



## An Overview of Organized Retail Sector in India

### KEYWORDS

**R.JAYASATHYA**

ASSISTANT PROFESSOR, DEPARTMENT OF B COM  
(CA) & M COM,

**R.GOPI**

ASSISTANT PROFESSOR, DEPARTMENT OF B COM  
(CA)

**ABSTRACT** *The retail sector has played a phenomenal role throughout the world in increasing productivity of consumer goods and services. The retail industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. The Indian retail industry is the largest among all the industries, accounting for over 10 percent of the country's GDP and around 8 percent of the employment. The main challenge facing the organized sector is the competition from unorganized sector. The organized retail segment is mainly dominated by the apparel and textile segment followed by the food, grocery and beverages segments. The changing consumption pattern is unleashing opportunities for retailing growth in Indian urban area. This has to be reached to the Indian rural for a viable retailing in India.*

### INTRODUCTION

Retailing is one of the largest sectors in the global economy and is going through an evolutionary stage in India. Retail is currently a flourishing sector of the Indian economy. New retail formats are growing at a rapid pace in India. There remains a need among Indian businesses to understand the changing behaviour of customers towards shopping in organized retail outlets. The paradigm shift in consumers socio-economic, demographic and geographical proportions are driving what was once a traditional small-scale retail outlet into an organised retail formats aimed at catering to the evolving needs and tastes of discerning consumers. With the changing demographics across the world the organized retailing is taking shape where people buy their daily and monthly purchases.. Organized retailers actually work as a retail outlet catering to varied needs of the customers. The purchasing pattern of the customer was changed recent days. Customer's buying behaviour is influence by social factors, such as the group to which the customer belong and social status.

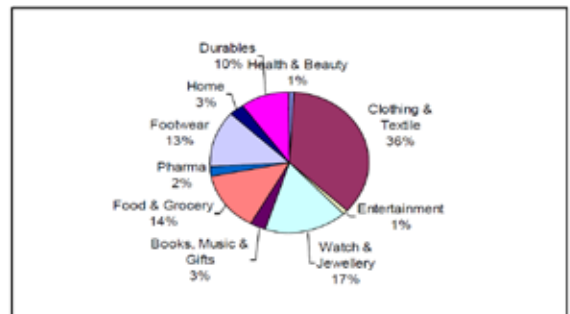
### OBJECTIVES OF THE STUDY

- To study about the organised retail sector in India.
- To study the challenges of organized retail development in India
- To study the suggestions to overcome the challenges' for organised retail sector in India.

### RETAIL INDUSTRY IN INDIA

The total concept and idea of shopping has undergone a vast drawing change in terms of format and consumer buying behaviour, ushering in a revolution in shopping in India. Modern retailing has entered into India as is observed in the form of sprawling shopping centers, multi-storied malls and the huge complexes that offer shopping, entertainment and food all under one roof.

Organized retail chains comprise only 3% of the Indian market. Rest 97% market is comprised of mom- and – pop type shops. Now the number of organized retail stores is gradually increasing. Organized retailing is on continuous increase of its market share from the past. Retailing can be categorized as of different sectors like food and groceries, clothing and textiles, consumer durables, footwear, furniture and furnishing, catering services, jewellery and watches, books, music and gifts, mobile handsets and others.



### RECENT TRENDS

#### ORGANIZED RETAILING IN INDIA

Organized retailing comprises mainly of modern retailing with busy shopping malls, multi stored malls and huge complexes that offer a large variety of products in terms of quality, value for money and makes shopping a memorable experience. The retail sector is presently undergoing a transition in India. Previously, customers used to go to kirana Stores to purchases their necessities. This later changed to bigger shops run by one man with a few employees. Here all the work was done manually. Gradually more sophistication seeped into this sector and department stores came into being. Beginning in the mid-1990s, however, there was an explosion of shopping malls and plazas where customers interacted with professional and not with just one single person – the owner. An important point here is that customers' requirements are catered to by trained staff. Today, organized retailing has become an experience characterized by comfort, style and speed. It is something that offers a customer more control, convenience and choice along with an experience. Organized retailing is on continuous increase of its market share from the past. Retailing can be categorized as of different sectors like food and grocery, clothing and textiles, consumer durables, footwear, furniture and furnishing, catering services, jewellery and watches, books, music and gifts, mobile handsets and others. (Dr. Shahid Akhter, Iftexhar Equbal).

Organised 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. In other words, it is a network of similarly branded stores with an element of self-service.

### CHALLENGES TO ORGANIZED RETAIL DEVELOPMENT IN INDIA:

Organized retail in India is little over a decade old. It is largely an urban phenomenon and the pace of growth is still slow. Some of the reasons for this slow growth are:

#### The Kiranas continue:

The very first challenge facing the organized retail industry in India is competition from the unorganized sector. Traditionally retailing has established in India for centuries. It is a low cost structure, mostly owner operated, has negligible real estate and labour costs and little or no taxes to pay. Customer familiarity that runs from generation to generation is one big advantage for the unorganized sector.

#### 2. Retail not being recognized as an industry in India:

Lack of recognition as an industry hampers the availability of finance to the existing and new players. This affects growth and expansion plans.

#### 3. The High Costs of Real Estate:

Real estate prices in some cities in India are amongst the highest in the world. The lease or rent of property is one of the major areas of expenditure. A high lease rental reduces the profitability of a project. It is difficult to find suitable properties in central locations for retail, primarily due to fragmented private holdings, infrequent auctioning of large government owned vacant lands and litigation disputes between owners.

