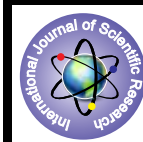


Retailing in India: Opportunities, Growth and Challenges



Management

KEYWORDS :

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ABSTRACT

This article / paper examines the growth, awareness and brand knowledge among the people with different economic background in India and significant growth in urban and semi urban retail markets. In India the vast middle class and its utmost untapped retail industry are the key attractive forces for global retail giants wanting to enter into newer markets, which in turn will help the retail industry to grow faster. This paper includes the Overview, the Growth, the Etymology, the Indian Scenario, the Entry of the MNCs, the Challenges and Opportunities of retailing business.

INTRODUCTION

The largest among all the industries in India is Retail Industry. Retailing is one of the pillars of the economy in India and accounts for 35% GDP. The retail industry, the organized and un-organized sectors have over 12 million outlets operate in the country and only 4% of them being larger than 500 sq ft in size. The retail industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market.

Retail industry has brought in phenomenal changes in the whole process of production, distribution and consumption of consumer goods all over the world. In the present world most of the developed economies are using the retail industry as their vital growth instrument. At present, among all the industries of U.S.A the retail industry holds the second place in terms of employment generation. In fact, the strength of the retail industry lies in its ability to generate large volume of employment.

Emergence of a strong retail sector can contribute immensely to the economic development of any country. With a dominant retail sector, the farmers and other suppliers can sell their products directly to the major retail companies and can ensure stable profit.

ETYMOLOGY

Retail comes from the French word retailer which refers to “cutting off, clip and divide” in terms of tailoring. It first was recorded as a noun with the meaning of a “sale in small quantities”. Its literal meaning for retail was to “cut off, shared paring”. Like the French, the word retail in both Dutch and German also refer to sale of small quantities of items.

INDIAN SCENARIO

Purchasing power for an Indian is growing and branded merchandise in categories like Apparel, cosmetics, shoes, watches, beverages, food and even jewelry are slowly becoming life-style products that are widely accepted by the Indian consumer. The emphasis here is on retail as a brand rather than retailers selling brands. There is no doubt that the Indian retail scene is booming. A number of large corporate houses have already made their foray into their arena, with beauty and health stores, super markets, self service music stores, office equipments and home / building construction stores. Today the organized players have attacked every retail category. The Indian retail scene has witnessed too many players in too short time, crowding several categories without looking at their core competencies, or having a well thought out branding strategy.

OPPORTUNITIES

For manufacturers and service providers the emerging opportunities in urban markets seem to lie in capturing and delivering better value to the customers through retail. Manufacturers and service providers face an exploding rural market yet only marginally tapped due to difficulties in rural marketing. Only innovative concepts and models may survive the test and investments.

Retailing in India is currently estimated to be a US\$ 200 billion industry, of which organized retailing makes up a paltry 3 percent US\$ 6.4 billion. By 2010, organized retail is projected to reach US\$ 23 billion. For retail industry in India, things have never looked better and brighter. Challenges to the manufacturers and service providers would abound when market power shifts to organized retail.

Modern retail in India could be worth US\$ 175-200 billion by 2016. The food retailing industry in India dominates the shopping basket. The mobile phone retail industry in India already a US\$ 16.7 billion business, growing at over 20% per year.

Retailing in India is witnessing a huge revamping exercise. India is rated the 5th most attractive emerging retail market: a potential goldmine. As per the report by KPMG the annual growth of the department stores is estimated at 24%. Food and apparel retailing key drivers of growth. Organized retailing in India has been largely an urban

ENTRY OF MNCs

The world's largest retailer by sales, Wal-Mart stores Inc and Sunil Mittal's Bharti Enterprises have entered into a Joint Venture agreement and they are planning to open 10 to 15 cash and carry facilities over seven years. The first of the stores, which will sell groceries, consumer appliances and fruits and vegetables to retailers and small businesses, is slated to open in north India by the end of 2008. Carrefour, the world's second largest retailer by sales, is planning to setup two businesses entities in the country one for its cash and carry business and the other a master franchisee which will lend its banner, technical services and know how to an Indian company for direct to consumer retail.

GROWTH

An increasing number of people on India are turning to the services sector for employment due to the relative low compensation offered by the traditional agriculture and manufacturing sectors. The organized retail market is growing at 35% annually while growth of unorganized retail sector is pegged at 6%.

Retail and real estate are the two booming sectors of India in the present times. And if industry experts are to be believed, the prospectuses of both the sectors are mutually dependent on each other. Retail, one of India's largest industries, has presently emerged as one of the most dynamic and fast paced industries of our times with several players entering the market. Accounting for over 10 percent of the country's GDP and around eight percent of the employment retailing in India is gradually inching its way toward becoming the next boom industry.

CHALLENGES

Retailing has seen such a transformation over the past decade that its very definition has undergone a sea change. No longer can a manufacturer rely on sales to take place by ensuring mere availability of his product. Today, retailing is about so much more than mere merchandising

As the Indian consumer evolves they expects more and more at each and every time when they steps into a store. To flourishing a truly flourishing industry, retailing needs to cross the following hurdles:

1. Automatic approval is not allowed for foreign investment retail
2. Regulations restricting real estate purchases, and cumbersome local laws
3. Taxation, which favours small estates businesses
4. Absence of developed supply chain and integrated IT management

5. Lack of trained work force
6. Low skill level for retail management

CONCLUSION

The retail sector has played a phenomenal role throughout the world in increasing productivity of consumer goods and services. It is also the second largest industry in US in terms of numbers of employees and establishments. There is no denying the fact the most of the developed economies are very much relying on their retail sector as a locomotive of growth. The India retail industry is gradually inching its way towards becoming the next boom industry.