



RETAIL INDUSTRY IN INDIA : OPPORTUNITIES & CHALLENGES

Sneha Sharma

Assistant Professor (Management) Sdiety, Faridabad

Ravi Kumar Bakshi*

*Corresponding Author

ABSTRACT

Retailing in India is one of the pillars of its economy and accounts for 14-15% of its GDP. India is one of the fastest growing retail market in the world, with 1.2 billion people. Since liberalisation in early 1990's many Indian retailers like shoppers shop, Pantaloon Retail India Ltd., Spencer retail ventured into organised sector and have grown by many folds since then. India retail sector is estimated to touch 833 billion US dollar by 2013 and 1.3 trillion US dollar by 2018. With compound annual growth of 10% which is quite lucrative. All these estimations are due to the fact that the consumer spending has been a rise of around 75% in past 4 years. The organised retail Indian market is slated to grown at CAGR of 40% touching 107 billion US dollars by 2013.

KEYWORDS :

INTRODUCTION TO INDIAN RETAIL INDUSTRY:

Retailing in India is one of the pillars of its economy and accounts for 14-15% of its GDP. India is one of the fastest growing retail market in the world, with 1.2 billion people. The Indian retail industry is divided into Organised and Unorganised sectors. Organised retailing refers to trading activities undertaken by licensed retailers, who are registered for sales tax, income tax etc. these includes corporate backed hyper markets and privately owned large business. Unorganised retailing refers to traditional formats of low cost retailing, local kiranaas shop, and paan beedi shops etc.

Modern organised Indian retail sector has clearly moved into high growth phase touching over 35%. The retail industry is the largest contributor to India's GDP. Today, the size of retail business has been attracted many corporate to form organised retail sector. The retail industry has given birth to various retail formats in both food and non-food categories based on location, size, merchandise, price and level of services offered.

ORIGIN OF RETAIL SECTOR:

Early Trade:

When man started to cultivate and harvest the land, he would occasionally find himself with surplus of goods. Once the needs of his family and community were met, he would attempt to trade his goods for different goods produced elsewhere. thus markets were formed.

Now, the question arises how retail developed?

a) Peddlers & Producers : The retail trade is rooted in two groups. Peddlers tends to purchase any goods that they thought they could sell for profit.

b) General Stores : This division continues to this day with some shops specialising in some areas reflecting their origin as outlets for producers. Customers would found this to be more convenient then visiting so many shops.

c) Early Markets : Overtime, producers would have seen value in deliberately over producing in order to profit from selling these goods. Merchants would also began to appear. They would travel from village to village and finally goods sold in market and regular market appears.

OBJECTIVES OF STUDY:

- To study the growth of retail sector in India.
- To study the social and economic implications of Retailing
- To study the emerging ways of Retailing.
- To study the opportunities and trends in Retailing.

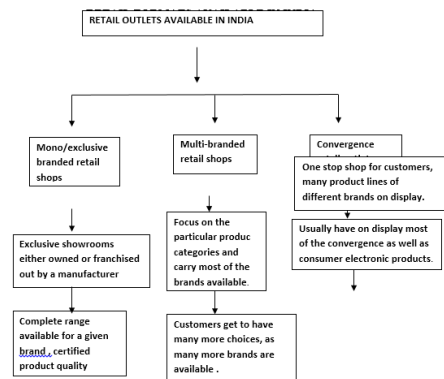


Figure:1

India is considered to be one of the biggest market for any type of trade where large no. of consumers are present .After the second world war when every nation was struggling for growth then various collaboration had been made to boost up the economies like SAARC,WTO and WORLD BANK came into existence.If we Talk about india in the late nineties concept of LPG came into existence .It was noticed that if an economy wants to grow then entrance of FDI is the only solution. Thats why in various sectors of economy FDI is allowed like infra, and telecom etc.In 21st century WALMART entered into Indian market in three different ways; Bharti mart, walmart and Easyday. Retail sector is providing ample opportunities like employment, quality product etc. In this era of diversification various companies came into retailing like Reliance entered into retail sector by opening Reliance fresh across the nation.As every economy is globalised now a days so every corporate are seeking various opportunities around the globe. Like now a days India is focussing on MEA market i.e.(middle east and Africa) . Lot of opportunities are available in these countries

2017 Global Retail Development Index™

Rank	Country	Market attractiveness (25%)	Country risk (25%)	Market saturation (25%)	Time pressure (25%)	ORDI score	Population (million)	GDP per capita, PPP	National retail sales (\$ billion)
16	Kazakhstan	45.1	37.5	62.9	47.9	48.4	18	25,669	35
17	Côte d'Ivoire	12.2	9.6	98.6	73.1	48.4	24	3,581	14
18	Philippines	33.2	40.6	39.9	73.5	46.8	103	7,696	137
19	Paraguay	22.6	14.6	88.9	56.6	45.7	7	9,354	11
20	Romania	48.2	64.3	0.0	70.0	45.6	20	22,319	45
21	Tanzania	0.0	25.5	100.0	56.2	45.4	54	3,097	17
22	Russia	79.6	28.2	3.6	61.3	43.2	144	26,109	434
23	Azerbaijan	31.8	24.0	84.2	31.7	42.9	10	17,688	11
24	Tunisia	32.7	42.0	74.4	21.6	42.7	11	11,657	15
25	Kenya	12.5	0.7	76.4	75.6	41.3	45	3,360	28
26	South Africa	52.5	71.1	6.0	31.2	40.2	56	13,179	94
27	Nigeria	15.7	0.7	91.6	51.6	39.9	187	5,930	109
28	Bolivia	24.5	6.8	93.4	33.5	39.6	11	7,191	15
29	Brazil	70.5	63.8	23.1	0.0	39.3	206	15,211	447
30	Thailand	47.4	50.3	5.8	47.8	37.8	65	16,835	119

