More money stays in the Society, More jobs are created, They often offer friendship, going-the-distance, service, They are usually more involved in supporting community initiative, Provide a stronger sense of place and community and There are possibly some environmental benefits associated with them." [1]

Tamilarasan.R. (2007) after analysing of a range of store dimensions and services quality dimensions reveals that all these dimensions need to be improved to earn a competitive edge and survive in the retail Business in view of the changing and emerging retail scenario, in India with the possible advent of the MNC's in the retail Indian Market Scenario. [2]

Gandhi, Menaga B. and Chinnadorai, (2017) K.M. states that when compared to the unorganized retail format most of the respondent had a good image about the unorganized retailers and in future many of them are ready prefer organized retailers. Most of the customers are attracted to unorganized retail stores because of the variety and assortment of products. Middle aged people and youngsters are mostly approaches unorganized retailers in future. They retailers should makes strategies to retain their customers by providing quality goods and services and they should also go for collaborations within the regional level then only they can survive in the globally competitive market. [3]

Dey, Surajit, Rafat, Sameena and Sageer, Alam (2012) stated that bad debts, limited financial resources and poor market conditions are the major issues faced by retailers in India (Rafat et al 2012, p.45-53). [4]

J. Andres et al, (2010) The existence of close interpersonal relationships between customers and shop owners

interviewed in Perth and Seville, suggests that, there could exist a sustainable element of competitive advantage for small retailers pursuing a deliberate localisation approach to their marketing and business practices. This would be based on local authenticity and a genuine engagement with the wider community in the knowledge that these elements would not be easy to replicate by larger or global retailers (Andrea J. et al, 2010, pg677-697) [5]

IMPORTANCE OF PROMOTING SMALL RETAILERS

- 1) Reduces monopoly
In the absence of small town retailers the big retailers may attain monopoly and thereby tend to sell products at increased prices as there are no competitors. This in turn increases the living expenses in the area. This can be controlled to a greater extent by small retailers selling local substitute products at lower rates.
- 2) Reduces unemployment
Small retail stores are a method of self employment of every individual. This also generates more employment opportunities as these retailers require more staffs to run their stores smoothly.
- 3) Helps in development of a locality
The small retailers help in developing a local economy. More goods are made available in the locality which makes the life of people easier. Every money spend in these stores circulates in that locality itself thereby developing the same.
- 4) Attraction to tourists
Small retailers selling traditional and locally made products are always an attraction to tourists who visit these places. Tourists always tend to purchase such products from these stores which in turn foster the development of the nation.
- 5) Help to small and local manufacturers
The big chain retailers always concentrate on their own products or branded products whereas the town retailers also sells products manufactured by small and local manufacturers. This helps in increasing the sale of the countries traditional products and locally manufactured goods which thereby adds to the GDP of the nation.
- 6) Other factors
The small retailers are also important as they help in increasing the standard of living, helps in economic development and at the same time brings in balanced regional development in every nation.

PROBLEMS FACED BY SMALL RETAILERS IN INDIA

- 1) Online Competition
Online shopping gaining more attraction among customers had lead to a decrease in sales of small retailers in the country. The pricing and promotional strategies followed by the online shopping sites are a major threat to the small retailers.

- 2) Huge cost involved in maintaining retail stores
A retail store in order to attract more customers should be located in a crowded area. Cost of maintaining a showroom in any major locations incurs large expenses to the shop owner. He must also spend a huge amount on electricity, building rent, inventory management etc.
- 3) Competition from big retail chains
Retail chains such as Lulu Group, Shopper Stop, Lifestyle, Big Bazaar, Reliance retail etc have large number of retail outlets throughout the country. They always have the advantage of large scale purchase. In case of loss, loss from one store can be compensated by profit from another store. In case of competition these stores can provide good promotional offers such that small retailers cannot compete with these large firms.
- 4) Pressure from suppliers.
The right products to be made available at the right price can be a problem for small retailers in India. The wholesalers may insist on buying bulk quantities of items and may also fix minimum quantities to be purchased in order to avail discounts which may become a burden to the retailers. They also will not be able to bargain on the price of product since they can only purchase small quantities
- 5) Limited market
The small retailers are confined to limited markets and therefore chances for expansion are also limited. Due to this reason the retailers are not able to take advantage of large scale operation which in turn increases their operating cost.
- 6) Lack of finance
The retailers find it difficult to arrange finance for starting and expanding their business. The procedures for availing bank loans are cumbersome. These young entrepreneurs have to find their own funds in order to start new business.
- 7) Inability to take risk.
The small retailers will be unwilling to take risk. Generally these retailers start with small turnover and try to maintain the same in order to earn their livelihood. Majority of them do not take steps to expand themselves as they are not interested in taking more risks.
- 8) Lack of knowledge about opportunities.
The young entrepreneurs either start a business to become employed or they take up the family business from their ancestors. But they will not be aware of the government schemes and policies started to support such retailers. They also lack proper education and training in the field which further makes them less competitive.
- 9) Poor manpower
The small retailers will not be able to provide good salary packages to their staffs, as a result these entrepreneurs are forced to appoint untrained employees. The employees will also be less committed to their work. They will be lazy and less reliable. Employee turnover

will also be high. Since these employees lack professionalism this might also be reflected in their attitude towards customers.

