



RETAIL INDUSTRY: GLOBAL AND INDIAN CONTEXT

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ABSTRACT

The global market of retail is growing since last decade in spite of the turbulent economic conditions and varying consumption patterns. The total retail sales have risen by at least 6.7% every year 2010 to 2016 leading to the highest increase of \$22.5 Trillion over the last few years. Results of various researches and survey enlightens that the global retail sales have paved way to future with more demand in India, China and Latin America. According to an estimate China may overtake the United States of America as the world's largest consumer by the year 2025, followed by United Kingdom, Japan and Germany. These five countries symbolize the largest retail segments. The five leading players are historically great industrial powers with very high standards of living. China makes up for its relatively low standard of living of \$13,000 PPP per capita versus \$54,000 PPP per capita in the U.S., with an increasing large consumer base. Purpose of this research paper is to highlight the Global retail market and Indian market which is undergoing and bringing an increasing economic growth.

KEYWORDS : Global Retail Industry, Retail Formats, Organized Retail.**INTRODUCTION**

The retail industry has contributed to the economic growth of many countries and is undoubtedly one of the fastest changing and dynamic industries in the world today. Consumer's needs are changing, competitors are entering the market arena, and technology is introducing new retailing methods to the industry. At the same time retailing is also changing swiftly because of the fast-changing environment in which retailers operate. Hence, to survive and sustain the market, retailers need to know how to keep abreast of these changes to attract new customers and keep them.

Global Retail Industry

The global retail industry is one of the largest industries worldwide, increasingly being controlled by a handful of powerful corporations based mainly in the U.S. and Europe, namely, Wal-Mart, Tesco, Carrefour and Metro. These MNCs retailers have by and large become saturated in their home countries and are looking for penetrating and emerging markets of India, China and Russia as they are minimally penetrated by organized retail. Buying will become more experiential, eating being entertained and "living" the buying experience will take on prominence. The global market will grow rapidly in our flat world, with markets such as China and India granting access to the world's best retailers.

Retailing in BRIC Countries

The BRICs – Brazil, Russia, India and China - offer major opportunities for retailers. Growth in these countries is expected to continue to outpace the majority of other economies in the world. As the developed markets are becoming mature, retailers are eyeing new growth opportunities in upcoming economies. In the Goldman Sachs BRIC report, India is predicted to be amongst the top three countries in the world by 2050, along with China and Brazil. Together, China and India, or Chindia as they are now termed, are estimated to see the GDP rise to \$ 6 trillion by the year 2020.

Brazil

Brazil has many appealing features for global retailers. It is a large and growing market with 190 million people – many of whom are young – making it the fifth most populous country in the world. Strong economic growth has boosted average incomes, with GDP per capita rising from US\$7,203 in 2000 to US\$11,290 in 2010. Brazil is a major destination for foreign retailers. Food retailing is already highly consolidated and dominated by foreigners, including Carrefour, Casino and Walmart, who have all been in the market for many years. Brazil's growth outlook is strong and confidence is high among the global business community, so that the retail playing field remains attractive in the years ahead.

Russia

Russia is the largest retail market in Central and Eastern Europe, thanks to increasing incomes and the development of a middle class.

Foreign retailers have also expanded into Russia, including Metro Group and Auchan – both of which are in full expansion mode, as well as Globus, Rewe Group, Rautakirja Group, Carrefour and others. The financial crisis has impacted on the retail scene over the last two years. In particular, as credit became more difficult to obtain and developers struggled to maintain building programmes, retailers were forced to adjust their development strategies.

India

India is an attractive market for retailers. It has a large, young and growing population. Incomes are rising, with more households entering the middle class. Less than a third of the population live in urban areas, but urbanization is increasing and there are several very large cities with a large middle class. All of this bodes well for consumer and retail demand in the years ahead, and should augur well for the development of retail market. Consumer markets in emerging economies like India are growing rapidly because of the robust economic growth. India's modern consumption level is expected to double within five years to US\$ 1.5 trillion from the current level of US\$ 750 billion. The growing middle class is an important factor contributing to the growth of retail in India. By 2030, it is estimated that 91 million households will be 'middle class', up from 21 million today. Also by 2030, 570 million people are expected to live in cities, nearly twice the population of the United States today (FICCI, 2011). There are many obstacles for foreign retailers to enter the market, so that local players dominate. With the market set to grow strongly in the years ahead, domestic retailers are looking to expand fast. Initial expansion plans of major retailers proved too ambitious and regulation prevented them in some cases from rolling out large-scale developments.

