CHALLENGES FACED BY INDIAN ORGANIZED RETAIL OUTLETS:
A DESCRIPTIVE STUDY OF DELHI / NCR

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Abstract - Indian retail industry is one of the pillars of Indian economy and accounts for 14 to 15 percent of GDP and 15 percent of employment. Indian retail is growing at fastest speed as compared to other countries with more than 2.25 billion people. Indian retail luxury market is the 12th largest in the world. So many Indian and foreign companies are showing interest in Indian Retail. Over 6000 shopping malls operating and over 800 malls are under construction in India. This is benefiting Indian retailers, foreign retailers and consumers as well. But still Indian retail industry is not developed to avail the available opportunities. There are so many challenges faced by the retail outlets. Major portion of Indian retail industry is driven by big giants like Bharti, Reliance, Future Group, Tata, Birla etc. The study will include understanding the major and minor challenges faced by the retailers like competition, less skilled human resource, government policies, tax, kiryana stores etc. A research is conducted to investigate the major and minor challenges faced by the retail outlets. A structured questionnaire with 16 questions was used to collect the primary data from 30 managers of Delhi/NCR to know their perception about different challenges faced by Indian retail outlets.

I. INTRODUCTION

In 2004, The high Court of Delhi defined the term 'Retail' as a sale for final consumption in contrast to a sale for further sale or processing (i.e. Wholesale): a sale to ultimate consumer. (High court of Delhi)

A retailer is a person who is involved in the act of selling goods and services to the individual consumer for end use at a margin of profit.

In India retail industry is going under a transition phase from unorganized to organized retail. Unorganized retail consist of kiryana shops, general stores, corner shops in and around the locality, are traditional kind of shops which are being owned and operated by the same person on a small scale with very less operational cost.

In India, organized retail sector is also flourishing. The mind set of people is changing and they are moving towards the organized retail outlets for shopping. Organized retail outlets are the outlets which are licensed for trading activities and registered to pay tax.

In India, there are so many popular formats of retailing like Mom-and-pop stores, mass discounters, warehouse stores, category killers, department stores, boutique, E-retailers, franchise etc.

These day in India organized retail industry is booming but still it is not reached to the desired growth when it is compared with the developed countries. There are so many major and minor challenges faced by the Indian retail outlets.

II. LITERATURE REVIEW

Dr. Prafulla Sudame, Brijesh Sivathanu (2013) the objective of the study was to study the challenges impacting the retail sector and to study the different formats of retailing. The study used primary data in which 30 unorganized retailers respondents were targeted to understand the challenges faced by the retail sector.

Tazyn Rahman (2012) study revolved around the opportunities and challenges faced by organized retail players in India. It was found that organized retailers see competition from unorganized sector as their biggest challenge, followed by competition between organized retailers and the inefficiency of distribution channels, internal logistical problem and retail shrinkage.

Sunita Sikri, Ms. Dipti Wadhwa (2012) studied the Growth and Challenges Of Retail Industry India: An Analysis. Suggested that retail industry will depend on external factors like government regulations and policies and real estate prices, besides the activities of retailers. The demands of the customer also show impact on retail industry.

S. K. Sharma, Raunak S. Chandak (2015) studied the Challenges Affecting the Unorganized Retail Sector According to findings the major challenge to organized retail outlets are unorganized retail stores, inefficient supply chain management, getting government approvals, adoption of technology and E-commerce are the challenges faced by the unorganized retailers.

Mihir Dash, San Chandy (2006) A study on the Challenges and opportunities faced by the Organized players in Bangalore. A detailed study was conducted. Many challenges like logistics, power supply, understanding the customer behavior, ever increasing demands of customer, distribution channel, unorganized retailers etc were figured out.