#### 4. High Stamp Duties:

In addition to the high cost of real estate the sector also faces very high stamp duties on transfer of property, which varies from state to state.

#### 5. Lack of Adequate Infrastructure:

poor roads and the lack of a cold chain infrastructure hamper the development of food and grocery retail in India.

#### 6. Price War:

There is a price war between different retail organizations. Every one is saying to provide goods at low cost and offers various promotional schemes. In such a case it is difficult to keep one's customers with oneself. (Dr. Shahid Akhter et al).

#### 7. Shortage of Skilled Manpower:

Front-end/retail assistant profiles in stores form a major proportion of the employment in the retail sector while store operations accounts for 75-80% of the total manpower employed in the organized retail sector. Unfortunately, there are very few courses specific to the retail sector and graduates/post graduates from other streams are recruited.

#### 8. Policy Induced Barriers:

organized retail in India is managed by both the Ministries of Commerce & Consumer Affairs. While the Ministry of Commerce takes care of the retail policy, the Ministry of Consumer Affairs regulates retailing in terms of licenses and legislation.

#### 9. Channel Conflicts:

Globally, retailers maintain a direct relationship with their suppliers. Due to the complex taxation structure and ge-

ographical spread of the country, most FMCG companies have developed regional distribution and re-distribution network. Cutting out the distribution network will hurt the operating structure of distributors.

#### 10. Unique Indian Customer:

The Indian consumer experiencing modern retail has now warmed up to this idea. Buying habits have still not changed, where people prefer to buy most of the fruits and vegetables on a daily basis. The Indian consumers have a strong preference for freshly cooked food over packaged. Food mainly attributed to dietary patterns, poor electricity supply, low penetration of refrigerators and a family structure where one of the primary roles of the housewife's is feeding the family. There is also an impact on the basket size because of non-availability of personal transport facilities, due to which the consumers prefer to buy smaller quantities from stores conveniently located near their homes. (Rajan Divekar et al).

### SUGGESTIONS TO OVERCOME THE CHALLENGES FOR ORGANISED RETAIL:

#### Acceptance of Industry Status to Retail:

Industry status should be given to improve retail development, to facilitate organized financing and to establish insurance norms.

#### Incentives for Investments:

Tax holiday norms for cold storage chains, infrastructure and investment in supply chain should be enacted.

#### Comprehensive Legislation:

comprehensive legislation should be drafted and enacted with futuristic approach.

#### Eliminating Arachic Laws:

Laws, essential Commodities Act APMC acts, licensing restrictions, differential taxes, stamp duties, should be simplified and put in proper place so that it would not hinder growth of retail sector.

#### Proper Tax Structure:

The current multipoint taxation should be rationalized. The government should introduce a uniform taxation system across the country to relax the law that hinders interstate flows of goods.

#### Establishment of national commission on retail:

The national commission on retail must be established. The functions should be:

- To set clear target for giant retailers for procurement.
- Enforce uniform quality standards.
- Setup a regulatory body for the governing the operations of retail sector.

### CONCLUSION

Retailing provides an important link between producer and consumer in modern economy. Retail in India is most dynamic industry and represents a huge opportunity for domestic and international retailers. Modern retailing is not a problem to traditional stores as most of the consumers said that they never stopped visiting kirana stores. They strongly agreed on coexistence of both is required. Their frequency of going to kirana store is reduced. Modern retailing has miles to go in India. The growth of modern formats has been much slower in India as compared to other countries and the development of this sector is depends on the presence of regulatory and structural constraints.

Government has to take care about the existence of organized retail stores in India and they have to take measures to overcome the challenges. Then the fast growth of organized retailing can be possible in India.

**REFERENCE**

- A.T.Kearney. (2009) report on "Growth Opportunities For Global Retailers". In The | A.T. Kearney 2009 Global Retail Development Index. | 2. Aaker, Jones, A., David, & Morgan, J. (1971). Modelling Store Choice Behaviour. | Journal of Marketing Research, , VIII, 38-42. | 3. Ali, J., Kapoor., S., & Moorthy, J. (2010). Buying behavior of consumers for food | products in an emerging economy., . British Food Journal (112(2)), 109-124. | 4. Association of Traders of Maharashtra v. Union of India, 2005 (79) DRJ 426 | | 5. Dodge, Robert, H., Summer, & Harry, H. (1969). Choosing Between Retail Stores. | Journal of Retailing, Vol 45, No , 45 (3), 11-21. | 6. Gupta, U. (2012). Customer Loyalty towards Kiranas in Competitive Environment; A | Case study. International Journal of Marketing and Technology, II (8), 249-268. | 7. Handa, V., & Grover, N. (2012). Retail Sector in India: Issues & Challenges, ISSN 2231 | 8. Joseph, M., Soundararajan, N., Gupta, M., & Sahu, S. (2008) report on "Impact of | Organised Retailing on the Unorganised Sector". Working Paper No. 222, In the Indian | Council For Research On International Economic Relations (ICRIER). | | 9. Jhamb , D. and R.Kiran (2012)Emerging Trends of Organized Retailing in India: | A Shared Vision of Consumers and Retailers Perspective. Middle-East Jrn. of Sc. | Res., Vol.11 (4), 481-490. | 10. Kearney, A. (2006). Indian Retail Story From Myths To Malls. | | 11. SRIVASTAVA, P. A. (2012). Customers Perception Regarding Purchase Behavior | Towards Malls: A Study of Noida And Ghaziabad. Asian Journal of Research in | marketing |