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# Failure Factors in Traditional, Digital, and Hybrid Startups of Micro, Small, and Medium-Sized Enterprises in the Retail Industry: Literature Review

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**Abstract**

This comprehensive literature review delves into the failure factors of traditional, digital, and hybrid startups within micro, small, and medium-sized enterprises (MSMEs) operating in the retail industry. Spanning the years from 2012 to 2023, this study sheds light on the intricate web of dynamics contributing to the downfall of MSMEs in this competitive landscape.

The retail industry has witnessed a remarkable evolution driven by technological advancements and changing consumer behaviors. Startups operating in traditional, digital, and hybrid modes are integral to this transformation. However, the high failure rate among these startups remains a pressing concern. A disheartening trend reveals that many MSMEs encounter significant challenges, with many failing to endure beyond their initial years.

This review meticulously analyzes various critical factors contributing to retail startups' failure. The synthesis of insights from diverse sources highlights the intricate interplay of elements such as financial instability, lack of entrepreneurial competencies and attributes, ineffective marketing strategies, inadequate technological integration, unfavorable government policies, weak customer relationships, mismanagement of timing, and insufficient infrastructural support.

The study underscores the imperative need to address these failure factors to cultivate a supportive environment for MSMEs in the retail industry. By dissecting the root causes of failure, this review provides a foundation for informed decision-making, enabling stakeholders, policymakers, and entrepreneurs to devise strategies that mitigate these challenges.

In conclusion, this comprehensive literature review unravels the multifaceted tapestry of failure factors plaguing traditional, digital, and hybrid startups within the retail industry's micro, small, and medium-sized enterprises. The insights offered herein aim to contribute to creating a conducive ecosystem where startups can survive and thrive, fostering innovation, economic growth, and resilience in the ever-evolving retail landscape.

**Keywords:** Startup Failure, Micro, Small, Medium-Sized Enterprises (Msmes), Retail Industry, Traditional Startups, Digital Startups, Hybrid Startups, Failure Factors

## Introduction

Micro, small, and medium-sized businesses, or MSMEs, are vital to the economy because they create jobs, boost economic growth, and encourage innovation (Buyinza et al., 2017; OECD, 2015). Their influence is felt on a worldwide scale, since MSMEs in the traditional, digital, and hybrid startup spaces employ about 60% of the workforce and contribute as much as 50% of the global GDP (European Commission, 2017). 48.5% of the private sector workforce is employed by SMEs in the US, which make up 99.7% of employer firms (SBA, 2017). The retail sector is a thriving ground for entrepreneurs, representing the diversity of modern entrepreneurial endeavours, from traditional physical businesses to digitally-focused firms. But the enduring problem of startup failure lurks alongside the promise of innovation and progress (Afiqah et al., 2018). According to Josh Howarth's most recent research (2023), there is a notable 90% failure rate for startups. Of these, 10% fail in their first year and a huge 70% fail between their second and fifth year (Explodingtopics.com, n.d). With an emphasis on traditional, digital, and hybrid models, this research delves deeply into the reasons why MSME companies in the retail sector fail. In order to shed light on this mysterious phenomena and its ramifications for employment, industry competitiveness, and the larger innovation ecosystem, the study attempts to disentangle the complex web of causes leading to startup failures (Afiqah et al., 2018).

This inquiry is extremely important for a number of reasons. The main benefit is that it makes it easier to learn from past mistakes, giving prospective business owners and legislators important information that will help them steer clear of the same mistakes in the future. In addition, it provides a comprehensive grasp of the difficulties associated with startup, which helps with improving risk management procedures, business strategy optimisation, and the development of flexible responses to unforeseen events. Additionally, it directs the creation of policies, allowing authorities to modify legislation and support networks to better suit the requirements of MSMEs operating in the retail industry. Comprehending the reasons behind failures is also economically significant since it promotes resource efficiency, economic expansion, and sustainable entrepreneurship—all of which lead to stability. Finally, this study advances academic discourse, advances scholarly understanding, informs future research endeavours, and benefits policymakers, practitioners, and scholars equally.

This review examines the linked elements that lead to startup failure by using a rigorous methodology that synthesises findings from multiple scholarly sources, empirical investigations, and industry reports. It explores important areas such as financial instability, lack of entrepreneurial competencies and attributes, ineffective marketing strategies, inadequate technological integration, unfavorable government policies, weak customer relationships, mismanagement of timing, and insufficient infrastructural support.This study intends to inform stakeholders, policymakers, and prospective entrepreneurs beyond its theoretical exploration. Through analysing the intricacies that underlie startup failures, this study aims to further the conversation on entrepreneurial dynamics in the retail sector. In the end, it seeks to provide insights that guide tactics, laws, and other interventions, creating an atmosphere that is more favourable for startups to grow, change course, and overcome the fear of failing.