III. CHALLENGES FACED BY RETAIL OUTLETS

The Indian Retail Industry is still developing and needs a lot of improvement to become a flourishing Industry. There are so many challenges faced by
Indian Retail Industry like unorganized display, parking problem, credit card issues, few promotional activities, long billing queues, less number of trial rooms, Competition, less skilled human resource, government policies, tax structure, unorganized retail sector etc. Indian retail Industry needs more substantial investment from leading Indian and foreign players. Following are the challenges faced by the Indian retail outlets:

1. Lack of Technology Adoption
The availability, feasibility and adoption of technology is the major challenge faced by the Indian retail outlets. Technology is being used for the day to day functioning of the retail outlet like billing and payments, prevention of shrinkage, keeping record of stock, supply chain management. But the scope of technology is wider. Other softwares can be used like RFID for understanding customer preference, CRM for customer relationship management and ERP tools for other activities of the outlets. Indian retail outlets need to adopt technology and use different high-end softwares for managing the functioning of retail outlets.

2. Lack of Infrastructure and Logistics
Lack of infrastructure and logistics is the another challenge faced by organized retail industry. Inefficient infrastructure and logistics is resulting in inefficient processes. This is the major hinderance of the retailers as non-efficient distribution channel is very difficult to handle and results in huge losses. Infrastructure does not have strong base in India. Organization and Globalization are compelling companies to develop infrastructure facilities transportation including railway system has to be more efficient. Highway has to meet global standards. Airport capacities and power supply has to be enhanced. Warehouse facilities and timely distribution are other areas of challenge. To fully utilize India's potential in retail sector, these major obstacles have to be removed.

3. Scarcity of Skilled Workforce
The Indian organized retail players spend more than 7% of the sales towards personnel cost. Huge cost is incurred in training of the employees. The retail industry faces attrition rate as high as 50% which is very high as compared to the other sectors. Industry has to pay more in order to retain the trained manpower. Store operations accounts for 70-80% of the total man power of the organized retail sector. Unfortunately, there are very few specific courses for retail industry. Graduates and Post graduates from the other streams are hired and are trained in retail sector.

4. Frauds in Retail
Retail shrinkage is one of the primary challenges that companies would have to face. Retail shrinkage is the difference between the value of the stock as per the books and the actual stock available in the outlet. Frauds, including vendor frauds, theft, shoplifting and inaccuracy in supervision and administration are the challenges that are difficult to handle. This is so even after the use of security techniques such as CCTV and POS system. As the size of sector increases, this would increase the number of thefts, frauds and discrepancies in the system.

5. Inefficient Supply Chain Management
Delivering the right goods at right time at right place is very important. In India, there is lack of efficient Supply Chain Management. In India supply chain management should be improved and more technology need to be used to make the supply chain management effective and reduce the inventory cost. Savings can be used to provide extra discounts and benefits to the customers and more money can be spent on customer retention.

6. Price War
There is price war between different retail organizations. Every organization is trying to provide goods at low cost and offers various lucrative promotional schemes. In such situation, it is difficult to attain customer loyalty and companies keep marginal profit to provide the goods at competitive prices.

7. Cultural Diversity
India's huge size and socio-economic and cultural diversity means there is no established mode or consumption pattern throughout the country. The manufacturers and retailers will have to devise strategies for different sectors and segments which by itself would be challenging.

8. Complexity in Tax Structure
In India tax structure is very complex. This tax structure complexity is another major challenge for Indian retail outlets. The sale tax vary from state to state while organized player have to face multiple point control and system. In many locations, retailers have to face a multi point octroi with the introduction of Value Added Tax (VAT) in 2005. Certain anomalies in the existing sale tax system causing disruption in the supply chain are, however, likely to get corrected over a period of time.

9. Escalating land and rental prices
Huge growth of retail industry has created a huge demand for the real estate. This is leading to increase in property prices. Starting a new store needs huge investment in purchasing a land. This huge investment is also a challenge for the retail outlets. Rental prices are also increasing, leading to increase in the overall costing.

10. Competition from Unorganized Retail
Competition from the unorganized retail sector is the
15. Understanding customer
These days it is very difficult to understand the customer behavior. So many factors plays an important role in effecting te customer behaviour and loyalty such as product quality, service quality, customer satisfaction, promotions, offers provided by other players in the market. To attain the customer loyalty so much of efforts are required to understand the customer behaviour and regular market survey is required.

