



CHALLENGES & OPPORTUNITIES TO ORGANIZED RETAILERS: THE CASE OF NATIONAL CAPITAL REGION

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ABSTRACT The present study focuses on mainly challenges and opportunities faced by organized retailers in National Capital Region. Eighty (80) retailers of hypermarket/supermarket and Convenience/discount stores were approached and were asked to mark their responses on various challenges namely Infrastructural & Govt. Challenge, Market & Competition Challenge, Business Operational Challenge, Customer Convenience Challenge, Human Resource Challenge, and Opportunities prepared in the form a structured questionnaire. Findings concluded that biggest challenge is extreme power cuts (Interruption in power supply) in national capital region followed by frauds in retail i.e. employee theft, shop lifting, high cost of store operations which includes huge electricity bills, employee salaries, expensive land & high rentals, Non availability of skilled work force, Stores long working hours and retail shrinkage. The biggest opportunity to organized retailing is a huge portion of working dynamic & young customers. Young and working class people are the ray of hope for the organized retailers followed by growing brand consciousness, growing job opportunities, highly urbanization with rapidly growing middle class.

KEYWORDS : Challenges, Opportunities, Organized Retail, Customer Satisfaction, NCR.

1. Introduction:

Retail, word has been derived from the French word 'Retailer' meaning to 'cut a piece off' or 'break the bulk'. It is defined as a distribution function which includes activities in buying products from suppliers and selling goods or services or both to the customers for their personal, family or household use. David Gilbert has defined Retail as "Any business that directs its marketing efforts towards satisfying the final consumer based upon the organization of selling goods and services as a means of distribution.

Indian Retail Industry is categorized in two types:

- Organized Retailing
- Unorganized Retailing

Organized Retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax etc. These include the corporate backed hypermarkets and retail chains, and also the privately owned large retail businesses.

Unorganized Retailing refers to the traditional formats of low-cost retailing, for example, the local *Kirana* shops or Mom & Pop Stores, owner manned general stores, *Paan/beeedi* shops, convenience stores, hand cart and pavement vendors etc. Retail industry in India is largely unorganized & predominantly consists of small independent and single managed shops.

Organized retailing in India is witnessing a radical transformation. The increase in the number of retail chains across the country is an indication that organized retailing is emerging as an industry and will boom in a big way in the near future.

The National Capital Territory of Delhi (NCT) that includes the Indian Capital, is the second most populous metropolis of India after Mumbai. The National Capital Region (NCR) in India is a name for the conurbation or metropolitan area which encompasses the entire National Capital Territory of Delhi as well as urban areas ringing it in neighboring states of Haryana, Uttarakhnad, Uttar Pradesh and Rajasthan. The aim was to develop a metropolitan area around Delhi, so as to protect Delhi's infrastructure from excessive pressure and a planned development of the region.

2. Review of Literature:

- **Handa and Grover (2012)** highlighted that talent shortage & lack of trained manpower, inefficient supply chains, long intermediaries' chains, high number of clearances required for setting up retail outlet, inadequate infrastructure like roads, electricity, cold chains are the major challenges faced by retail sector in India.
- **Manocha and Pandey (2012)** discussed that poor supply chain leads to high wastage and high product cost. Multiple legislative laws leads to hinder fast expansion, cumbersome labour laws leads to limits organized retail business of 24*7, escalating real estate prices leads to higher operational costs, complexity in tax structure leads to rate classification, cultural disparity- understanding

customer choice and preferences is different.

- **Dash and Chandy** found that Organized retailers see competition from the unorganized sector as their biggest challenge, followed by internal logistical problem and retail shrinkage. Organized retailers see growing middle class as their greatest opportunity followed by large number of earning youth customers, people from all over India, proportionate increase in spending with earnings and India's booming economy.
- **Soundararajan et al. (2008)** found that proximity is a very substantial comparative advantage of unorganized retailers. Unorganized retailers have got very significant competitive strengths such as consumer goodwill, credit sales & an ability to bargain, ability to sale unpack goods, convenient timings & off course home delivery. No evidence of adverse effect of organized retail on intermediaries was found.
- **Singh, Das and Mahapatra (2008)** concluded that large retailer in India are gaining success undoubtedly but the traditional kirana stores in India is still holding prominent base in the extremely competitive Indian retail market. Organized retail shops are being created to lure the consumers away from the traditional kiranas but kiranas are not playing as silent spectators to this new reality. Youth & growing consumerism are pointing positively towards the organized retailers, but the strategies and tact's of local kirana stores against organized retailers are still making consumers loyal to them.

3. Objective of the Study:

- To evaluate various Challenges faced by Organized Retailers in National Capital Region.
- To evaluate various Opportunities available to Organized Retailers in National Capital Region.

4. Research Methodology:

The data has been collected through primary sources via structured questionnaire containing statements about various challenges and opportunities to organized retailers in National Capital Region. The total eighty (80) Managers/Employees of the organized retail stores in national capital region comprising Delhi-East, Delhi-West, Delhi-North, Delhi-South, Faridabad, Gurgaon, Noida & Ghaziabad taken by non-probability convenience sampling method, were approached for the same and data was collected. The data has been analysed with the help of SPSS version 21.0.