## Objectives of the Study

1. To determine and examine how financial instability affects traditional, digital, and hybrid startup failures in the retail sector, clarifying the financial obstacles that play a major role in failure.

2. To thoroughly examine how a lack of essential entrepreneurial abilities affects the sustainability of MSMEs in the retail industry by examining the role that entrepreneurial competences and traits play in initiating startup failure.
3. To evaluate the efficiency of marketing tactics used by new organisations and identify the ways in which ineffective tactics lead to failure, offering insights into the role that strategic marketing techniques play in maintaining enterprises.
4. To examine how insufficient technology integration affects startup failures and how it obstructs the expansion and sustainability of the retail industry.
5. To assess the impact of unfavourable government policies on retail startups, identifying policy barriers that impede the growth and success of MSMEs and investigating potential regulatory reforms.
6.To explore the importance of customer relationships and their flaws as contributing factors to company failures, as well as the function of robust customer engagement in maintaining startup survival.
7. To investigate the repercussions of timing mismanagement in startup operations, specifically how bad timing decisions contribute to setbacks and eventual failure in the retail industry.
8. To investigate how insufficient infrastructure impacts the operational efficiency and survival of startups in the retail business, and to examine the role of infrastructure assistance or its inadequacy in startup failures.

**Overview of Traditional, Digital, and Hybrid Startups**

**Definition of Startups:** Startups are transient organizations leveraging advanced technology for innovative product or service creation (Vliamos & Tzeremes, 2012). Operating in early development stages, they are dynamic, adaptable, and thrive in uncertain environments (Gimmon & Levie, 2010); Thiranagama & Edirisinghe, 2015). With reproducible business models, startups target new offerings and rely on external funding (Blank & Dorf, 2012;Festel et al., 2013;Sefiani, Y and Bown, 2013).

They solve emerging challenges and generate demand with scalable, low-cost models (OECD, 2016;Petru et al., 2019). Amid the uncertainty, startups focus on growth-oriented business models (Konsek-Ciechońska, 2019). Under Forbes, startups are defined as enterprises aiming to address enigmatic issues with uncertain outcomes (Aminova & Marchi, 2021), fundamentally rooted in extreme uncertainty and a commitment to market-revolutionizing innovations (Aminova & Marchi, 2021;Isharyadi et al., 2022).

Traditional startups in retail typically involve a physical storefront where vendors interact with customers and display merchandise that can be examined, tried out, and purchased immediately (Enders & Jelassi, 2000;Andrea Payaro & Anna Rita Papa, 2017).

While traditional startups have advantages over online competitors, such as an established brand name, a large customer base, strong bargaining power with suppliers, existing distribution infrastructure, and a physical shopping experience, they also face drawbacks, such as high investment in physical infrastructure, limited opening hours and days, and government and union regulations. However, customers often prefer brick-and-mortar retailers over online stores due to ease of access, immediacy, and the chance for personal interaction (Herhausen et al., 2015 ;Afiqah et al., 2018 ; Andrea Payaro & Anna Rita Papa, 2017; Bejleri & Fishta, 2017). The retail industry has undergone a significant digital transformation in recent years, with the emergence of e-commerce, online shopping, and innovative technologies(Afiqah et al., 2018 ; Ioniţă et al., 2016). digital startups in the retail industry rely on e-commerce platforms and digital marketing channels to connect with customers. However, these startups face several challenges, including intense competition in online marketplaces and the need to invest in technology and digital marketing capabilities. To succeed, digital startups require a robust website design, an engaging user experience, effective online marketing strategies, efficient logistics, and establishing trust and credibility with new customers (S. & R., 2022 ;Bejleri & Fishta, 2017 ; Chen et al., 2012; Guo & Barnes, 2011) Retailers are investing heavily in technological advancements to stay competitive. Hybrid Startups in the Retail Industry refer to businesses that combine physical storefronts with an online presence. These businesses leverage traditional and digital marketing channels to reach customers (Berman & Thelen, 2018). Such businesses may have a physical storefront and an online store and face challenges related to inventory management, logistics, and customer service. Managing physical and digital inventory and maintaining consistency across different sales channels is also a challenge for hybrid startups (Berman & Thelen, 2018; Andrea Payaro & Anna Rita Papa, 2017; Fornari et al., 2018 ;Verhoef et al., 2015)

**The definition of Startup Failure**

The definition of startup failure in entrepreneurship research has generated diverse interpretations. It signifies an entrepreneur's inability to attain desired outcomes, characterized by declining revenues and escalating operational costs (Kalyanasundaram et al., 2021; Jenkins & McKelvie, 2016). The cessation of startup operations and loss of identity due to an inability to adapt to market dynamics define failure (Amankwah-Amoah, 2016), encompassing planned and forced exits (Carter & Van Auken, 2006; Headd, 2003).