Table:1

GROWTH OF RETAIL SECTOR

Growth over 1997-2017

India in 1997 allowed foreign direct investment (FDI) in cash and carry wholesale. Then, it required government approval. The approval requirement was relaxed, and automatic permission was granted in 2006. Between 2000 to 2010, Indian retail attracted about \$1.8 billion in foreign direct investment, representing a very small 1.5% of total investment flow into India.

Single brand retailing attracted 94 proposals between 2006 and 2010, of which 57 were approved and implemented. For a country of 1.2 billion people, this is a very small number. Some claim one of the primary restraint inhibiting better participation was that India required single brand retailers to limit their ownership in Indian outlets to 51%. China in contrast allows 100% ownership by foreign companies in both single brand and multi-brand retail presence.

Until 2010, intermediaries and middlemen in India have dominated the value chain. Due to a number of intermediaries involved in the traditional Indian retail chain, norms are flouted and pricing lacks transparency. Small Indian farmers realize only 1/3rd of the total price paid by the final Indian consumer, as against 2/3rd by farmers in nations with a higher share of organized retail. The 60%+ margins for middlemen and traditional retail shops have limited growth and prevented innovation in Indian retail industry.

India has had years of debate and discussions on the risks and prudence of allowing innovation and competition within its retail industry. Numerous economists repeatedly recommended to the Government of India that legal restrictions on organized retail must be removed, and the retail industry in India must be opened to competition. For example, in an invited address to the Indian parliament in December 2010, Jagdish Bhagwati, Professor of Economics and Law at the Columbia University analysed the relationship between growth and poverty reduction, then urged the Indian parliament to extend economic reforms by freeing up of the retail sector, further liberalisation of trade in all sectors, and introducing labour market reforms. Such reforms Professor Bhagwati argued will accelerate economic India is overall the most attractive country for entry according to the overall score, at 71.7. The country has a strong performance in the saturation metric, being relatively unsaturated, although time pressure for entrance remains relatively high. China takes the number two spot, although market saturation of its almost 1.4 billion people is considerably higher than that of India. The relatively higher PPP and relatively stable risk outlook make it a key market, with a score of 70.4 in total. Malaysia takes the number three spot, with low risk and high PPP. Turkey and the United Arab Emirates round off the top five, with low risk and high market attractiveness respectively – although the latter is relatively saturated. A range of countries from global regions completes the top ten, including Vietnam, which is enjoying strong growth, at number six, Morocco at number 7, Indonesia at number 8, Peru at number 9 and Colombia at number ten.

The GRDI window of opportunity

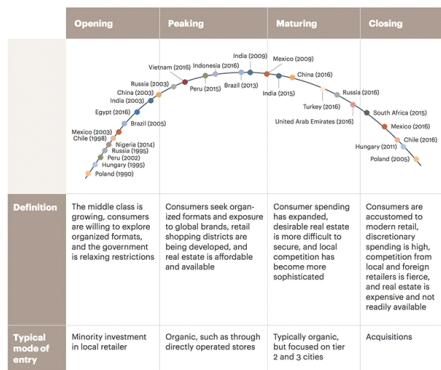


Table :2

The research also considered the countries measured in terms of

their relative maturity, as well as the kinds of entry required in the markets. A large number of countries, 11 in total, were ranked as opening – which denotes a growing middle class willing to explore new options.

Peaking markets are those in which consumers are seeking various shopping formats at which to acquire global brands. Growth for this group remains organic. Maturing countries, which is where China was last year, reflects increased consumer spending but also increased competition. Focus on top tier cities is a key way to engage with this type of market.

Finally, closing markets are those in which consumers have relatively high disposable incomes, competition among retailers remains fierce and real estate for the sector has become increasingly expensive. Acquisitions are the key way of entering this type of market.

REASONS BEHIND RETAIL GROWTH

- 1) The prime reasons that fuelled this boom include favourable demographics, rising consumer incomes, real estate developments, especially the emergence of new shopping malls, availability of better sourcing options - both from within India and overseas - and changing lifestyle.
- 2) Retail industry in India is expected to rise 25% yearly being driven by strong income growth. Changing lifestyles and favourable demographic patterns.
- 3) Easy availability of credit and large scale real estate developments were fueling the growth of India's approximately 25 billion US Dollar organised retail market.
- 4) Ever expanding middle and upper class consumer base, there will also be opportunity in India's tier-II & tier-III class.
- 5) Modern Indian consumer is seeking more value in terms of improves availability and quality, pleasant shopping environment and financing options, trial rooms for clothing products and competitive prices. This has created a rapid growing opportunities, modern retail formats to emerge in recent years and grow at fast pace.
- 6) Growing disposable income of households expected to drive demand for organised retail. The number of households with income of over Rs 45000 p.a. is expected to grow from 58 million in 1999-2000 to 81 million by 2005-06.

