Research Paper Management

Effectiveness of Retail Management on Indian Economy

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ABSTRACT

Retailing, one of the largest sectors in the global economy, is going through a transition phase not only in India but the world over. Retail management system targets small and midsize retailers seeking to automate their stores as well as impact on the growth of the economy of India which shows the Indian Retail industry is a US$ 270 billion industry and is growing at over 13% per annum, Indian retailing industry has also seen phenomenal growth in the last six years (2001-2007). RNCOS' "India Retail Sector Analysis (2006-2007)" report helps clients to analyze the opportunities and factors critical to the success of retail industry in India, which is a significant contributor to the overall growth of economic activity in India. IMRG reported that the top six cities of India, Mumbai, delhi, Chennai, Kolkata, Bangalore and Hyderabad are the center for booming economy representing 6% of the population yet contributing 14% of the GDP and by 2010, organized retail is projected to reach US$ 23 billion. A survey conducted by KPMG in 2005 shows that Indian retail industry is on top in comparison to Japan, China, India, Thailand and Singapore. Other analysis done by KPMG shows training is a key for Indian retailers, availability of manpower and managerial skill sets also play a key role for retail management. Analysis by retailyatra.com shows current and projected mall space which is 22 million sq.ft now and will be 90 million sq.ft. Retail management not only impact on economic growth but there is a technology impact also which help the organised retailer score over the unorganised players, giving both cost and service advantages.

KEYWORDS

Introduction

Retailing[1] worldwide is passing through a dramatic period of transformation in a climate where businesses are obliged to generate ever-increasing levels of differentiation just to maintain market share. New technologies and practices combined with the globalization of products and services have driven retailers to leverage every part of the business in strategic response. Consumers have become, to a large extent, more sophisticated and demanding with their expectations of products, services and businesses.

The word 'retail' is derived from the French word 'retailer', meaning 'to cut a piece off' or 'to break bulk'. In simple terms, it implies a first-hand transaction with the customer. Retailing can be defined as the buying and selling of goods and services. It can also be defined as the timely delivery of goods and services demanded by consumers at prices that are competitive and affordable. Retailing involves a direct interface with the customer and the coordination of business activities from end to end- right from the concept or design stage of a product or offering, to its delivery and post-delivery service to the customer. The 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.

Types of Retail Operations

Retail[2] operations enable a store to function smoothly without any hindrances. The significant types of retail operations consist of:

- Department store
- Specialty store
- Discount/Mass Merchandisers
- Warehouse/Wholesale clubs
- Factory outlet

The Emerging Sectors in Retailing

Retailing[3], one of the largest sectors in the global economy, is going through a transition phase not only in India but the world over. The emergence of new sectors has been accompanied by changes in existing formats as well as the beginning of new formats:

- Hypermarts
- Large supermarkets, typically 3,500-5,000 sq. ft.
- Mini supermarkets, typically 1,000-2,000 sq. ft.
- Convenience stores, typically 750-1,000sq. ft.
- Discount/shopping list grocer

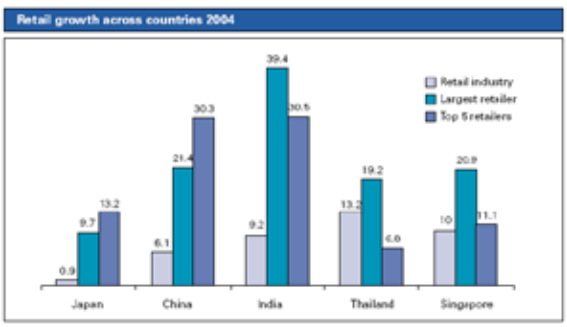
Retail Management

System[4] targets small and midsize retailers seeking to automate their stores. The package runs on personal computers to manage a range of store operations and customer marketing tasks, including point of sale; operations; inventory control and tracking; pricing; sales and promotions; customer management and marketing; employee management; customized reports; and information security.