However, the literature needs a unified consensus on the components of failure, presenting broad and narrow definitions (Le Floc'h & Scaringella, 2017). Broadly, failure encompasses mergers, acquisitions, customer needs unmet, declines, retrenchments, downsizings, and poor profits (Mellahi & Wilkinson, 2004; Watson & Everett, 1996). In contrast, (Levinthal, 1991) defines failure as a business's inability to meet financial obligations, necessitating bankruptcy or liquidation. These diverse characterizations underscore the complexity of defining startup failure.

**Failure Factors**

**Financial Instability**

The studies on financial failure factors highlight a range of challenges faced by startups and micro-enterprises in various contexts. Common themes include the inaccessibility of formal debt and equity markets, financing difficulties, and the importance of a professional and skilled team. External obstacles such as limited budgets, inadequate government assistance, and supply chain issues also contribute to financial challenges. Addressing these factors through tailored government initiatives, improved loan accessibility, fostering a business angel culture, and embracing digital transformation is crucial for the success and long-term sustainability of startups and micro-enterprises in different regions (Rifai et al., 2016; Alharbi, 2020; Prohorovs et al., 2019; Amankwah-Amoah, 2018; Fatoki, 2014; Jenkins & McKelvie, 2016; Seethamraju, 2018; Mikle, 2020; Shepherd & Patzelt, 2017). Seethamraju and Krishna Sundar Diatha (2018) and Amankwah-Amoah (2018) shed light on the challenges faced by small retail stores in India when adopting digital technologies. These challenges include the costs and infrastructure limitations associated with integrating digital technologies, which hinder their successful implementation and adoption. Additionally, small retail stores face critical obstacles such as technology costs, bureaucracy, and lack of trust in the regulatory environment, impacting their financial viability. (Prohorovs et al., 2019; Seethamraju, 2018; Shepherd & Patzelt, 2017)

**Lack of Entrepreneurial Competencies and Attributes**

Motivations play a significant role, and entrepreneurs must carefully assess their causes to align them with their business objectives (Arasti et al., 2012). Understanding failure's social, emotional, and psychological consequences is crucial for making informed decisions (Shepherd & Patzelt, 2017).Skills are essential for micro-enterprise success and management. Various factors contribute to the failure of small businesses in the retail industry, including individual traits, experience, skills, and education. One crucial factor is the lack of crisis management skills, which can lead to failure in business ventures (Zahra Arasti et al., 2012). Additionally, the age of business owners can influence e-commerce sustainability, with experience and adaptability playing essential roles in business success (Amornkitvikai et al., 2022).

Effective leadership and management skills are essential for business success and for promoting the growth of small and medium-sized enterprises (Agyapong, 2016;Chatterjee et al., 2022). Entrepreneurs with marketing, financial, and human resource management skills are better positioned to sustain their businesses (Zahra Arasti et al., 2012). Moreover, individual traits such as emotional and psychological skills can significantly impact business outcomes, with entrepreneurs' emotional intelligence influencing their ability to navigate challenges and uncertainties and positive impact of emotional intelligence on creativity.(Smith et al., 2015;Ahmed et al., 2021)

Overcoming barriers to digital marketing adoption is crucial for micro-enterprises in the retail industry, necessitating training programs to enhance crisis management strategies and improve various business skills (Chakraborti et al., 2022).(Gumel & Bin Bardai, 2023) (Arasti et al., 2012)By understanding and addressing these factors, entrepreneurs can foster more resilient and sustainable business ventures in the competitive retail industry.

**Ineffective marketing strategies**

Various studies have investigated the reasons behind the failure of marketing strategies in startups and micro-businesses across different regions, providing valuable insights into the common challenges and differences these enterprises face. One notable aspect of failure-based learning highlighted by (Lattacher & Wdowiak, 2020) is the experiential learning process. They emphasize the importance of reflective observation, abstract conceptualization, and personal traits in enhancing the effectiveness of marketing strategies for startups and micro-businesses in the retail sector.

Addressing challenges such as lack of experience, inadequate marketing, and competition is crucial for micro-enterprises to avoid startup failures. Offering innovative solutions that meet customer needs and differentiate in the market is vital for achieving sustained growth, as emphasized by(Mikle, 2020). Similarly, successful small business owners prioritize marketing differentiation, personal connections, client problem-solving, and investing time and money in marketing strategies, (Rizvanović et al., 2023).

