



THINK INDIA THINK RETAIL : RETAIL STRUCTURE, OPPORTUNITIES AND CHALLENGES OF INDIAN RETAILING.

KEYWORDS

Unorganized retail , Modern retail, Retail trade

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ABSTRACT

Indian is the fifth largest Global destination in the world is ranked top second in developing markets in the world. Indian retail includes both Organized and Unorganized retail formats and major portion(92%) of the market is with unorganized retailers. The changing paradigm of Indian consumer and emergence of Modern retail formats have changed the face of retailing in India slowly. The paper theme is to analyze finer strategic perspective for the retail sector in India and suggest measures for retailing in India. Retail trade has emerged as one of the largest industry contributing to employment generation after Agriculture , revenue generation, increased turn over and many more. Organized retailing is showing signs of enormous creativity. This paper provides detailed information about the growth of retailing industry in India. The paper includes growth of retail sector in India, strategies, strength and opportunities of retail stores, retail format in India, recent trends, and opportunities and challenges. This paper concludes with the likely impact of the entry of global players into the Indian retailing industry. It also highlights the challenges faced by the industry in near future

INTRODUCTION:

The retail part in India is rising as one of the biggest Market size in the course of recent years (IBEF2016) and India is the world's fifth-largest global destination in the retail space and accounts for over 10 per cent of the country's GDP (Gross Domestic Product) . The size of retail market in India was valued US\$516 BN by 2013 and it has been marking 15 to 20 percent of marketing growth rate since 2014 and India has been ranked 15th attractive nation for investments by the 2015 in retail sector , overall retail market in India including both organized and unorganized sectors is likely to reach a whopping Rs. 47 lakh crore by 2016- 17 from the level of Rs. 23 lakh crore recorded in 2011- 12.According to A.T.Kearney the recent development to India in Global retailing for the year 2015 is 15th rank with 51.5 GRDI score for solid growth in sales ,strong prospects for future GDP growth with an ambitious goal of improving doing business by the present government.

The word retail derived from French word Retailleur ,meaning cut to bulk. In simple terms, it implies a first-hand transaction with the customer of retailing; Retailing means selling goods and services in small quantities directly to customers.

Retailing consists of all activities involved in marketing of goods and services directly to consumer for their personal, family and household use. Retailing is beneficial to both consumers and sellers .Indian retailing sector is strongly build up with roots such as culture ,social and economic environment, these factors have influence to change the phase of retailing from traditional way of retailing to modern way of retailing. 'The socio-economic factors are indispensable to the development of a country like India which has a large middle class, favorable demographics, increasing urbanization and increasing percapita income of the people. The cultural factors like changes in social class ,life styles influencing a lot for the growth of retailing in India.. With the intensifying competition ,today retailers are following pull strategy to satisfy customers . India has been called the 'nation of shopkeepers' with around 14 million small shops , with the highest level of retail density of 8% in the world (Pwc Research).

The Indian retail industry is broadly classified into organized and unorganized sectors.

Organized retail can be defined as any organized form of retail or wholesale activity (both food and non-food under multiple formats), which is typically a multi-outlet chain of stores or distribution centers run by professional management. As indicated by the Ministry of labor and employment the Unorganized sector consists of unincorporated business that are owned and run by individuals and their family members

The major difference between organized and unorganized retailing lies in its number (chain) of store operations .Unorganized retail stores are generally family run with less education and run through experience and exposure. The number of outlets is one or two (with other name) where in the case organized retailing ,they can run more than one or give franchise to others and there may be difference in store size also .The Organized Retailing in India is providing less employment (7%) ,when compare with Unorganized retailing(93%).

Literature Review:

Several studies have been undertaken in the field of retail sector in India. Besides, one may also find articles in newspapers, business magazines relating to retail sector in India. Few of them are mentioned here.

Dr. Bikrant Kesari and Sunil Atulkar (2014) , in his study clearly stated that the demographic profile of the customers, family attributes and income range of the consumers play a major role in the selection of various retail formats. It has been noticed that, changing demographics, rapid urbanization and increased awareness, availability of digital networks are offering multiple options to choose retail outlets. It is observed, customers are showing interest in visiting organized retail outlets as they offer diverse product variety, cleanliness and easy availability, In addition to these, entertainment for children, parking facility and food and gaming zones etc.

Ajata Shathru Samal, Lakshmi Narayana K and P Nagaraja (2013) stated that Indian retail industry is comprised of different categories like grocery stores, Pharma stores etc. scattered

across the country. As changing retail land scape, most of the traditional stores are facing a severe competition from other retail formats. They also suggested, these traditional retail

formats are part of our culture.