The Global Retail Scenario

The[5] US$ 9 trillion Retail industry is one of the world's largest industries and still growing. 47 of the Global Fortune 500 companies & 25 of Asia's Top 200 companies are retailers. Even as the developing countries are making rapid strides in this industry, organized Retail is currently dominated by the developed countries with the USA, EU & Japan constituting 80% of world. Retail is a significant contributor to the overall economic activity the world over: the total Retail share in the World GDP is 27% while in the USA it accounts for 22% of the GDP. The share of organized Retail in the developing markets ranges between 20% to 55%. Traditionally, local players tend to dominate in their home markets. Wal-Mart, the world's leading retailer, has about 8% of the US$ 2,350 billion market in the USA. Similarly, Tesco has a market share of about 13% in the US$ 406 billion UK market. The main value propositions that most large retailers use a are a combination of low price, 'all-under-one-roof' convenience and 'neighborhood' availability. India has emerged as the most attractive retail market three years in a row. The Indian Retail industry is a US$ 270 billion industry and is growing at over 13% per annum. Only about 4.6%(US$12.42 billion) of the industry is organised. If this share increases to 10% by 2011, the size of organised retailing could touch US$ 55 billion – a CAGR of over 35%. At[6] the centre of India's booming economy are the top six cities of Mumbai, Delhi, Chennai, Kolkata, Bangalore and Hyderabad representing 6% of the population

yet contributing 14% of the GDP. Also notable is the fact that 85% of India's urban. Dr Manmohan Singh, the Finance Minister of India, quoted Victor Hugo while presenting the Union Budget 1994-95, making a reference to the Indian economy's unlimited potential. If Dr Singh were to use the quote again today, he would probably apply it in the context of the promise contained in the Indian retail industry and, in particular, organized retail in India in the days to come. Retailing in India is currently estimated to be a US$ 200 billion industry, of which organized retailing makes up 3 percent or US$ 6.4 billion. By 2010, organized retail is projected to reach US$ 23 billion



Source: *Retail Asia 2005*, KPMG in India Analysis 2005

Table-1: Top 10 Retailers World Wide

Rank	Retailer	Home Country
1	Wal-Mart Store, Inc.	USA
2	Carrefour Group	France
3	The Home Depot, Inc.	USA
4	The Kroger Co.	USA
5	Royal Ahold	Netherlands
6	Metro AG	Germany
7	Target Corporation	USA
8	Albertson's, Inc.	USA
9	Sears, Roebuck and Co.	USA
10	Kmart Corporation	USA

Source: Retail Forward, Inc.

The Table-1 is showing the top retailers of the world with their country ranking, which clearly shows that USA is a the big market for retailers.

Indian Retail Scenario

Retail[7] is India's largest industry, accounting for over 10 percent of the country's GDP and around eight percent of employment. Retail in India is at the crossroads. It has emerged as one of the most dynamic and fast paced industries with several players entering the market. Most retail firms are companies from other industries that are now entering the retail sector on account of its amazing potential. There are only a handful of companies with a retail background. One such company is Nilgiri's from Bangalore that started as a dairy and incorporated other areas in its business with great success. Their achievement has led to the arrival of numerous other players, most with the backing of large groups, but usually not with a retail background. Most new entrants to the India retail scene are real estate groups who see their access to and knowledge of land, location and construction as prime factors for entering the market. A company entering India cannot have just one game plan to apply to the entire country as the people, their tastes, the lifestyle, the budgets etc are all too divergent. International entrants must enter each market specifically focusing only on that area to be successful.

According[8] to the international management consulting firm, A.T. Kearney's 2005 Global Retail Development Index (GRDI), India moved from second place to first in the latest index, displacing Russia, which had held the top spot since 2003.

The Index is a study of retail investment attractiveness among 30 emerging markets across the globe.

The report said India's improved investment climate due to more liberal rules for foreign direct investment (FDI) helped earn it the top spot this year.

India's retail market, which totals $330 billion, is vastly underserved and has grown by 10 percent on average over the past five years, the report said. At the same time, India is also one of the most fragmented retail markets in the world -- the combined market share of the top five retailers in India totals less than two percent.

"The message for retailers on India is clear: move now or forego prime locations and market positions that will become saturated quickly," said Mike Moriarty, A.T. Kearney vice president, in a statement. "Global retailers that missed opportunities to capture first-mover advantage in China can make up for it in India."