China

China regained the title "land of retail opportunity". Over the last three decades, China, on the back of economic reforms, emerged as a global export powerhouse. Purchasing power has increased dramatically, with GDP per capita rising 29 times between 1980 and 2010. By 2020, China is expected to become the third biggest consumer market, after US and Japan. The organized retail makes up about a quarter of the total retail market for China. Hypermarkets are becoming increasingly popular, especially in big cities. The development of hypermarkets has been led by global retailers, including Wal-Mart, Carrefour, Vanguard, Tesco, Metro, RT Mart Shanghai and Trust-Mart.

Retailing in other Countries

The United States of America dominates the world retail market space and accounts for 32.3% of the global retailing group. The U. S. retail industry generates \$3.8 trillion in retail sales annually that is approximately \$11,993 per capita. Of the top 200 global retailers, 42.5 percent are headquartered in the United States, 39 percent in Europe, and 13 percent in Japan. American retailers in the top 50 list operate, on average, two formats in 3.5 countries, while top 50 retailers

headquartered outside the United States operate twice as many formats in three times more countries. Europe generates a further 30.8% of the group's value, Asia Pacific- 25.6% and the rest of the world -11.20%. Thailand is one of the countries whose economy has developed rapidly in recent years. There has been a tradition of independently owned outlets called shop houses. Thailand's first specialty retail opened in 1956 and the first buying centre in 1967. Discounts and super organized retails were introduced in 1989. Specialty retail were emerging in Thailand in mid 1990s. Malaysia, Indonesia, Thailand and Japan have enforced zoning restrictions for mega-retailers. There are minimal capital requirements for foreign retailers in Sri Lanka. The Philippines has imposed "sourcing" and reciprocity requirements on foreign retailers. In Japan, mega-retailers must seek the views and permission of small local organized retails before opening new organized retails.

Retail Industry in India

The retailers by introducing modern retailing concepts such as self-service, free home delivery system credit facility and other value added services have been trying to reshape themselves in order to provide customer satisfaction. Customer satisfaction is the end result of customer expectations and perceptions of the services offered by the retail organized retails. The Indian retail market is witnessing a migration from traditional retailing to modern/organized retailing formats, with an explosive proliferation of malls and branded outlets. India has one of the highest retail densities in the world. It is estimated that 21 million people are employed in the retail sector in India, which is 7% of the total national workforce.

Evolution of Indian Retail

The evolution of retailing in India can be traced back to the village hats and small town markets. The rural retail industry could be categorized into two formats weekly hats and village meals. Primarily, weekly formats catered to the daily necessities of villagers. Village meals were larger in size with a wide variety of goods sold from food, clothing, cosmetics and small consumer durables, with the emergence of larger goods sold from food, clothing, cosmetics and small consumer durables. With the emergence of larger towns and cities, the neighborhood kirana organized retails, which cater to the convenience of the Indian consumers, became popular. To provide equal opportunities of employment and earning to the rural craftsmen, khadi and village industries commission set up a countrywide chain of 7000 plus organized retails in India. In big cities government encouraged setting up of super bazaars and co-operative organized retails to make available all essential items at fair prices. In big cities and metros, during this period buying centers with proper car parking facility were getting evolved. Today, the modern retail revolution can be seen pan India as small towns, cities and metros are being exposed to the new buying formats through the emergence of world class malls and huge buying complexes that offer buying, entertainment and food all under one roof. The hyper and hypermarkets are consistently trying to provide the customer with the value, variety and volume.

Retailing Formats in India

Retailing in India has been taken the shape of both organized and unorganized formats. Among them, the following formats are generally popular in India. The brief description of these formats is given in crisp manner as follows.

