



A Study of Emerging Trends in Indian Retailing

KEYWORDS

tuberculosis, Palatal Ulceration, Pulmonary tuberculosis

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ABSTRACT *Since the economic reforms of 1991, Indian retail industry is growing at a fast pace with entry of new players in organized segment. An interesting feature is co-existence of unorganized and organized segments in the industry and both segments are witnessing growth. This research study examines the emerging trends in the industry.*

1. Introduction

Indian retail sector is truly becoming a 'big bazaar' with more retail outlets and consumers. It has grown in size, geographical spread, scale of operation, consumer tastes and preferences. Interestingly, both the traditional and new formats of outlets co-exist and continue to grow. The transformation in the emerging Indian retail market as a consequence of frenetic pace of retail development in the last one decade has resulted in significant changes in its investment patterns and growth. According to Goldman Sachs it is estimated that the Indian economic growth could outpace that of China by 2015 and could potentially continue to grow at a fast pace over the next 50 years.

Notwithstanding the growth in organized retail formats, kirana shops continue to exist and grow to a size of approximately 12 million such shopkeepers across the country in rural, urban and metro areas. It is pertinent to note that even in metro cities and big urban towns consumers continue to flock at kirana shops and 'dhukandars' for their day to day shopping.

With growing middle class, changing life styles and youth population ready to splurge, the shopping patterns of customers are changing rapidly leading to emergence of big retail chains in most metros. They are slowly but surely making their presence in mini metros and towns. Thanks to TV and media, customer attitudes, tastes and preferences are changing leading to radical changes in standard of living and spending patterns. This is giving rise to new business opportunities for the retailers and manufacturers of consumer products and services. Mega malls, hybrid malls, etc. are adding new dimensions in the thriving retail sector. There are significant developments in retail landscape not only in metros but also in smaller cities and towns and even villages.

2. Objectives of the study

- 1) Examine evolution of Indian Retail Market
- 2) Factors for the growth of organized retailing
- 3) Study emerging trends in retailing
- 4) Advantages and disadvantages of FDI in Retail Sector

3. Research Methodology

The study covers factors responsible for growth of organized retailing and also role of FDI in retailing in India. The study also covers the emerging trends in retailing in India. The Research study is exploratory based on secondary published sources.

4. Findings of the Study

4.1 Evolution of Indian retailing

Retailing in India has a long and chequered history. There

were kirana shops near railway stations, places of worship, mandis, haats, etc. Paan bidi shops dot street corners since long. Kirana stores which later became popular as 'pop and mom' stores sell multiple goods and groceries with convenient timings and continuous availability throughout the day. They have traditionally dominated Indian retail market. Paan bidi shops sell small value utility items for daily use and the great attraction is that they are open till late in the evening. They also serve as a place where people congregate late at night to discuss matters of mutual concern. Irani shops are popular for selling tea, snacks and small utility and assorted items.

Besides, kirana stores, there were departmental stores, shops selling electronic and electrical items, readymade shops, chemists, etc. Majority of these retail stores in India are small family run business utilizing chiefly household labor. The wave of liberalization, privatization and globalization due to economic reforms since 1991 ushered in new retailing formats, modern techniques and exclusive retail outlets like Shoppers Stop, Pantaloon, Big Bazaars, and the like. This decade saw opening of supermarkets, departmental stores, chain stores and malls, hybrid malls, etc. across the country and emergence of hypermarkets and big discount stores. There are 'shoppertainments' where people can shop as well as have entertainments such as movies, theme parks, etc. There are thus numerous formats in organized retail sector today. But the sector is still largely underdeveloped in India in comparison with emerging markets in Asia. The evolution of the organized retail sector since 1991 is as given in the Table 1 below.

Growth	Year	Developments
First Phase	2000	Entry, Growth, Expansion, Top line focus
Second Phase	2005	Range, Portfolio, Far more options
Third Phase	2008	End to end supply chain management, backend operations, technology, process
Fourth Phase	2011	M & A, Shakeout and Consolidation, High Investment

Source: Ernst & Young www.e&y.com

4.2 Facilitating Factors for the growth of organized retailing

- a) Indian population is expected to be largest by 2030. Increase in population in rural as well as urban areas would boost retail sector in India.
- b) Urbanization is happening at a fast clip which would facilitate growth of organized retailing.
- c) India's trade is expected to grow from the current level of US \$ 500 billion to about US \$ 1.3 trillion by 2020.

