

Retailing in India- an Overview



COMMERCE

KEYWORDS :

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ABSTRACT

This paper provides information about the growth of retailing industry in India. It examines the growing awareness and brand consciousness among people and focus on growth of retail sector in India, strategies, strength and opportunities of retail stores, retail format in India and recent trends. Growth of Retail Companies in India exhibits the boom in the retail industry in India over the years. The increases in the purchasing power of the Indian middle classes and the influx of the foreign investments have been encouraging in the Growth of Retail Companies in India.

INTRODUCTION

Retail trade has emerged as one of the largest industry contributing to employment generation, revenue generation, increased turn over and many more. Organized retailing is showing signs of enormous creativity. It has emerged as one of the most dynamic and fast paced industries with several players entering the market. As a matter of fact retailing in India is gradually edge its way towards becoming the next boom industry. Retail sector is the largest source of employment after agriculture, and has deep penetration into rural India.

Retailing can be said to be the interface between the producer and the individual consumer buying for personal consumption. This excludes direct interface between the manufacturers and institutional buyers such as the government and other bulk customers. Retailing is the last link that connects the individual consumers with the manufacturing and distribution chain. A retailer is involved in the act of selling goods to the individual consumer at a margin of profit. (Ms.Sonia).

OBJECTIVES

- To study the growth of retail sector in India.
- To study about the major and emerging formats of retailing.
- To study the recent trends in Indian retail industry.

RETAILING IN INDIA

The retail sector in India is witnessing a huge revamping exercise as traditional markets make way for next formats such as departmental stores, hypermarkets, supermarkets and specialty stores. Western-styles malls have begun appearing in metros and second-running cities alike introducing the Indian consumer to a shopping experience like never before. India's vast middle class and its almost untapped retail industry are key attractions for global retail giants wanting to enter newer markets. Most of the developed and even emerging economies had adopted the organized retail long ago and percentage share of organized retail in total retailing has increased over the years. However, India, a land of self-sufficient villages, has continued to rely primarily on small, close to home shops. It is only off-late with pick-up in pace of urbanization and rising disposable incomes that the country started to take a few steps towards the organized retailing. A good progress has been made in the last few years, and the retail industry is off late being hailed as one of the sunrise sectors in the economy.

STRUCTURE OF THE RETAIL INDUSTRY IN INDIA

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, Grasim etc. As has been mentioned earlier the retail sector in India can be widely split into the organized and the unorganized sector. The unorganized sector is predominant. We may discuss in detail the different divisions of the retail sector in India.

Unorganized Retail Sector

The unorganized retail sector basically includes the local kiranas, hand cart, the vendors on the pavement etc. This sector constitutes about 98% of the total retail trade. Unorganized Retailing, refers to the traditional formats of low-cost retailing, for example the local kirana shops, owner manned general stores, pan/beedi shops, convenience stores etc. Indian retail is dominated by a large number of small retailers consisting of the local kirana shops, owner-manned general stores, chemists, footwear shops, apparel shops, pan and beedi shops, and hand-cart hawkers etc. which together make up the so called "unorganized retail" or traditional retail.

Organized Retail Sector

In the organized sector trading is undertaken by the licensed retailers who have registered themselves to sales as well as income tax. The organized retail sectors have in their ambit, corporate backed hypermarkets and retail chains. The private large business enterprises are also included under the organized retail category.

EVOLUTION OF INDIAN RETAIL

The retail sector has been at the helm of India's growth story. The sector has evolved dramatically from traditional village fairs, street hawkers to resplendent malls and plush outlets, growing from strength to strength. While barter is considered to be the oldest form of retail trade, since independence, retail in India has evolved to support the unique needs of the country given its size and complexity. 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.

The emergence of organised retail in India dates back to the pre-independence era when the country's established business houses, mostly textile majors, ventured into the retail arena through company-owned or franchisee outlets. One of the pioneers in this field was Raymonds's, which set up stores to retail fabric. It also developed a dealer network to retail its fabric. These dealers sold a mix of fabric of various textile companies. There were also exclusive tailoring shops, that ultimately expanded their span of operations to become leading regional fashion retailers - Mumbai's Charagh Din, Kolkata's Burlington, Delhi's Mohanlal Sons and Bangalore's PN Rao, to name a few.



Since liberalisation in early 1990s, many Indian players like Shoppers Stop, Pantaloon Retail India Ltd (PRIL), Spencer Retail ventured into the organised retail sector and have grown by many folds since then. These were the pioneers of the organised Indian retail formats. With the opening up of foreign direct investment in single-brand retail and cash-and-carry formats, a new chapter unfolded in the retail space. Many single-brand retailers like Louis Vuitton and Tommy Hilfiger took advantage of this opportunity. The cash-and-carry format has proved to be an entry route for global multichannel retailing giants like Metro, Wal-Mart and Tesco. The 'Bazaar' shopping concept has retained its identity and character while the modern-day shopping structures represent an inspired fusion of 'Main Street' shopping along with community centric activity.

