



Problems And Prospects Of Indian Retailing - Present Scenario

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ABSTRACT

Retailing is the most integral part of market and plays important role of mediator between manufacturer and consumer. Retailing involves shopping activities such as purchasing through internet, eating at restaurants, visiting beauty parlour etc. In India, retailing is value-adding process, as Indian economy has been geared towards this service sector. The present study underlines the importance of problems and prospects of retailing in developing economy.

Keywords : Commerce, Indian Retailing, Present Scenario

Introduction

Retailing involves various activities of shopping such as purchasing through the internet, dealing in financial services, eating at the restaurant, visiting the beauty parlor etc. Nevertheless, Retailing can be referred to all the activities involved in the marketing and distribution of goods and services.

'Candiff and Still' has defined retaining as "Retailing consists of those activities involved in selling directly to ultimate consumers." This excludes direct interface between the manufacturer and institutional buyers such as government and other bulk customers.

A retailer is one who stocks the producer's goods and involves in the act of selling them to the individual consumers, at a margin of profit. Manufacturer depends on retailer to sell the products to consumer. Traditionally, retailing has been considered as business function but now many of the non-business unit's activities undertake deal with attempts to satisfy ultimate consumer or public. Hospitals, lawyers, schools, restaurants, automotive repair shops and equipment rental agencies, vegetable market all these institutions deal with ultimate consumers.

In India, the organized retailing has emerged from the shadows of unorganized sector and is contributing significantly to the growth of the retail sector in India, retailing is value-adding process as Indian economy has been heavily geared towards the service sector.

Objectives of the paper

1. To study the current growth of organized and unorganized Retail Sector.
2. To study the status of Employment in Retail Sector.
3. To find the problems in Indian Retail Sector.

Methodology

The present paper uses a survey method and systematic enquiry. This has an important bearing on the collection of reliable and accurate information as well as on the outcome of the study.

Concept of Retail and Retailing :

Retail:

David Gailbert has defined retails 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".

Retailing:

According to Philip Kotler : "Retailing includes all the business activities involved in selling goods or services to the final consumers for personal non-business use."

The Indian Scenario

Retailing is the single largest component of the service sector in terms of contribution to GDP. The Indian Retail Sector is booming and mall growth is being seen as a clear indicator of the economic prosperity in India, there were 116 operational malls in August 2009. Its massive share of 14 per cent is double the figure of the next largest broad economic activity in the sector. Indian retail industry is generating more than 10 per cent of the Gross Domestic Production and is the largest source of employment, providing employment to 7 per cent of total workforce. The retail industry is divided into organised and unorganised sectors. Organised sector 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.

According to the India Retail Report 2008-2009 the size of the organized retailing market (Rs. 75,000 crore in 2008) is expected to reach the figure of Rs. 1,00,000 crore by 2010-2012 at an a growth rate of about 30 per cent.

However, going by the current growth trend and considering the fact that existing prominent players in organised retail have stepped up their expansion drive with Reliance announcing big plans and other Indian corporate houses too evincing keenness on investing heavily in this sector as also the inking of the joint-venture between the world's largest retailer Wal-Mart and Bharti -the expectation from organised retail will be double now of what was estimated two years ago.

Unorganised Sector

India's retail sector at present is largely unorganized, with about 15 million tiny outlets catering to the needs of consumers across the country -it employs the second-largest number of people after agriculture. Unorganised retailing refers to the traditional forms of low-cost retailing, for example, the local kirana shops, owner managed general stores, convenience stores, paan shops, handcart and pavement vendors, etc. Unorganized retailing is by far the prevalent form of trade in India constituting 98 per cent of total trade.

Table No.I. Components of Indian Retailing

Particulars	India Retail Value (Rs. Crore)	Organised Retail (Rs. Crore)	Organised in 2008-2009 (%)	Unorganised Retail (Rs. Crore)	Unorganised in 2008-2009 (%)
Clothing, Textiles & Fashion Accessories	113500	21400	18.9	92100	81.1
Jewellery	60200	1680	2.8	58520	97.2
Watches	3950	1800	45.6	2150	54.4
Footwear	13750	5200	37.8	8550	62.2
Health & Beauty Care Services	3800	400	10.6	3400	89.4
Pharmaceuticals	42200	1100	2.6	41100	97.4
Consumer Durables, Home Appliances / equipments	48100	5000	10.4	43100	89.6
Mobile handsets, Accessories & Services	21650	1740	8.0	19910	92
Furnishings, Utensils, Furniture Home & Office	40650	3700	9.1	36950	90.9
Food & Grocery	743900	5800	0.8	738100	99.2
Catering Services (F&B)	57000	3940	6.9	53060	93.1
Books, Music & Gifts	13300	1680	12.6	11620	87.4
Entertainment	38000	1560	4.1	36440	95.9
	1200000	54999		1145000	

Source: Compiled from the Indian Retail Report 2008-2009

Table No.I reveals that in 2008, in organized sector, the share of the Indian retail segment in clothing, textiles and fashion accessories is Rs. 21400crore accounting for 18.9 per cent, Jewellery accounted for Rs.1680crore (2.8 per cent), watches Rs. 3,950 crore (45.6 per cent), foot wear Rs.5200crore (37.8 per cent), health and beauty care services Rs. 400 crore (10.6 per cent), pharmaceuticals Rs. 1100 crore (2.6 percent), consumer durables, home appliances/equipments Rs. 5000 crore (10.4 per cent), further, mobile handset accessories and services accounted for Rs. 1740 (8 per cent), furnishings, utensils, furniture Rs. 3700crore (9.1 per cent), food and grocery Rs. 5800 crore (0.8 per cent), catering services Rs3940crore (6.9 per cent) and entertainment accounted for Rs. 1560crore (4.1 per cent).