- d) Middle class in India is growing in numbers. They are expected to grow to 267 million by 2015 and 600 million by 2030. Their purchasing power is also growing substantially with a year on year growth rate of 5% in household incomes.
- e) Another factor facilitating growth of organized retail sector is construction boom that has led to emergence of new residential areas and colonies and opportunities for setting up new format retail outlets.
- f) Number of professionals and white and blue collar workers are increasing. There is increase in number of double income households. The density of the rich / upper middle class is rising.
- g) Retailers in the organized segment provide both shopping experience and convenience to customers while shopping. They provide choice in terms of quality and brands. They also provide drinking water, clean toilets, parking space, etc. in the shopping centers.
- h) Customers like to touch and feel and compare various brands before making their choice, be it readymade garments, electronic items, kids wear, groceries, etc. In organized retailing, variety of products and services are available under one roof where customers can touch the products and see their quality, satisfy themselves and then make purchase decision.
- i) Unlike unorganized sector, retail shops in organized sector use technology in a big way. It gives them greater speed in serving customers. They provide customers shopping convenience with payment through plastic cards.
- j) FDI is expected to grow with India already approved 100% FDI in single brand retail and 51% in multiple brand retail.
- k) Changing life styles and consumer behavior of urban and rural population is another facilitator for propelling organized retail segment.
- l) E-commerce is slowly but steadily growing in India.
- m) Progressive policies, economic and political stability, increasing number of nuclear families, and increasing working women population are new opportunities for retail business growth.

4.3 Emerging trends in Indian retailing

The share of organized retail segment is estimated to grow from 5% in 2007 to between 14% - 18% by 2015 and further to 25% by 2020.

Organized retail sector make productive use of technology. They use computers for merchandise planning and management, internal store billing. Control of inventory costs and supplies and replenishment of goods are done electronically. ICT is used for customer relationship management. They accept plastic cards for payments from customers. Through e-retailing they reach target group of customers quickly and efficiently.

The new trend is to sell products online through websites. Food and grocery stores account for the largest share of retail. In 2007 nearly 99% of food and grocery market was in the unorganized sector. But this is changing with large number of retail stores in the organized sector selling groceries, food and beverages. The new emerging trend in vegetables and fruits segment is the virtual formats where orders are tak-

en on-line through web portals and the goods are delivered at the door step the same day or the following day.

Almost all large size retail outlets in organized sector have their own websites. They encourage customers to register as members and do shopping on-line. They also reward customers with loyalty points. Some of them have co-branded credit cards and offer special discounts e.g., Shoppers' Stop - Citibank credit card.

4.4 Advantages of FDI in Retailing

India is becoming a top destination for retail investors across the globe. The Government of India has also taken initiatives to allow FDI in retail sector. Its advantages are:

- a) Large organized retailers can procure directly from producers at most competitive prices and pass on price benefits to consumers.
- b) If States allow retailers to buy directly from farmers, they will get better prices due to elimination of middlemen.
- c) Organized retailers would be in a position to reduce price disparity as they would directly purchase from the producers in bulk quantities and pass on the advantage by way of discounts to consumers.
- d) Opening of retail sector to FDI can be beneficial in terms of price and availability of products as it would give boost to food products, textiles and garments, leather products, etc. They would benefit from large scale procurement by international chains, in turn creating job opportunities.

4.5 Disadvantages of FDI in Retail Sector

- a) It is feared that FDI in retail can result in job losses. If foreign retailers could capture 20% of Indian Retail Market, about 8 Million jobs will be lost. Their levels of efficiency mean they need less manpower for each Rs.1000 crores of turnover. (Business Line April 2005).
- b) Wal-Mart emphasizes the amount that it sources from India, as a reason it should be allowed to build stores. But it could upset the import balance of India by importing massively from China rather than using local production.
- c) It is feared that FDI will drain out country's share of revenue to foreign countries which may cause negative impact on India's overall economy.
- d) Domestic organized retail sector might not be competitive enough to tackle international players and might lose its market share.
- e) Many small business owners and workers of small shops may lose their jobs.

5. Conclusion

Indian retail sector accounts for about 15% of its GDP and 8% of its employment. It is the second largest employer after agriculture. Since the economic liberalization, retail industry has grown at a fast pace with entry of several players in organized segment. It is interesting to note that traditional formats have withstood competition and continues to grow. Organized sector is beset with problems such as high real estate prices, infrastructure bottlenecks, lack of trained workforce, high operating cost, etc. However, growing economy and the vast expanding consumer base with demographic advantages augurs well for this industry to grow and mature where traditional and modern formats can compete and co-exist.

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