5. Result & Analysis:

01: Table-1 Descriptive Statistics of the Challenges faced by Organized Retailers in National Capital Region

Sr. No.	Factors	N	Mean	S.D	D	N	A	S.A
		Valid						
1.	Expensive land & High rental rates	80	4.06	1	6	14	25	34
2.	Improper Location	80	2.10	33	26	6	10	5

3.	Size/Built-up area of the store	80	2.53	40	8	2	10	20
4.	Interruption in Power Supply/Power cuts	80	4.36	1	4	5	25	45
5.	Inefficient logistics/ supply chain system	80	1.71	35	35	8	2	0
6.	Govt. Policies/Norms to food & supply, fire safety etc	80	2.51	19	28	12	15	6
7.	Competition from un-organized retail shops	80	1.50	55	18	0	6	1
8.	Competition from organized retail stores	80	2.96	17	18	12	17	16
9.	E-tailing/online shopping	80	3.69	8	14	8	15	35
10.	High on expenses but low on sale	80	3.05	15	15	14	23	13
11.	High cost of store operation	80	4.10	0	7	7	37	29
12.	Frauds in retail (employee theft, shop lifting)	80	4.10	6	6	5	20	43
13.	Retail shrinkage	80	3.70	7	8	12	28	25
14.	Store's long working hours	80	3.93	4	11	9	19	37
15.	Unexpected/ever changing consumer demand	80	3.53	6	15	13	23	23
16.	Understanding consumer behavior/cultural disparity	80	3.20	8	18	17	24	13
17.	Providing quality product at low price	80	2.95	17	17	13	19	14
18.	Non Availability of skilled workforce	80	4.03	4	8	6	26	36
19.	Reluctant/non helping attitude of employees	80	3.49	7	14	13	25	21
20.	Retaining of experienced workforce	80	3.24	8	14	25	17	16

Chart – 1



Interpretation:

The above table and chart clearly describes that the biggest challenge is extreme power cuts in national capital region (4.36). Interruption in power supply leads to heavy cost to the retailers in the form of fuel/diesel followed by frauds in retail i.e. employee theft, shop lifting (4.1) & high cost of store operations (4.1) which includes huge electricity bills, employee salaries etc. Expensive land & high rentals (4.06), Non availability of skilled work force (4.03), Stores long working hours (3.93) and retail shrinkage (3.70) are amongst the major challenges to them. The organized retailers in NCR do not consider the competition from un-organized retailers as a challenge (1.5). The supply chain system/logistics of the retail stores is efficient. The stores are strategically located at the places near to the potential customers and fulfill all the norms time to time prescribed by govt. related to food & supply, fire safety etc.

O2: Opportunities Available to Organized Retailing in National Capital Region

Case Summary						
	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
\$Opportunities	80	100.0%	0	0.0%	80	100.0%

a. Dichotomy group tabulated at value 1.

Table-2 Frequencies of Opportunities Available to Organized Retailing in National Capital Region

Sr. No.	Attributes	N Valid	Responses		% (Only Yes)	% of cases
			No	Yes		
1.	Delhi NCR developing as a growing Job destination	80	31	49	11.0%	61.3%
2.	Delhi NCR fast developing mall infrastructure	80	37	43	9.7%	53.8%
3.	Delhi NCR growing middle class	80	35	45	10.1%	56.3%
4.	Large, earning youth customers	80	21	59	13.3%	73.8%
5.	High urbanization	80	34	46	10.3%	57.5%
6.	Growing brand consciousness	80	26	54	12.1%	67.5%
7.	Increase in trend of Impulse buying	80	36	44	9.9%	55.0%
8.	Proportionate increase in spending with earnings	80	48	32	7.2%	40.0%
9.	Western effect	80	36	44	9.9%	55.0%
10.	Demand for international products	80	51	29	6.5%	36.3%
	Total			445	100.0%	556.3%

a. Dichotomy group tabulated at value 1

Interpretation:

Young and working class people are the ray of hope for the organized retailers. 67.5% retailers consider growing brand consciousness as an opportunity to them. Delhi NCR is considered as the second home of MNC's, inviting young enthusiasts from all over country. Growing job opportunities making it a hot destination for job hunters and opportunity for organized retailers too. Delhi NCR is the highly urbanized (57.5%) region in the country with rapidly growing middle class (56.3%) thus making people more inclined towards organized retailing. Increasing trend of impulse buying, western effect on youngsters, growing mall infrastructure/mall culture are considered as an opportunity.

6. Suggestions:

NCR contributes hugely in economic terms to the respective states, which have their areas under this region. Providing best infrastructural conditions i.e. electricity etc. must be in their priority list. Retail Companies must try to reduce their operational expenses such like improving their supply chain system to avoid shrinkage, proper checking of employees/customers at the entry/exit gates, installing CCTV's etc to avoid frauds & may open their stores at pocket friendly rental areas. The retail companies should focus on tier-2 and tier-3 cities in opening their stores. A larger portion of the customers remain untapped by not moving to the smaller yet potential cities. Establishing their retail chains at potential cities would somewhere compensate in their huge expenses to cover-up. Companies should make all their possible efforts to recruit, retain and motivate their employees so that they may get an edge over their competitors in terms of working experienced/loyal staff.

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