Kirana Organized retails

Kirana is a retail format prevalent in India characterized by the owner manning the organized retail, small floor footage and usually with no aisles. Organized retails in this format are categorized into unorganized retail sector. Organized retails in this format are very similar to the mom-and-pop organized retails in western countries except for the absence of aisles.

Convenience Organized retails

Small organized retails that offer limited merchandise at small scale and located near residential areas to enable the target customers to have easy accessibility. It caters to customers who prefer 'convenience of buying or buying to the price of the product. These outlets/organized retails are modern versions of the traditional 'kirana' organized retails.

Specialty Retail

lines, specializing in particular type of merchandise and offering specialized services to customers.

Departmental organized retail

An organized retail having several departments such as clothing,

kitchen items, house ware goods, electronics and so on all under a single roof. These organized retails are large in size and often owned by large or national chains. Level of service is very high.

Hyper Market

A hyper market is a super organized retail which combines a hypermarket and specialty retail. Large self-service organized retails selling an enormous range of products including full lines of living room items and general merchandise. Hyper markets allow customers to satisfy all their routine weekly buying needs in one trip.

Buying Mall

A buying mall is an arrangement of retail organized retails and providing the right mix of buying, food courts and entertainment and parking facilities. The retail space is shared by anchor organized retails and other retailers (tenants), who will pay the developers of the mall-rent or lease payment for putting up the shop within the mall premises.

Discount Organized retails

Discount organized retails is a type of specialty retail, which sells products at prices lower than those asked by specialty retail and other traditional retail organized retails. It offers a broad variety of merchandise, offer limited services and at low prices.

Growth Estimates of Indian Retail Industry

Driven by changing life styles, rising income levels, favorable demographics pattern and by the entry of corporate sector, Indian retail is growing like never before. The fundamental drivers of change are increasing per capita income, growing GDP, availability of consumer finance and therefore irreversible. As per the EY-RAI Retail Survey, 2014, it is expected that, retail in India could be worth US\$ 950 billion by 2018. The retail business in India in the year 2007 was Rs.1,54,000 and a study conducted by Mckinsey says it is estimated to go up to Rs. 6,080,000 by 2025. It is opined that in the next five years, India should have retail entities strong enough to compete with the best in the world. India is way behind when compared with developed markets such as the USA and emerging markets in Asia, Europe and South America, where significant progress has been made in the last two decades. Several well-known corporate houses, such as Tatas, RPG., the Rahejas, Biyani's Future Group, Piramal, Reliance, Bharti and Birlas have already entered the Indian retail arena.

Organized Retail Growth in Indian Cities

Organized retail in India is expected to increase from 5 percent of the total market in 2008 to 24 percent by 2020 as per the study conducted by Deloitte in 2013. The boom in retailing has been confined primarily to the urban markets in the country. There are two primary reasons for this. First, the modern retailer is yet to feel the saturation effect in the urban market and has, therefore, probably not looked at the other markets as seriously. Second, the modern retailing trend, despite its cost-effectiveness, has come to be identified with lifestyles. Gradually, organized retail is also penetrating into rural areas. Organized retail is at its nascent phase wherein the large organized retail groups are having aggressive expansion plans to penetrate the Metros and Tier I cities and also have taken aggressive steps to establish themselves amongst rural masses of Tier I and Tier II cities. The total retail market in the top 67 cities in India in 2006 was Rs. 2.55 trillion, and Rs. 3.91 trillion in 2011. According to CRISIL, around 87 percent of the retail opportunity comes from top 25 cities comprising Metro Delhi, Mumbai, Calcutta, Mini Metros Hyderabad, Chennai, Bangalore, Mini Metros Ahmedabad and Pune, Tier I cities of Kanpur, Nagpur, Surat and Ludhiana, Tier II cities Coimbatore, Chandigarh, Lucknow, Kochi, Jaipur and Tier III cities Vadodara, Vizag, Indore, Vijaywada, Thiruvananthapuram, Bhopal, Nashik and Madurai.

Summary

In this research paper, the researcher has presented the retail industry in Global and Indian context. It highlights the Global Retail Industry, Retail Industry in India, Evolution of Indian Retail, Retailing Formats in India, Growth Estimates of Indian Retail Industry, and Organized Retail Growth in Indian Cities.

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