A report published by IBEF on sep 2016 on Retail, it focuses on all dimensions of Indian Retailing, i.e. it consider as government report and it is also authorized by Government of India. It describes the present (2016) and estimated (2020) retail volume in India, about online grocery market in India .It reveals that number of super markets in India by 2016. It states that the advantages of retail to India ,Organized and Unorganized retail penetrations in India significant of Global positioning of Indian retail sector, strategy adopted by the successful retailers ,Evolution of FDI in retail ,Global retailers investment pattern in India and M&A in the Indian Retail sector.

A report title " Indian retail the next growth story -2014" publishes by BCG and KPMG focuses on industry size structure, growth and India's global positioning and it also deals opportunity for retail and FDI environment in retail.

A report titled " pulse of Indian Market " published by EY and rai jointly ,focuses on factors driving growth in Indian retail Industry, policy reforms in Indian retail and top concerns and focus areas for 2014. Another report published by EY in consumer products and retail sector, describes the share of online grocery retail in India, growth and challenges faced by online grocers and also about distribution models.

A report titled " Think India Think Retail" polished by Knight frank and rai as joint venture. According to this report modern retail penetration in India ,top seven retail clusters and it's business models in 2016 A report given by IMAGES F&R Research titled " The Indian Retail Story-2009" focuses on growth in Indian retail, rural retailing opportunities and challenges, and explain about few major retailers in India. A report published by Pwc and rai titled " Total Retail 2015-Retailers and age of disruption " .states that shopping behavior of consumer across different channels ,Retail and consumer practices and future of modern retail in India.\

Deloitte, a business specialist and consulting firm has also published some reports containing several aspects relating to retail sector in India. The report titled "Indian Retail Market Embracing a new trajectory", 2011 covers issues- the size and trends in retail sector, FDI into retail, market opportunities, tax and regulatory structure, sector analysis etc The report states that although all the retail segments offer growth opportunities for foreign retailers, the largest opportunity in terms of potential market size and scalability is in grocery retailing, particularly for the supermarket and hypermarket formats. However, the large population of 'mom-n-pop'/'kirana' grocery stores is likely to be a for new foreign entry.

Objectives:

- 1) To analyze the present structure of Indian Retail Sector and changes therein during last few years.
- 2) To make a segment analysis of Indian Retail Sector in order to know about the major sub-sectors in organized and traditional retail and changes in the relative share of various sub-sectors over last few years and penetration of organized retail in various segments.
- 3) To understand and analyze the opportunities and emerging challenges Indian retail sector.

Methodology

The present study is based on secondary data and information collected from a variety of sources. An attempt has been made in the present study to make a systematic analysis of changes in

the size and structure of Indian retail market over last few years. This analysis is useful to understand the expected future changes in the Indian retail market and the implications of recent policy changes adopted by Government of India. Collecting and compiling data and information from various available sources, relevant ratios and percentages have been calculated and analyzed.

Structure of Retailing In India:

Evolution of Retailing in India : Historically ,retailing has been continuing with the development of a civilized society. Ancient Retail/trade in India was conducted by barter system and it took place in village markets or Haats where people exchanged goods with each other. In this process retailers are selling products of daily needs and these gatherings are witnessed weekly. Haats, mandis and melas have always been a part of the Indian landscape. They still continue to be present in most parts of the country and form an essential part of life and trade in various areas . Later Retailing in India can followed to the rise of the neighborhood kirana stores into account the comfort of the buyers . The government set up the public distribution system (PDS) outlets to sell subsidized food and started the Khadi Gram Udyog to sell clothes made of cotton fabric . The retail industry continued in India in the form of Kiranas till 1980. Soon, following the modernization of the retail sector in India, many companies started pouring in the retail industry in India like Bombay Dyeing, Grasim¹³ etc

In the food and FMCG sectors retailers like Food world, Nilgris are some of the examples and these people open new era in retailing This is Initiation phase for Organized retailing in India and this period is up to 1990. After the introduction of New economic policy 1991 in India, there is drastic changes in Indian retailing especially in Organized sector. Pure-play retailers entered and most of them are apparel. With the intervention of new economic policy during this phase first generation of the foreign players entered. Ex, life style. This period is conceptualization period for Organized retailing and it is from 1990 to 2005 . The Indian retail industry has risen as one of the most dynamic and quick paced industries due to the entry of several new players(ministry of finance 2016) The next period in organized retailing is called as expansion and it is the revolution time for retailing in india i.e with the Entry of food and general retailers in to the market ex Subhiksha, More and period is from 2005 to 2011. This is the peak period for Organized retailing in India .It shows that windows of Organized retailing opens in 1990's and reached peak in 2006-11.

After 2011 , the retail industry India is 'Consolidation', during these days major changes occur with reference to retailing , these are FDI in retailing ,rise of private labels and Online segment has emerged as one of the major segments.