Understanding positive and negative cross-channel effects is essential when adding new brick-and-mortar stores, (Avery et al., 2012), emphasize. Strategic insights into customer behavior and sales fluctuations can guide marketing decisions and prevent failure. Moreover, Amankwah-Amoah (2018) proposes an integrated framework that classifies the differential effects of online and brick-and-mortar competition on business failure. The successful blending of online and offline platforms is vital for business success.

On the other hand Chakraborti, Dutta, and Jana (2022) identify barriers startup companies face in developing and executing solid branding, promotion, and marketing strategies. Factors such as usage, value, risk, and psychological barriers hinder digital marketing adoption and contribute to failure. This study suggests that embracing digital marketing tools and technologies could offer startups a viable and affordable option irrespective of location.

According to (Azemi & Ozuem, 2016) The shift to the internet and social media has expanded the understanding of service failure and recovery strategies beyond traditional customer-provider perspectives. While effective recovery strategies can mitigate negative consequences and enhance relationships, many attempts reinforce dissatisfaction. Social media offers an alternative recovery channel, but neglecting failures or unsuccessful recoveries poses risks for providers. The complexity of service literature lies in recovery strategies, with differing expectations between customers and providers. The study emphasizes the heterogeneity of customer recovery expectations and the need for a clearer understanding.

The findings from Chakraborti, Dutta, and Jana's (2022) study on startup companies can also apply to traditional startups and micro-enterprises in the retail industry. Both groups may face similar challenges when developing solid branding, promotion, and marketing strategies. Therefore, investing in digital marketing training and resources can help these businesses overcome barriers and leverage the benefits of digital marketing to increase their chances of success.

Furthermore, Allagiannis, Lohiya, and Mirijamdotter's (2021) article sheds light on the importance of digital transformation and omnichannel management for the future success of small and medium-sized brick-and-mortar retailers. Understanding consumer behavior and technology is crucial for success in the digital retail industry. Similarly, Herhausen et al. (2015) found that multi-channel retailers often face challenges integrating their physical stores and online channels, impacting customer experiences. Implementing cross-channel integration strategies can lead to competitive advantages and synergies, benefiting micro-enterprises seeking to enhance customer outcomes. Moreover, Endang Siswati, (2021) highlights micro-enterprises challenges in entering the online-based business and suggests an online marketing collaboration model as a solution. The importance of being prepared for running online businesses and reviewing marketing strategies is supported by research Wirapraja and Aribowo (2018), applicable to startup-enterprises. These findings highlight the need to explore digital marketing strategies and seek collaborations to enhance online presence and remain competitive.

**Inadequate technological integration**

The research on technological innovation failure presents valuable insights into various aspects that impact organizations in the retail industry. Scaringella (2017) emphasizes the importance of customer interactions in innovative projects for micro-enterprises, underlining the significance of distinguishing between lead users and ostensible customers. Similarly, Yaseen et al. (2019) highlight the challenges faced by adopting e-commerce in developing countries like Jordan, including the need for more awareness, government support, and trust issues.

Amankwah-Amoah (2018) proposes a framework to classify the effects of online and brick-and-mortar competition on business failure, emphasizing the need for a blended approach and staying updated with technology.

The research by Siswati( 2020) and Santisteban and Mauricio (2017) on the high failure rate of technology-based startups (TBSs) and critical success factors (CSFs) for startups Micro-enterprises can learn from TBS experiences and consider essential elements such as a well-defined business idea, competent team structure, sound capital search strategy, and practical marketing strategies .

Danarahmanto and Azis (2019) stress the importance of entrepreneurship orientation, innovation, customer participation, and a sustainable business model for digital startup success. Amankwah-Amoah's (2018) study identifies four competitive dynamics in the retail industry, emphasizing the need for a strategic approach integrating physical stores with online activities to foster customer loyalty. Rannikko (2014) identifies the main challenges high-tech startups face and offers practical results for success such as NIY Programme and VIGO Programme have helped new innovative and growth oriented firms to strengthen their early development in comparison to their unsupported counterparts.

Additionally, Seethamraju and Diatha (2018) identify challenges faced by these small retail stores in the context of a deliberate governmental push towards digital payments and increasing competition from large supermarkets and online retailers. Perceived loss of control, costs of technologies, customer’s low socio-economic background, suppliers influence, tax and security implications, bureaucracy, and lack of trust in the regulatory and external environment are the challenges identified in the study. In addition, poor physical and digital infrastructure, inadequate access to and poor reliability of digital technologies, and the costs are constraining the adoption of digital technologies.emphasizing the need for digital adoption. The collective findings underscore the pivotal role of technological innovation in driving success and competitiveness for organizations, stressing the importance of embracing digital strategies and managing technical costs for sustainable growth and staying competitive in today's dynamic business landscape. Understanding the significance of social media and customer interactions in innovative projects is crucial for long-term success. Organizations must adapt to cutting-edge technologies and remain at the forefront of innovation to achieve long-term sustainability and prosperity.