This was the beginning of a new era for retail in India. Organised retailing in India is showing robust growth as several retail chains have established a base in metropolitan cities and are spreading all over India at a rapid pace. The fact that post liberalisation, the economy had opened up and a new large middle class with spending power had emerged, helped shade this sector. In urban India, families are experiencing growth in income but dearth of time. More and more women are taking up corporate jobs, which is adding to the family's income and leading to better lifestyles.

Thus, the Indian Retail Evolution can be classified in four phases:

- Initiation - Pre 1990s
- Conceptualization - 1990 - 2005
- Retail Expansion - 2005 through 2010
- Consolidation and Growth - 2010 onwards

Retail Initiation:

This phase was essentially dominated by manufacturers establishing their presence in retail. Bombay Dyeing, the Raymond Group, the S Kumars Group and Bata to name a few. Government initiatives were - Mother Dairy, Kendriya Bhandar, Super Bazaar, etc. Foodworld, was the first national retail chain from the RPG Group in the Super Market segment.

Retail Conceptualization:

This time around it was not the manufacturer looking for an alternative sales channel, but pure-play retailers who entered the retail market, to expand pan- India, for instance Pantaloons, Shoppers' Stop and Lifestyle to name a few.

Retail Expansion:

This is perhaps the most active phase of the Indian retail industry in terms of growth, entry of new players and development of new formats. With virtually unlimited potential on desk, Reliance, Tata, Aditya Birla and Mahindras entered the bandwagon. Their success brought in global retailers such as Metro AG, Max Retail, Shoprite, Hypercity, etc and more recently Carrefour, Tesco and Zara that announced their India entry and are optimistic about their growth in this market. Bharti-Walmart is a noticeable joint venture that entered in this phase. During this phase, a new concept in Retail Real Estate emerged - Minimum guarantee and revenue sharing models. With the FDI policy 2005-2006 allowing single-brand foreign retailers to take up to 51 per cent stake in a joint venture with a local firm, the intervening years saw the entry of several premium brands (Giorgio Armani, Versace, Gucci, etc.) mostly through joint ventures.

RETAIL FORMATS IN INDIA:

- **Hyper Marts/ Super Markets:** large self - servicing outlets offering products from a variety of categories. Examples like Spencer's, Big Bazaar.
- **Mom-and -pop Stores:** they are family owned business ca-

tering to small sections; they are individually handled retail outlets and have a personal touch.

- **Departmental Stores:** are general retail merchandisers offering quality products and services. Examples like Ebony, Shopper's Stop, Westside.
- **Convenience Stores:** are located in residential areas with slightly higher prices goods due to the convenience offered. Examples like in&Out, Safal, 6ten.
- **Shopping Malls:** the biggest form of retail in India, malls offers customers a mix of all types of products and services including entertainment and food under a single roof.
- **E-trailers:** are retailers providing online buying and selling of products and services.
- **Discount Stores:** these are factory outlets that give discount on the MRP. Examples like Subhiksha, Koutons, Nike, and Levis.
- **Vending:** it is a relatively new entry in the retail sector. Here beverages, snacks and other small items can be bought via vending machines.
- **Category Killers:** small specialty stores that offers a variety of categories. They are known as category killers as they focus on specific categories, such as electronics and sporting goods. This is also known as Multi Brand Outlets or MBO's.
- **Specialty Stores:** are retail chains dealing in specific categories and provide deep assortment. Mumbai's Crossword Book Store and RPG's Music World is a couple of examples. (Sunita Sikri, Ms. Dipu Wadhwa).

RETAIL TRENDS IN PAST FEW YEARS:

Before the decade of eighties, India with hundreds of towns and cities was a nation striving for development. The evolution was being witnessed at various levels and the people of the nation were learning to play different roles as businessmen and consumers. The foundation for a strong economy were being laid, youth were beckoning new awareness in all spheres. And this brought in an opportunity for retail industry to flourish. First in the metros and major cities later to impact sub urban and rural market as well. Retailing in India at this stage was completely unorganized and it thrived as separate entities operated by small and medium entrepreneurs in their own territories. There was lack of international exposure and only a few Indian companies explored the retail platform on a larger scale. From overseas only companies like Levi's, Pepe, Marks and Spencer etc. had entered targeting upper middle and rich classes of Indians. However as more than 50 % population was formed by lower and lower middle class people, the market was not completely captured. This was later realized by brands like Big Bazaar and Pantaloons who made their products and services accessible to all classes of people and today the success of these brands proves the potential of Indian retail market. A great shift that ushered in the Indian Retail Revolution was the eruption of Malls across all regional markets. Now at its peak, the mall culture actually brought in the organized format for retailing in India which was absent earlier. Though malls were also initially planned for the higher strata, they successfully adapted to cater to the larger population of India. And it no wonder, today malls are changing the way common Indians have their shopping experience.

CONCLUSION

The Retail Industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. But all of them have not yet tasted success because of the heavy initial investments that are required to break even with other companies and compete with them. The India Retail Industry is gradually inching its way towards becoming the next boom industry. The future of the India Retail Industry looks promising with the growing of the market, with the government policies becoming more favourable and the emerging technologies facilitating operations.

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