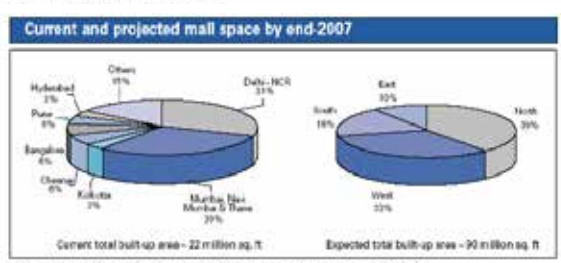


Source: KPMG International Consumer Markets in India Survey, 2005

Formats adopted by key players

Retailer	Original formats	Later formats
RPG Retail	Supermarket (Foodworld)	Hypermarket (Spencer's) Specialty store (Health & Glow)
Piramal's	Department store (Piramyd Megastore)	Discount store (TruMart)
Pantaloon Retail	Small format outlets (Shoppe) Department store (Pantaloons)	Supermarket (Food Bazaar) Hypermarket (Big Bazaar) Mall (Central)
K Raheja Group	Department store (Shopper's Stop) Specialty store(Crossword)	Supermarket (TBA) Hypermarket (TBA)
Tata/Trent	Department store (Westside)	Hypermarket (Star India Bazaar)
Landmark Group	Department store (Lifestyle)	Hypermarket (TBA)
Others	Discount store (Subhiksha, Margin Free, Apna Bazaar, Supermarket (Nilgiri's), Specialty Electronics (Vivek's, Vijay Sales)	

Source: KPMG in India analysis 2005

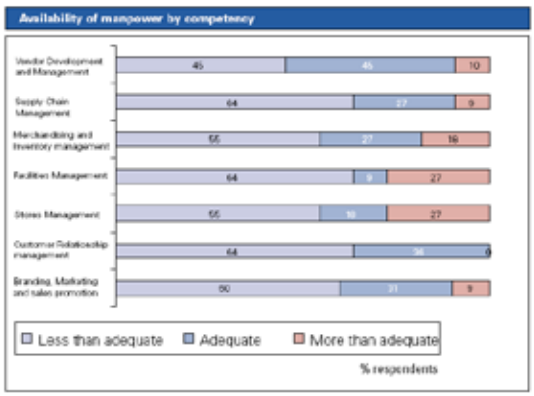


Source: www.retailyatra.com, 'Shopping malls-Boom or doom', 2003

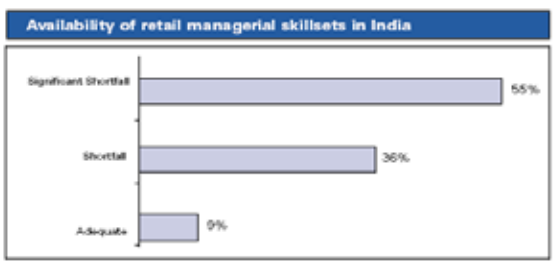
Given the shortage in numbers and available competency, proactive training is a key imperative for Indian retailers.



Source: KPMG in India analysis 2005



Source: KPMG in India Retail Survey 2005



Source: KPMG in India Retail Survey 2005

Growth of Retailing in India

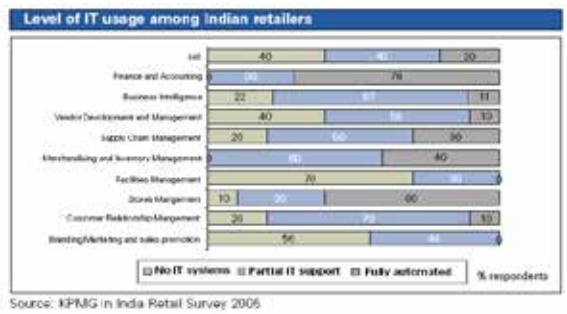
Indian retailing industry has seen phenomenal growth in the last five years (2001-2006). Organized retailing has finally emerged from the shadows of unorganized retailing and is contributing significantly to the growth of Indian retail sector. RNCOS[9] "India Retail Sector Analysis (2006-2007)" report helps clients to analyze the opportunities and factors critical to the success of retail industry in India.