**Unfavorable government policies**

Adopting digital technologies by startups and micro-enterprises presents significant challenges, including process inefficiencies, poor physical infrastructure, inadequate access to digital technologies, and associated costs. Inappropriate polices such as instability of rules and regulations cause of bewilderment in investing and continuing business for example subside rules and liberalization of price change all plane of entrepreneurs in business especially for start-ups and new established business that faces many challenges in early years of activity. Bureaucracy in taxation rules, business licenses and permission of activity is also influence on entrepreneurs and makes them disappointment; it sometimes reduces their motivation to continue their activity (Arasti et al., 2014).

Moreover, the challenges related to digitalization faced by small retail stores in India (Seethamraju & Diatha, 2018) have implications for micro-. Government support is necessary to address technological and digitalization challenges by improving digital infrastructure and providing training on digital technologies to aid micro-enterprises in adapting to the changing business landscape.

According to Alabi et al. ( 2019) investigates the impact of government policies on the growth of small and medium enterprises (SMEs) in Nigeria's South-west region, focusing on the role of infrastructural development. The research highlights a significant relationship between government policies and SME growth. Specifically, the study underscores the importance of effective policies, particularly infrastructural development, to support SMEs and enhance their performance. The findings suggest that targeted efforts to improve infrastructure can contribute significantly to the success and sustainability of small businesses in the region.

**Weak customer relationships**

Weak customer relations are crucial in the failure of startups and micro-enterprises in the retail industry. Studies such as Amornkitvikai et al. (2022) emphasize the importance of educating customers to improve their engagement in e-commerce, especially in developing areas, where e-commerce sustainability can face challenges due to customer e-commerce illiteracy.

Furthermore, maintaining strong customer relationships, offering high-quality products/services, and providing full service are strategies modern retailers use to retain customers, as mentioned in Afifah's study (2019). These factors create a solid foundation for the success of SMEs in the retail sector (Douglas et al., 2017; Allagiannis et al., 2021;).

Additionally, the significance of social networks in business startups' success is evident from studies conducted by Abou-Moghli & Al-kasasbeh( 2012) in Jordan's plastics and rubber manufacturing sector. Social networks provide better access to resources and support, highlighting the importance of building relationships for business success.

**Mismanagement of timing**

The findings reveal that the leading causes of failure in the initial year of startup life are the need for a well-defined business model and development. As the startup progresses into the second and third years, challenges related to the business model, product/market fit, and funding availability become more significant. In the fourth and fifth years, problems among founders emerge as a prominent contributing factor to failure (Cantamessa & Gatteschi, 2018). These insights underscore the importance of addressing critical issues at each stage of a startup's journey to increase the chances of sustainable success.

The study by Avery et al. (2013) found that opening brick-and-mortar stores had positive and negative effects on the retailer. In the short term, only catalog sales declined slightly, but over time, both the catalog and online channels increasingly benefited from the presence of the new brick-and-mortar stores. Within 79 months, catalog sales recovered to a level that would have been expected had the store never opened and continued growing more than in a sample without new stores. Opening a physical store can positively and negatively affect the business in the context of micro-enterprises in the retail industry. Still, if appropriately managed, it can ultimately lead to increased sales and growth in the long term.

The findings from the study by Kücher et al. (2018) highlight the need to increase our understanding of why micro-enterprises in the retail industry fail. The study emphasizes the importance of analyzing age-varying mortality patterns in such populations and suggests that younger firms face different organizational challenges than matured firms. The study also indicates a non-monotonic relationship between failing due to a lack of equity and firm age. Therefore, it is crucial to investigate the relationship between healthy age and causes of insolvency to prevent business failure.

**Insufficient infrastructural support**

Some key infrastructural challenges include limited adoption of e-commerce due to underdeveloped infrastructure, societal trends, culture, low computer literacy, and customer preference for in-person shopping (Yaseen et al., 2016). Small retail stores may also need help adopting digital technologies due to poor physical and digital infrastructure, limited access to digital technologies, and associated costs (Seethamraju & Diatha, 2018).

