

Fdi In Retail; An Opportunity for Small and Medium Entrepreneurs



Management

KEYWORDS : FDI, Organised Retail, Mutli brand, Single brand, SMEs

VIDHUSEKHAR P

ASSISTANT DIRECTOR, CENTRE FOR MANAGEMENT STUDIES , KANNUR UNIVERSITY
MAIN CAMPUS, MANGATTUPARAMBA, KANNUR-KERALA 670567

ABSTRACT

Research paper explains Retail Business Management. An over view of global crisis is highlighted. Role of Retail entrepreneurs and Managers is explained. Paper focuses on price mechanism in unorganized retail business. It addresses ground reality and opportunity in e Business. Comparison and advantage of Organised and Unorganised Retail is made.

Introduction

Indian economy was liberalized in 1991 by the then Prime Minister P V Narasimha Rao. The socio- economic scenario during that period was in bad shape. If we look back, the situation has not changed much even in 2014. Many reasons can be attributed for this set back. Unstable governments, 9/11 attack, global economic crisis 2008, spiraling oil prices and the list is endless. Midst of all issues, previous UPA Government announced opening up of Indian retail sector to Foreign Direct Investors. In the changed circumstances the decision of the new government is crucial in regard to FDI in Retail. II UPA Govt. opened up retail in two stages. They classified it in Multi Brand and Single Brand. First step was by allowing 50% investment in Single Brand and Multi brand untouched. In the second stage 100% FDI allowed in Single brand and 51% in Multi brand. The FDI debate mainly focused on protecting the unorganized retail business in India.

Retail Business and Management

Retail Business management is a specific type of business in which the management process takes place within a retail store or a shop. Retail managers usually have oversight over the inventory of a retail business and over its employees. Various other levels of business managers are actively involved in strategic and higher-level decision-making. Retail stores break bulk inventory into single consumable units, hold inventory for purchase, merchandise it to customers, provide services in support of the products, and attempt to satisfy the needs of customers. Retailers typically buy products from wholesalers or manufacturers for resale to end customers. The accountability of the store Managers are for customers and products.

Product pilferage is the highest risk which entrepreneurs face in Retail business. It can be from employees or from customers. High levels of inventory loss significantly impact the profit and loss performance of a retail store. A perfect match for a balanced demand-supply approach helps the manager to have inventory control. The main challenge is to motivating employees to deliver a high level of sales and service to customers.

Business leaders spend significant time in offices planning and making decisions, retail managers more often provide hands-on leadership on the retail sales floor. They usually hire and train employees to perform their sales, service or other roles in the retail store. Other types of business sometimes have trainers assigned to that role. Many retail managers also interact directly with customers in sales and service operations.

Ground Reality

The turmoil in world business front shook every one and the worst affected were the small and medium entrepreneurs (SMEs) whose role was to supplement the big players. In the

run up to catch the market SMEs loses their direction and surrenders before the big players. Due to lack of enough liquidity, they failed in Marketing and Advertising while competing with larger group. The expenses of M & A costs jeopardized the business and forced them to charge higher prices for their products. Failure to take advantage of economies of scale in production forced them to exit the business. The product costing of SMEs showed a bleak picture compared with large entrepreneurs. They have to shell out 70-72% of MRP to stay in market, leaving them with only 28-30%. Whereas bigger players carried home with 63-65% on MRP and spend only 33-35% for supply chain.

Retail Scenario

The contribution of Indian retail to GDP is 13%. Traditional marketers are making way for new form of retail business like super market, department store and margin free shops. Private enterprises dominate unorganized retail space. 52% of the Indian food processing market is owned by these small players. 92% of the total work force is from unorganized sector in retail (total 400 Million). Indian retail is expected to touch 900 BILLION USD in 2014 and 1.3 Trillion by 2018. 4% of the retail trade in India comes under the organized where as 96% which belongs to the unorganized retail sector. The unorganized retail sector is not a homogeneous category, it comprises of peddlers, street vendors, kiosks, push-cart vendors, weekly traders.

e-Business Impact on Retail Industry

No industry can shy away from going global. If it is retail industry, the challenge is tough. Even SMEs need to follow a global approach to remain competitive. Access to technology has helped companies to shape global image. Since e Business is beyond boundaries, customers are also spread across the globe. The margin spent on advertisement by companies for print and visual media is nil or shows an ascending trend especially for e business. E- Business totally eliminates all types of middle men like dealers, wholesalers and stock holders. Entrepreneurs can directly market the products to the end customer and the feedback mechanism is strong compared to other supply chains.

Profit Margin loop holes

Major portion of SMEs profits are shared in the name of propaganda marketing by supply chain groups. The product quality and Industry can sustain for a long term, provided, this exploitation can be controlled to an extent. The advantage is better quality products at reasonable prices. On Liquidity front, shortage of working capital prevents them in mass production.

Unorganised retail a back up for Organised group

Multi brand retail stores have the liberty to buy products from local vendors and have enough resources to conduct

market research. As a result of this small vendors and traders would have access to the products which are in demand. Quality acts as a bench mark in goods procurement. Unlike retail sales by SMEs, bulk buying helps them to recover their margin and profit from one point. Survival of the fittest will always dominate. It is an opportunity for SME to be quality conscious. Opinions differ both for and against allowing Big Retailers into India. Farmers in Punjab have supposedly benefited by indulging in Contract Farming for Bharti-Walmart and PepsiCo(Lays Chips).

The business model of organized Retail in developed countries has been to build massive stores in the suburbs offering free parking to shoppers. Real Estate availability and low car ownership makes that model viable. Indian Retail is largely dominated by family owned business and they employ more than 4 million people. Almost same amount of manpower is available in the supply chain and distribution areas.

Conclusion

The decision of the government to go ahead with FDI in Retail is as per the dynamics of global economic environment. SMEs cannot sit as spectator for a long time criticizing policy initiatives. They must be pro active rather than reactive. Situation can be converted as an excellent opportunity for survival and growth. The initiative should come from SMEs. If they can sustain the pressure, mutual existence of organized and unorganized players is possible. At this point product quality works as a bench mark before the customers.

REFERENCE

Retail Management, A Strategic Approach-11th Edition, Pearson-Barry Berman, Mini Mathur | Effective Retail Management- Anmol Publications Pvt. Ltd - Y.P Singh | FDI in Retail Sector in India-Department of Consumer Affairs, Indian Council for Research on International Economic Relations- Arpita Mukherjee, Nitisha Patel | Websites commerce.nic.in |