RETAIL FORMATS

TRADITIONAL FORMATS	ESTABLISHED FORMATS	EMERGING FORMATS
SALESMAN	KIRANA STORES	HYPERMARKET
HAATS	BEEDI/PAN SHOPS	INTERNATIONAL RETAILER
MANDIES	MALLS	MALLS
MULTI BRAND STORE	DEPARTMENTAL STORES	MULTIPLEXES

Table :3

TOPTEN RETAILERS IN INDIA AND WORLD:

INDIA'S TOP TEN RETAILERS	WORLD'S TOP TEN RETAILERS
• Shopper's stop	• Walmart
• Westside (Trent)	• Carrefour
• Pantaloon	• Metro
• Lifestyle	• Tesco
• RPG Retail	• Schwarz
• Crossword	• The Kroger CO.
• Wills lifestyle	• Costco

• Globus	• Aldi
• Piramals	• Home Depot
• Ebony Retail Holdings Ltd.	• Target Corp.

Table:4

Source : www.deloitte.com

RECENT TRENDS IN RETAIL SECTOR :

The focus over the last decade has been on increased productivity, cost cutting at the same time having more enhanced focus on customer satisfaction and retention. The latest trends reflect the spending power, lifestyles, tastes, time available, geographies; loyalties etc. To meet the challenges, of Organised Retailing such as large Malls, which are backed by Corporate house such as Ansals & PVR, the unorganised sector is getting organised

Traditionally three factors have plagued the Retail Industry	Recent Changes
a) Unorganised : Vast majority of 12 million stores are small "father & son" outlets.	a) Experimentation with Formats : Retailing in India, is still evolving and the sector is witnessing a series of experiments across the country with new formats being tested say Cash & Carry Outlets.
b) Fragmented : Mostly small individually owned business, avg size of outlet equals 50 sq. Ft.	b) Store Design : Biggest challenge for Organised Retailing is to create customer pull environment. Retail chains like Piramyd, Music World are laying more emphasis & investing heavily in stores.
c) Rural bias : Nearly 2/3rd of stores are located in rural areas. Rural Retail Industry has typically two forms "Haats & Melas".	c) Emergence of discount stores : They are expected to spearhead the organised retailing revolution. Stores trying to emulate the model of Walmart. Example : BigBazaar.

OPPORTUNITIES IN RETAIL SECTOR :

1) FIRST MOVER ADVANTAGE:

More than 72 per cent of India's population resides in small towns and rural areas with agri-produce retailing forming the largest share of total retail pie in these regions, offering immense potential for the food and grocery vertical with customer preference tuned towards value retailing. Players like Reliance Retail, Aditya Birla Nuvo Group's Trinethra Supermarket etc. have aggressive plans to tap opportunities in these emerging cities in suitable formats.

2) INCREASE IN EMPLOYMENT :

Organized retail will need workers. Walmart employs 1.4 million people in United States alone. With United States population of about 300 million, and India's population of about 1200 million, if Walmart-like retail companies were to expand in India as much as their presence in the United States, and the staffing level in Indian stores kept at the same level as in the United States stores, Walmart alone would employ 5.6 million Indian citizens. Walmart has a 6.5% market share of the total United States retail.

3) EASY AVAILABILITY OF TECHNOLOGY & FINANCE :

India needs trillions of dollar to build its infrastructure, hospitals, housing and schools for its growing population. Indian economy is small, with limited surplus capital. Indian government is already operating on budget deficits. It is simply not possible for Indian investors or Indian government to fund this expansion, job creation and growth at the rate India needs. Global investment capital through FDI is necessary. Beyond capital, Indian retail industry needs knowledge and global integration. Global retail leaders, some of which are partly owned by people of Indian origin,[48] can bring this knowledge.

A GOOD TALENT POOL, HUGE MARKET, AVAILABILITY OF RAW MATERIAL AT CHEAPER RATES WILL MAKE INDIA OVERTAKE THE WORLD'S BEST RETAIL ECONOMY BY 2012.

The sector is expected to see an investment over 30 billion dollar with in next 4-5 years, catapulting modern retail in the country to 175-200 billion dollar by 2016, according to Technopak estimates.

CONCLUSION :

The Retail Industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. But all of them have not yet tasted success because of the heavy initial investments that are required to break even with other companies and compete with them. The retail sector has played a phenomenal role throughout the world in increasing productivity of consumer goods and services. It is also the second largest industry in US in terms of numbers of employees and establishments. There is no denying the fact that most of the developed economies are very much relying on their retail sector as a locomotive of growth. The India Retail Industry is gradually inching its way towards becoming the next boom industry. Favorable government policies and continued growth will mean that the future belongs to the most aggressive players. The future is now.

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