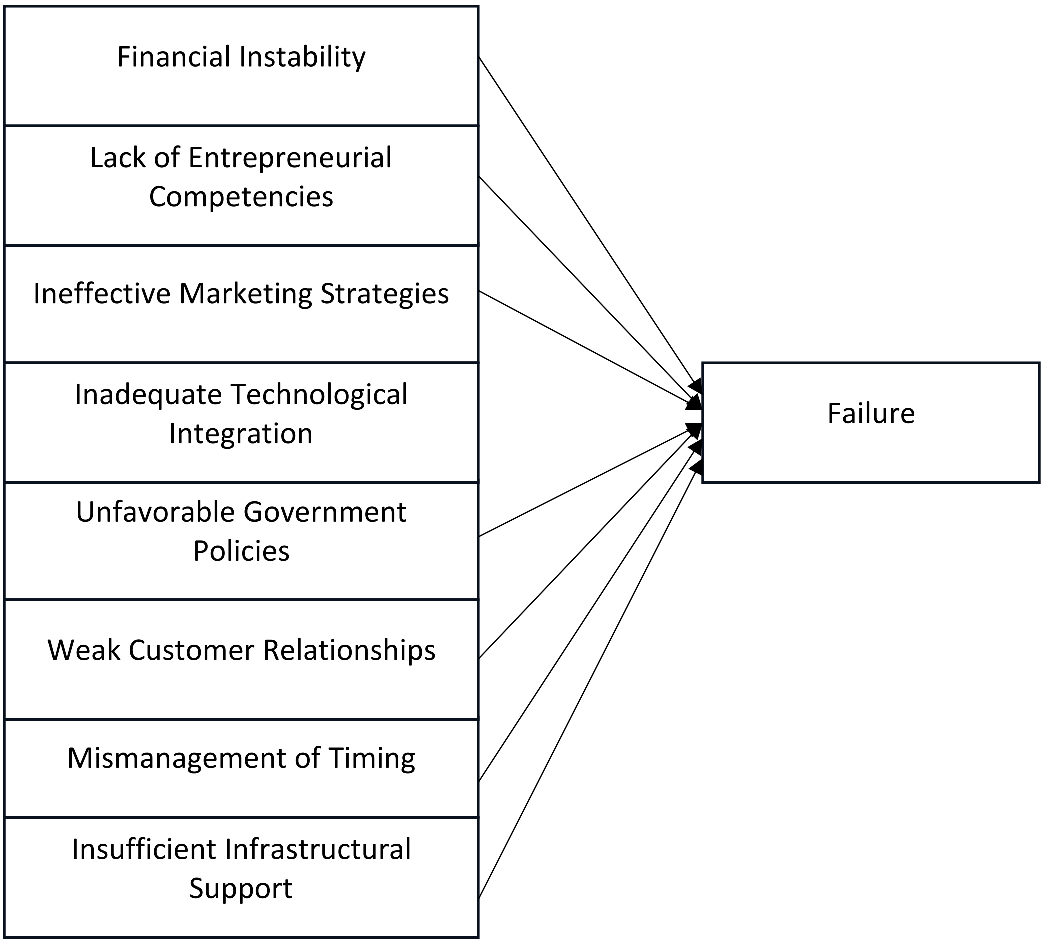
Moreover, issues like customer e-commerce illiteracy, security challenges, and technical and organizational difficulties are significant barriers to e-commerce sustainability (Yot Amornkitvikai et al., 2022). Entrepreneur incompetence, environmental unfavorability, and enterprise incompetence are primary reasons for the failure of small and micro-sized enterprises, emphasizing the need for improved entrepreneurial competence, adaptability, and professional operation All these are attributed to poor understanding of the varied needs of SMME at each stage of its growth process. The impacts are loss of jobs and income, poverty, social evils and unemployment, among others (Bushe, 2019).

The comparative analysis demonstrates small businesses' common challenges in different regions and emphasizes the importance of robust physical and digital infrastructure to facilitate technology adoption and improve business performance (Seethamraju & Diatha, 2018; Seethamraju & Diatha, 2019). Businesses can enhance their resilience and competitiveness in diverse contexts by addressing these infrastructural failure factors and adopting innovative strategies.

**Conceptual framework of the study**

Conceptual framework of the study From the above literature reviews, the following conceptual framework is developed for the current study. The failure Factors included in the conceptual framework are; financial instability, lack of entrepreneurial competencies, ineffective marketing strategies, inadequate technological integration, unfavorable government policies, weak customer relationships, mismanagement of timing, and insufficient infrastructural support. (Fig. 1).

Figure 1 Conceptual framework




Source: Researcher , 2023

**Methodology**

The methodology employed in this literature review paper entails conducting a systematic and comprehensive search of relevant academic literature from the period of 2012 to 2023 to explore the failure factors of traditional, digital, and hybrid startups in micro-enterprises within the retail industry. The search encompassed reputable databases such as PubMed, Scopus, Web of Science, and Google Scholar, utilizing appropriate keywords and search terms related to startup failure, MSMEs-enterprises, retail industry. The inclusion criteria for the study consisted of peer-reviewed journal articles and academic publications published within the specified timeframe to ensure that we incorporate current and relevant findings.