- Organized retail will form 10% of total retailing by the end of this decade (2010).
- From 2006 to 2010, the organized sector will grow at the CAGR of around 49.53% per annum.
- Cultural and regional differences in India are the biggest challenges in front of retailers. This factor deters the retailers in India from adopting a single retail format.
- Hypermarket is emerging as the most favorable format for the time being in India.
- The arrival of multinationals will further push the growth of hypermarket format, as it is the best way to compete with unorganized retailing in India.

The retail business in India in the year 2000 was Rs.400, 000 crore and is estimated to go an annual increase of 20%.The contribution of the organized retail industry in the year 2000 was Rs.20,000 crore and is likely to increase to Rs.160,000 crore. Global[10] majors too are showing a keen interest in the Indian retail market. Over the years, international brands like Marks & Spencer, Samsonite, Lacoste, McDonald's, Swarovski, Domino's among a host of others have come into India through the franchise route following the relaxation of FDI (foreign direct investment) restrictions. Large Indian companies – among them the Tata, Goenka and the Piramal groups – are investing heavily in this industry. Buying behaviour and lifestyles in India too are changing and the concept of "Value for Money" is fast catching on in Indian retailing. This is evident from the expansion of the pantaloons chain into a large value format, Big Bazaar, and the entry of new discount stores in food retailing in the South, namely, Subhiksha and Margin Free. The[11] modern retailing action is in the urban areas now. A distinctive feature of organized retailing in India is that it is largely an urban phenomenon so far. Organized retail has been more successful in cities, more so in the south and west of India. The reasons for this regional variation range from differences in consumer buying behavior to cost of real estate and taxation laws.



Source: KPMG in India Retail Survey 2005



Source: KPMG in India Retail Survey 2005

Technology Impact

The other important aspect of retailing relates to technology. It[12] is widely felt that the key differentiator between the successful and not so successful retailers is primarily in the area of technology. Simultaneously, it will be technology that will help the organised retailer score over the unorganised players, giving both cost and service advantages.

Retailing is a `technology-intensive' industry. Successful retailers today work closely with their vendors to predict consumer demand, shorten lead times, reduce inventory holding and thereby, save cost. Wal-Mart pioneered the concept of building a competitive advantage through distribution and information systems in the retailing industry. They introduced two innovative logistics techniques - cross-docking and electronic data interchange. Today[13], online systems link point-of-sales terminals to the main office where detailed analyses on sales by item, classification, stores or vendor are carried out online. Besides vendors, the focus of the retailing sector is to develop the link with the consumer. `Data Warehousing' is an established concept in the advanced nations. With the help of `database retailing', information on existing and potential customers is tracked. Besides knowing what was purchased and by whom, information on softer issues such as demographics and psychographics is captured.

Retail[14] Information Systems provides retailers tool for increasing profits, customer loyalty and satisfaction. Retail Information Systems (RIS), a Founding Member of the Retail Technology Resources Group (RTRG), has developed a tool to give independent retailers the upper edge in an increasingly competitive marketplace by allowing them to automatically market to their clients through their current Inventory Control system. ***Retail Information Systems (RIS)***, allows you to communicate more information, more often. It's easy, most preferred, affordable, direct, actionable and highly effective. Your communications can include newsletters, preferred customer promotions, sale notifications, new service announcements, event invitations, greetings and much, much more.

Ready to use Templates - You can choose from a large eye-catching selection of ready to use professionally designed layout templates to meet your specific business requirements.

Campaign Wizards - No technical skills are required. Campaign wizards is easy for everyone for creating and sending product promotions, campaigns, news letters.

Personalized emails - All the mails irrespective of the type you send to client can be personalized in many different ways.

Customer Specific - Our staff will work with you to create a layout template according to your specifications, it can be customized with additional graphics, fonts, and colors to match your preferences.

Mailing list - it is easy to build and manage your customer mailing list

Reach out Time - It is all customer preferences NOT service providers, you specify the preferred send out time, we match it.

Customer Support - Phone, Email and Chat based 24/7 customer support

Attractive Pricing - Mails based billing, No hidden charges

Image Gallery - Most user-friendly and flexible image gallery, supporting complete image management activities like format conversion, resizing etc.

Measuring Success - campaign and mailing list based Real Time reports, including open, bounced, click throughs

Spam Free Policies - All campaigns give a clear option to recipients to opt out.

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