- 10) Problems From Customers
One of the main problems faced by small retailers is the pressure from customers. Customers may bargain on the prices and claim for offers and discounts. A few customers might also seek credit facilities and a few end up in bad debts. Misbehaviour from the part of customers also becomes an issue to these retailers
- 11) Problems From Distributors
Distributors might act differently to different retailers depending on the volume of purchase. They might give more discounts and facilities to large retailers which make them more competitive in the market. These small retailers will not always be provided with adequate market information by the dealers. Delays in delivery of products and delivery of outdated products also become barriers for the small retailers in doing business.
- 12) Lack of proper inventory management
The small retailers need not be experts in their fields. They might not be trained properly and therefore errors occur while doing business. Inventory management has a direct impact on the profitability of a firm. If adequate stock are not maintained by the retailers they might lose their sales, whereas if excess stock is maintained the funds get blocked in inventory which again might affect the smooth functioning of the store and later these small retailers may fall into debt traps.
- 13) Lack of bargaining power
The small retailers lack bargaining power as they generally purchase only small amounts of inventory compared to the big retailers. This might make them difficult to get better pricing for their products. They will not be provided with attractive offers by the wholesalers. Also the credit period will also be lower which makes their business more risky.
- 14) Foreign competitions
Earlier, foreign players could own up to 49 % in a local single-brand retail chain but they had to get sanction from the department of industrial policy and promotion (DIPP) in order to acquire the remaining 51 %. Now they can fully own their Indian operations without applying for permission. But the new concessions apply only to single-brand retail chains. FDI in multi-brand retail trading in India is still capped at 51 per cent

SUGGESTIONS FOR IMPROVING SMALL RETAILERS IN INDIA

- 1) Government support
The government should support the small retailers by providing them finance at lower interest rates. They can

also make provisions to ensure that exploitation does not occur in this field. They should also fix minimum and maximum wholesale prices to support the retailers

2) Healthy competition

There should be system to ensure that only healthy competition occur in this sector. They should also see that quality of goods is not sacrificed in order to withstand competition.

3) Retailer associations

Small retailers' associations must be formed to ensure the smooth functioning of small retailers. With this the retailers can come together and thereby take the competitive advantage by working together as one big unit.

4) Retailer education

Proper education and trainings should be given to retailers in this field. They should be taught the modern methods and techniques and pricing strategies that can be adopted to make their business more profitable. They should also be given awareness regarding the government policies and aids provided by other organisations to support these small retailers.

5) Usage of technology

Usage of modern technologies such as creation of online apps for delivery, order placement through phone calls and door delivery can be introduced to improve sales.

6) Reservations for retailers

Reservations can be given to small retailers in the form of subsidies and grants in order to make them competitive and capable of withstanding foreign competitions.

7) Better customer relationship

Maintaining better relations with customers helps to increase loyal customers to a store and thereby improve its sales. A small chat with the customers, door delivery of products in case of emergencies, offering small discounts to regular customers, stocking of products based on customer demands etc are a few simple techniques to improve customer loyalty.

VI. CONCLUSION

Retail industry is the fastest growing industry in India contributing to 10 percent of the nation's GDP. It is also standing among the top five retail industries in the world. The industry consists of both organised and unorganised retailers. A major portion of the industry is the small retailers who do their business without proper knowledge and skills but to earn a living. With the coming up of FDI in retail and entry of giant companies into the field many small retailers started to lose their profits. Small retailers are considered to be the backbone of every industry as they help in developing the economy by bringing balanced regional development, upholding traditional values, and also development of small industries. Therefore, it is important to protect these small unorganised retailers. The

major problems faced by small retailers include lack of proper knowledge, lack of finance, and lack of technical and marketing skills, financial instability, and competition from big and foreign retailers. Various strategies such as better customer relationships, reservations for retailers, use of modern technologies, strong retailers associations can be implemented to develop the retailers in India. The government should also take steps to ensure that the small retailers are protected and made competent to perform their business.

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