Data extracted from the selected studies synthesized to identify common themes and trends related to MSMEs performance. The review critically evaluated the quality and credibility of the sources while recognizing potential limitations and biases. Ultimately, the literature review identified gaps in the existing research, providing a comprehensive overview of the failure factors of MSMEs in the retail industry, and offering insights for future research and practical implications.

**Conclusion**

The comprehensive literature review focusing on failure factors in traditional, digital, and hybrid startups within the micro-enterprises of the retail industry during the period from 2012 to 2023 has unveiled a rich tapestry of insights into the multifaceted dynamics that influence the trajectory of startup performance. The review has underscored the profound impact of diverse factors that intricately weave into the fabric of startup failure. Key determinants encompass a spectrum of dimensions, ranging from financial instability (inaccessibility of formal debt and equity markets, financing difficulties, and the importance of a professional and skilled team, External obstacles such as limited budgets, inadequate government assistance, and supply chain issues, the costs and infrastructure limitations associated with integrating digital technologies, technology costs, lack of trust in the regulatory environment, impacting their financial viability.) ,lack of entrepreneurial competencies and attributes (Lack of crisis management skills, motivations, the age of business owners, individual traits such as emotional and psychological skills, lack of marketing, financial, and human resource management skills), ineffective marketing strategies ( The importance of reflective observation, abstract conceptualization, and personal traits in enhancing the effectiveness of marketing strategies, lack of experience, inadequate marketing, and competition, offering innovative solutions that meet customer needs and differentiate in the market is vital for achieving sustained growth marketing differentiation, personal connections, client problem-solving, and investing time and money in marketing strategies, understanding positive and negative cross-channel effects, Strategic insights into customer behavior and sales fluctuations can guide marketing decisions and prevent failure, the successful blending of online and offline platforms, usage, value, risk, and psychological barriers hinder digital marketing adoption, , importance of Social media ,digital transformation and omnichannel management for the future success, understanding consumer behavior and technology is crucial for success, explore digital marketing strategies and seek collaborations to enhance online presence and remain competitive),inadequate technological integration (The importance of customer interactions in innovative projects, the need for more awareness, government support, and trust issues, the need for a blended approach and staying updated with technology, the important of a well-defined business idea, competent team structure, sound capital search strategy, and practical marketing strategies, entrepreneurship orientation, innovation, customer participation, and a sustainable business model for digital startup success, NIY Programme and VIGO Programme have helped new innovative and growth oriented firms to strengthen their early development, loss of control, costs of technologies, customer’s low socio-economic background, suppliers influence, tax and security implications, bureaucracy, and lack of trust in the regulatory and external environment, poor physical and digital infrastructure, inadequate access to and poor reliability of digital technologies, and the costs, the pivotal role of technological innovation in driving success), unfavorable government policies ( Process inefficiencies, poor physical infrastructure, inadequate access to digital technologies, and associated costs. Inappropriate polices such as instability of rules and regulations cause of bewilderment in investing and continuing business for example subside rules and liberalization of price change all plane of entrepreneurs in business, Bureaucracy in taxation rules, business licenses and permission of activity, challenges related to digitalization, Government support is necessary to address technological and digitalization challenges, the impact of government policies on the growth),weak customer relationships ( The importance of educating customers to improve their engagement in e-commerce, customer e-commerce illiteracy, maintaining strong customer relationships, offering high-quality products/services, and providing full service are strategies modern retailers use to retain customers, the significance of social networks),mismanagement of timing ( The leading causes of failure in the initial year of

startup life are the need for a well-defined business model and development. As the startup progresses into the second and third years, challenges related to the business model, product/market fit, and funding availability become more significant. In the fourth and fifth years, problems among founders emerge as a prominent contributing factor to failure, Opening a physical store can positively and negatively affect the business in the context of micro-enterprises in the retail industry. Still, if appropriately managed, it can ultimately lead to increased sales and growth in the long term, a non-monotonic relationship between failing due to a lack of equity and firm age),and insufficient infrastructural support (Limited adoption of e-commerce due to underdeveloped infrastructure, societal trends, culture, low computer literacy, and customer preference for in-person shopping, poor physical and digital infrastructure, limited access to digital technologies, and associated costs, customer e-commerce illiteracy, security challenges, and technical and organizational difficulties, Entrepreneur incompetence, environmental unfavorability, and enterprise incompetence, challenges in physical and digital infrastructure).
As the inquiry traversed through these labyrinthine corridors of startup failure, it illuminated the complex interplay between these factors, underscoring their collective influence on the survival and success of micro-enterprise startups within the retail domain. The findings resonate as a clarion call to entrepreneurs, policymakers, and stakeholders, resonating with the urgency to address these determinants head-on and orchestrate a harmonious symphony of support mechanisms that could mitigate the risks of failure and amplify sustainable growth prospects.
Amidst startups' multifarious challenges, elucidating these failure factors provides a beacon of knowledge to illuminate the path forward. The insights gleaned from this review have the potential to catalyze strategic interventions, inform policy formulation, and guide aspiring entrepreneurs as they navigate the labyrinthine landscape of the retail industry. In this era of rapid innovation and transformation, where startups are both the engines of disruption and the vessels of potential, it is the hope that the revelations of this review will contribute to a more resilient, vibrant, and thriving ecosystem for micro-enterprise startups in the retail arena. Pursuing such an ecosystem holds the promise of circumventing failure and nurturing a culture of innovation, resilience, and enduring success.