16. Ever-increasing customer demand
Ever increasing demand of the customers is also a challenge for the retail outlets. These days because of Globalization awareness among the customers is increasing. Customers psychology is changing and becoming more demanding. They want to pay less for more and more. Because of high operating cost it is very difficult to meet the customer demand. So this is also a great challenge for the retail outlets of India.

IV. OBJECTIVE OF THE STUDY
Indian retail industry is booming these days but is not able to achieve the desired growth. The objective of the study is to explore major and minor challenges faced by the Indian retail outlets.

V. RESEARCH METHODOLOGY
A structured questionnaire was formulated on 5 point likert scale including 16 questions. A sample size of 30 managers was taken from Delhi/NCR area. They were asked to rate the extent to which they were affected by each challenge. Sampling was done on the basis of convenience.

VI. DATA ANALYSIS AND INTERPRETATION
Percentage analysis was used to summarize challenges faced by the retail outlets.

- 74.29% respondents agree with the fact that lack of technology adoption is the major challenge which is hindering the development of Indian Retail industry. 11.43% of people are neutral in their views. Only 5.71% people are strongly disagreeing and 8.75% are disagreeing. So this shows that Indian Retail Industry show definitely suffering from the lack of technology adoption.
- 40.0% and 37.14% respondents consider lack of infrastructure and logistics as a challenge to the growth of Indian retail industry. 8.57 percent people are neutral. 8.75% people are strongly disagreeing and 5.71% people are disagreeing. This shows that lack of infrastructure and logistics is a major challenge for retail outlets.
- 37.14% respondents strongly agree and 31.14% are agreeing with the statement that scarcity of
skilled work force is a challenge for Indian retail outlets. 11.43% people are neutral regarding this. Only 11.43% people strongly disagree and 8.75% people disagree with this statement, which shows that maximum of the respondents believe scarcity of skilled workforce is a major challenge for Indian retail outlets.