In an organized sector, the share of the Indian retail segment in clothing, textiles and fashion accessories is Rs. 92100crore accounting for 81.1 per cent Jewellery accounted for Rs 58520crore (97.2 per cent), watches Rs. 2150crore (54.4 per cent), foot wear Rs. 8550crore (62.2 per cent), health and beauty care services Rs. 3,400crore (89.4 per cent), pharmaceuticals Rs. 41100crore (97.4 per cent), consumer durables, home appliances/ equipments Rs. 43100crore (89.6 per cent), Furniture operations and over 10 million additional workforce in retail support activities including contract production and processing, supply chain and logistics, retail real estate development and management etc.

Indian Retailing: Problems and Prospects:

1. The retail sector in India is growing and developing it is because of impact of rising incomes, low interest rates, competition, culture, structural changes in India, rising number of stores, brands, availability of credit. Retail sales grew by 10.5 per cent in rupee terms in 2010-2011, equivalent to a volume rise of 6 per cent. Retailing is undergoing a structural change in India, as supply slowly moves from small, family-run shops to larger, organised retail outlets.
2. In the case of more expensive consumer goods, such as refrigerators, washing machines, color televisions and personal computers, retailers are joining forces with banks and financial companies to market their goods more aggressively. Among departmental stores, factors that support rising sales include a strong emphasis on retail technology, loyalty schemes, private labels and the subletting of floor space in larger stores to smaller retailers selling a variety of products and services.
3. Organised retailing is relatively new to India, although it is expanding rapidly. This sector should benefit from rising wealth, industry deregulation and a greater openness to international influences. Only 3 per cent of retail sales in India are accounted by organised retailers. By 2010, however, the organised Sector is expected to account for as much as 20 per cent of the

total retail sector based on current trends.

4. Opportunities for retailers in food and groceries sector are bright. Modern retailing involves large shops and super markets constitute less than 1 per cent of total food retailing sector. Indian food retailing however, is moving inexorably, towards the supermarket format, and consumers in the affluent, upper-income segment are attracted to brand names, variety and convenience. Other sectors that are likely to see growth include consumer durables, information technology, home improvement, and health and beauty. A more sophisticated front-end retail infrastructure will also create more demand.
5. India's biggest retailer, Pantaloon, plans to increase its 300,000 sq meters of retail space to 1m sq meters by end-2011, enabling it to expand its Pantaloon department stores as well as its Big Bazaar hypermarkets and Food Bazaar supermarkets. India's biggest private-sector company, Reliance Industries, has plans to enter the retail sector. The company is thought to be considering investment of Rs. 100 bn (US\$ 2.2 billion) over the next two years to establish more than 1,500 outlets across the country employing 4,00,000-5,00,000 people.

Measures to Strengthen Indian Retailing:

1. The retail sector in India is constrained by limited availability of bank finance. The Government and RBI need to evolve suitable policies to lenders that will enable retailers in the organised and unorganised sectors to expand and improve efficiencies. Policies that encourage unorganised sector retailers to migrate to the organised sector by investing in space and equipment should be encouraged.
2. Cultural and regional differences in India are the biggest challenges in front of retailers. This factor defers the retailers in India from adopting a single retail format, Hypermarket is emerging as the most favorable format for the time being in India. The arrival of multinationals will further push the growth of hypermarket format, as it is the best way to compete with unorganized retailing in India.
3. A National Commission must be established to study the problems of the retail industry and to evolve policies that will enable it to cope with FDI.
4. The proposed National Commission should evolve a clear set of conditionalities on giant foreign-retailers on the procurement of farm produce, domestically manufactured, merchandise and imported goods. These conditionalities must be aimed at encouraging the purchase of goods in domestic market state the minimum space, size and specify details like, construction and storage standards, the ratio of floor space to parking space etc.
5. Entry' of foreign players must be gradual and with social safeguards so that the effects of the labour dislocation can be analysed and policy fine-tuned. Initially allowing them to set up supermarkets only in metros, make the costs of entry high and according to specific norms and regulations so that the retailer cannot immediately indulge in 'predatory' pricing.
6. In order to address the dislocation issue, it becomes imperative to develop and improve the manufacturing sector in India. There has been a substantial fall in employment by the manufacturing sector, to the extent of 4.06 lakh over the period 1998 to 2001, the contribution to the GDP has grown at an average rate of only 3.7 per cent. If this sector is given due attention it could be a source of great compensation to the displaced workforce from the retail industry.

7. The government must actively encourage setting up of co-operative stores to procure and stock their consumer goods and commodities from small producers. This will address the problem of limited promotion and marketing ability, as well as market penetration for the retailer. The government can facilitate setting up of warehousing units thereby lowering the cost of capital for the small retailers.

Conclusion

Indian retail industry is generating more than 10 per cent of the Gross Domestic Production and it is the largest source of employment, providing employment to 7 per cent of total

workforce and stands next to agriculture in the country. Retailers operate in a fast changing environment, which offers opportunities and threats. The industries may suffer from chronic over capacity resulting in fierce competition, consumers demographics, life style, shopping patterns are changing rapidly as are retailing technologies retailers have to focus on segmentation, targeting and positioning carefully for executing competitive strategies. The trends in retailing are new retail forms and combinations, Growth of inter type competition, Growth of Giant retailers, growing investment in Technology, Global presence of major Retailers, Competition between store based and non store based retailing.

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