Retail Trade in India:

By 2013 the share of unorganized retail stores is very high portion(92%) of the retail market with 15 million outlets in the country. Though organized retail market share is less(8%) in 2013 and expected to grow 24 percent by 2020 .This represents that both sectors would gain good market in retailing in coming years.. Food and grocery retailing had been dominant since the inception of retailing in India, Food and grocery is the largest segment in the overall retail market in India, accounting for close to 69 percent in 2015. Although organized food and grocery is the second largest category, it holds only 11 percent of the market share in organized retail market after apparel segment(Deloitte 2013)

E-commerce as a retail channel ,has been phenomenal growth over the last couple of years in India. It is driven by demand factors such as substantial rise in income of the people,

increasing nuclear families (200 millions), interest penetration, increasing use of smart phones, availability of multiple payment options like credit card and cash on delivery, traditional retailers are also entering the market. India is about one million traders small and large sell their products through various e-commerce portals.

Opportunities:

Rural consumers:

Rural markets constitute ~70 per cent of the total population base, but currently account for only 40 per cent of the total consumption in India, due to minimal penetration of organized retailing. Several national and international retail and FMCG players have been planning to explore these untapped markets and are localizing their products for this market with regard to price points, packaging, stock-keeping units (SKU) size, promotions, etc. so retailing is moving to smaller cities and rural areas.

Working population:

The population in the working age group of 15 to 54 years is the largest spender on retail. As per the census of 2011, more than 50 per cent of India's total population falls under this group, indicating the significant influence wielded by this segment on consumer spending and it is good news for the retailers with increasing women working population who are frequent visitors of retail.

Increasing middle income groups: India has a large and aspirational middle-class of 75 million households or 300 million individuals. Over the years, the disposable income of middle-class Indian consumers has increased significantly, which is leading to a substantial change in their spending habits.

The rise of e-commerce:

E-commerce, as a retail channel, has seen phenomenal growth over the last couple of years. It is driven by demand factors such as substantial rise in internet penetration, increasing speed of broadband connections, increasing use of smart phones, etc. in the urban areas, and by supply factors such as increased proliferation of venture capitalists/ private equity-funded e-commerce start-ups. India has more than one million online traders - small and large that sell their products through various e-commerce portals. Revenue generated from online retail is projected to grow to USD60 billion by 2017 from USD6 billion in 2015.

Favorable regulatory framework:

India has increasingly boosted global retailers to evaluate an expedition in the Indian market. It is good opportunity for the Global retail with new FDI policy in India for retail, according to this about 51 percent in multiband retail in FDI and 100 percent single brand retail and cash and carry (wholesale) trading has been allowed. Introduction of Goods and Service Tax (GST) from the financial year 2017 is also provides boost for retailing in India.

The increasing acceptance of private labels in India

The trend of private labeling is fast catching up among the Indian retailers as it poses a win-win solution for retailers and customers in the current retail environment. Since rapid technological and socio-economic changes over the last decade have affected the shopping habits of the Indian consumers, many retailers are now forced to innovate and build categories (private labels) across various price points to attract more buyers. They have not only created new labels but have also customized and localized the products to suit the Indian tastes, especially in the food and beverages category.

Challenges:

Indian retailing sector has been facing various challenges such

as rental space, changing preferences of consumer, lack of infrastructure; problems with suppliers and online retail competition are discussed below.

High cost in rentals make retail in India a tough business to operate and especially Hyderabad is one of the retail clusters with high lease rentals in India after Mumbai and Delhi is around 1,360 USD per sq per annum. Changing consumer behavior is the major challenge for the retailers, from customers increasing shopping experience expect more personalized services.

According to 19th Annual Global CEO Survey the top threats for retailing in India is Inadequate basic infrastructure (90%), availability of key skills (79%),

Exchange rate volatility (80%), speed of technology change (79%) According to CII-BCG Report challenges confronted by Indian organized retailers in terms of value conscious & digitally connected consumers, lower bargaining power against suppliers, strong competition from traditional retailers & e-commerce as well as regulatory barriers.

Due to reduction in profit growth and other unavoidable reasons, there is Exit of unprofitable Stores/formats in India like Subhiksha and Vishal Retail. Aditya Birla Retail and Spencer have close more than 100 stores in the small neighborhood grocery format and rapid growth in frauds in retail lead to higher costs to retailers

Conclusion

The present study finds that The Indian retail sector is evolving rapidly. The size of India's retail industry is expected to more than double to \$1.3 trillion by 2020. Further organized retail penetration in India's total retail is on increase by 2019. Recent changes in policies is giving a boost for retailers especially foreign retailers who want to emerge into Indian soil. At the same time retailers both organized and unorganized are be cautious about changing preferences of consumers, high real estate cost, competition with e-retailers.

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