**Theoretical Contribution**

The theoretical contribution of this literature study comes from its thorough examination of the reasons why different retail startup concepts fail. Through an examination of hybrid, digital, and traditional businesses within the Micro, Small, and Medium-Sized Enterprises (MSMEs), it analyses subtle factors that contribute to startup failures. By incorporating well-known theoretical frameworks into the retail setting, this study advances our knowledge of the mechanisms that lead to startup failures in a range of operational setups. By tailoring current theories to the complex issues faced by modern retail startups, this strategy advances theoretical frameworks in the fields of retail management and entrepreneurship.

**Contextual Contribution**

This literature review provides a contextualised analysis within the complex web of factors that includes financial instability, a lack of entrepreneurial competencies, ineffective marketing strategies, inadequate technological integration, unfavourable government policies, weak customer relationships, mismanagement of timing, and inadequate infrastructural support. It reveals insights into the diverse operational environments of traditional, digital, and hybrid companies while acknowledging the particular challenges they encounter. It enhances our understanding of failure in the retail industry by situating these failure reasons within the context of technical developments, market needs, customer behaviour, and regulatory environments. The process of contextualization facilitates the development of customised strategies aimed at MSMEs, equipping them with the necessary tools to efficiently traverse the ever-changing and intricate retail landscape.

**Recommendations**

Based on the comprehensive review of the literature, several vital recommendations emerge as potential solutions to address and mitigate the failure of startups within the retail industry:

**Entrepreneurship Development Programs:** Establish and strengthen specialized programs that provide aspiring entrepreneurs with the requisite skills, knowledge, and mentorship to navigate the intricacies of the retail landscape. These programs can offer business planning, financial management, marketing strategies, and customer relationship-building training, equipping startups with the tools they need to thrive.

**Promote Digital Literacy:** Recognize the significance of digital literacy and encourage initiatives that enhance entrepreneurs' understanding and utilization of digital technologies. By fostering a culture of digital fluency, startups can harness the power of e-commerce, online marketing, and data analytics to engage customers better and optimize their operations.

**Facilitate Access to Financing:** Develop innovative funding mechanisms and platforms that cater specifically to startups in the retail sector. This can include venture capital, angel investors, crowdfunding platforms, and partnerships with financial institutions that understand retail startups' unique challenges and opportunities.

**Enhance Government Support:** Collaborate with governmental bodies to formulate policies that foster a favorable regulatory environment for startups. This includes streamlining business registration processes, offering tax incentives, and creating programs that provide startups access to resources and networks.

**Limitations of the Study**

The study focuses on failure factors, and while this provides valuable insights into potential pitfalls, it needs to explore the full spectrum of success factors that may counterbalance these failures, leaving an incomplete picture of the startup landscape. The study's emphasis on startup failure factors during the early stages of operation may only partially capture challenges that emerge as startups evolve and mature. Long-term sustainability and challenges beyond the initial years may warrant further investigation.

**Future Research Directions**

Conducting longitudinal studies that track the evolution of startups over an extended period can provide a deeper understanding of how failure factors manifest and evolve as startups mature. This approach would capture the dynamic nature of startup challenges and shed light on factors contributing to long-term success or failure. Complementing quantitative analysis with qualitative research methods, such as in-depth interviews and case studies, can offer richer insights into the contextual nuances of startup failures. Qualitative research allows a deeper exploration of entrepreneurs' experiences, decision-making processes, and the intricate interplay of factors contributing to failure. Exploring the impact of emerging technologies, such as artificial intelligence, blockchain, and virtual reality, on startup failures in the retail industry can uncover new dimensions of challenges and opportunities. Investigating how these technologies influence business models, customer engagement, and operational efficiency can inform strategies to mitigate failure risks.

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