- 42.86% people strongly agree and 22.86% people agree with the fact that frauds in retail. 8.57% people are neutral and 11.43% people disagree and 14.29% respondents strongly disagree. This shows that maximum of the people believe frauds in retail industry is a major challenge
- 40% of respondents strongly agree and 34.29% respondents agree with the fact that inefficient supply chain management is a major challenge for retail industry. 11.43% people are neutral and 5.71% people strongly disagree and 8.75% respondents disagree. This shows that 79.29% respondents consider insufficient supply chain management as a major challenge for the growth of Indian retail industry.
- 40% of respondents agree, 31.43% respondents strongly agree and 8.57% respondents are neutral. 11.43% respondents strongly disagree and 8.57% respondents disagree with the statement; price war is a major challenge for the retail outlets. This shows that price war is a major challenge for the retail outlets.
- 28.57% respondents strongly agree and 34.29% agree with the statement that cultural diversity is a challenge for Indian retail outlets and 14.29% are neutral. 22.86% people do not consider cultural diversity as a challenge. This data shows that cultural diversity of India is also considered as a major challenge by the retail outlets.
- 8.75% respondents agree and 5.71% respondents disagree with the statement that complexity in tax structure is a challenge for Indian retail outlets. 8.57% respondents are neutral and maximum number of the respondents do not consider it a challenge. Above data shows that complexity in tax structure is not a major challenge.
- 25.71% respondents strongly agree and 22.86% respondents agree with the statement that escalating land and rental prices is a challenge for retail outlets. 17.14% respondents are neutral. 14.29% (strongly disagree) and 20.0% (disagree) respondents do not consider ‘Escalating land and rental prices’ as a challenge. This data shows that escalating land and rental prices is considered as moderate challenge.
- 74.29% respondents consider ‘Competition from Unorganized Retail’ is a challenge. 17.14% respondents are neutral. Only 2.86% respondents strongly disagree and 5.71% respondents disagree with the statement that ‘Competition from Unorganized Retail is challenge’, which shows that competition from unorganized retail is the biggest challenge for the retail outlets.
- 25.71% respondents strongly agree and 28.57% respondents agree with the statement that E-Retailing is a challenge. 22.86% respondents are neutral. 8.57% and 14.29% respondents disagree. Respondents considers E-Retailing as a moderate challenge.
- 25.71% of respondents agree and 22.86% respondents strongly agree with the statement that power supply problem is a challenge for Indian retail outlets. 20% respondents are neutral, 17% disagree and 14.29% strongly disagree. This shows that power supply problem is being considered as a moderate challenge.
- 37.13% strongly agree and 34.29% agree with the statement that ‘High Cost of Operation’ is a challenge for retail outlets. 8.57% respondents are neutral. 11.43% respondents disagree and 8.57% respondents strongly disagree with the statement. Maximum of the respondents consider high cost of operation as a challenge
- 5.71% respondents agree and 2.86% respondents strongly agree with the statement that ‘Government Opposition to FDI’ is a challenge for Indian retail outlets. 11.43% respondents are neutral. 54.71% respondents strongly disagree and 34.29% respondents disagree, which shows that Indian retailers do not consider ‘Government Opposition to FDI’ as a major challenge.
- 37.14% respondents strongly agree and 34.29% respondents agree with the statement that ‘Understanding Customer’ is a challenge. 14.29% respondents are neutral. 8.57% disagree and 5.71 strongly disagree, which shows that understanding Indian consumer is a major challenge for retail outlets.
- 31.43% respondents strongly agree and 31.43% respondents agree with the statement that ‘Ever-increasing customer demand’ is a challenge for Indian retail outlets. 11.43% respondents are neutral. 8.57% respondents strongly disagree and 14.29% respondents disagree. Which shows that maximum of the respondents consider ever-increasing demand of the customer is a major challenge for Indian retail outlets.

<table>
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<th>S. No.</th>
<th>Challenge Factor</th>
<th>Mean Ratings</th>
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<tr>
<td>1</td>
<td>Lack of Technology Adoption</td>
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<td>2</td>
<td>Lack of Infrastructure and Logistics</td>
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<table>
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<tr>
<th></th>
<th>Challenge</th>
<th>Rating</th>
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<tr>
<td>3</td>
<td>Scarcity of Skilled Workforce</td>
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<td>4</td>
<td>Frauds in Retail</td>
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<td>5</td>
<td>Inefficient Supply Chain Management</td>
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<td>6</td>
<td>Price War</td>
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<td>11</td>
<td>E-Retailing</td>
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<td>Ever-increasing customer demand</td>
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</table>

Table 4.45: Mean Ratings of Challenges Faced By Retail Outlets

Above graph shows that organized retailers see 'Competition from Unorganized Retail' as their biggest challenge. Lack of Technology Adoption, Inefficient Supply Chain Management, Lack of Infrastructure and Logistics, Understanding customer, High Cost of Operation, Scarcity of Skilled Workforce, Price War, Frauds in Retail, Ever-increasing customer demand as major challenge. Cultural Diversity, E-Retailing, Escalating land and rental prices, Power Supply Problem in India, are considered as moderate challenge for Indian retailer. Complexity in Tax Structure and Government Opposition to FDI seems to have least effect on the Indian retail outlets.

CONCLUSION

Organized retailers see 'Competition from Unorganized Retail' as their biggest challenge. Lack of Technology Adoption, Inefficient Supply Chain Management, Lack of Infrastructure and Logistics, Understanding customer, High Cost of Operation, Scarcity of Skilled Workforce, Price War, Frauds in Retail, Ever-increasing customer demand as major challenge. Cultural Diversity, E-Retailing, Escalating land and rental prices, Power Supply Problem in India, are considered as moderate challenge for Indian retailer. Complexity in Tax Structure and Government Opposition to FDI seems to have least effect on the Indian retail outlets.

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