



Key Driving Factors and Socio Economic Impact of FDI on the Unorganised Retailing Sector – in India

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ABSTRACT

The Retail Sector of Indian Economy is going through the phase of tremendous transformation. The impact of the alterations in the format of the retail sector changed the lifestyle of the Indian consumers drastically. Nowadays the Indian consumers are well versed with the concepts about quality of products and services. These demands are the visible impacts of the Retail Sector of Indian economy India's huge middle class base and its untapped retail industry are key attractions for global retail giants which have led to the Foreign Direct Investment policy of the Government. Driven by changing lifestyles, strong income growth and favorable demographic patterns, Indian retail is expected to grow 25 per cent annually. It is expected that retail in India could be worth US\$ 175-200 billion by 2016. However there is also a scope for the unorganized retail sector to decline its importance due to this globalised effect.

Keywords : Indian Retail Industry, Indian Economy, FDI

INTRODUCTION

The Indian retail industry one of the fastest growing industries in the country, which is the fifth largest retail destination globally, was ranked second after Vietnam as the most attractive emerging market for investment among 30 emerging markets by the US-based global management consulting firm A T Kearney in its entity's Global Retail Development Index (GRDI) 2009. The Retail Sector of Indian Economy is going through the phase of tremendous transformation. The impact of the alterations in the format of the retail sector changed the lifestyle of the Indian consumers drastically. The evident increase in consumerist activity is colossal, which has already chipped out a money making recess for the retail sector of Indian economy. Nowadays the Indian consumers are well versed with the concepts about quality of products and services. These demands are the visible impacts of the Retail Sector of Indian Economy. It is expected that retail in India could be worth US\$ 175-200 billion by 2016. The social changes with the rapid economic growth due to trained personnel's, fast modernization; enhanced availableness of retail space is the positive effects of liberalization. With rising consumer demand and greater disposable income, the US\$ 400 billion Indian retail sector is clocking an annual growth rate of 30 per cent. Based on this present scenario of the retail industry, the following objectives are set for the study.

RETAILING FORMATS IN INDIA

The Retail Format is the store 'Package' that the retailer presents to the shopper. It is defined as a type of retail mix, used by a set of retailers, based on the physical store where the vendor interacts with the customer. Among them the following formats are popular in India and the brief descriptions of these formats are given in crisp manner as follows.

CONVENIENCE STORES

These are relatively small stores 400-2,000sq.feet located nearest identical areas. They stock a limited range of high turnover convenience products and are usually open for extended periods during the day, seven days a week. Prices are slightly higher due to the convenience premium.

SPECIALTY STORES

A Specialty Store is a store that offers specific and specialized types of items. These store focus on selling a particular brand or a particular type of item. It generally ranges from 2000 to 5000 sqft. For example a store that exclusively sells cell phones or video games would be considered specialized.

DISCOUNT STORE

Factory outlets provide an opportunity to get discount on MRP (Maximum Retail Price) through selling in bulk reaching economies of scale or excess stock left over at the season. Products category can be perishable / or non perishable goods. Discount circuit is one such example.

DEPARTMENT STORE

A Department Store is a Retail establishment which specializes in satisfying a wide range of the consumer's personal and residential durable goods product needs and at the same time offering the consumer a choice multiple merchandise lines, at variables price points, in all product categories. It usually sell products including apparel, furniture, appliances, electronics, toiletries, cosmetics, toys and sporting goods. It ranges from 20000 to 60000 sqft. Examples are Westcides, Ebony, lifestyle etc.

MALLS

Largest forms of modern retailing range from 60000 sqft. To 700000 and above sqft. A shopping mall is one or more buildings forming a complex of shops representing merchandizes with interconnecting walkways enabling consumers to easily walk from unit to another along with parking area. It provides ideal shopping experiences with products, services and entertainment under one common roof. Examples are Reliance mall, Pyramid and Pantaloon etc.

E-TAILERS

Retailers providing online buying and selling of products and services.

HYPERMARKET

It ranges from 50000 to 100000 sqft. It is a Superstore which combines a Supermarket and a Department store. The result is a very large retail facility which carries an enormous range of products under one roof, including full lines of groceries and general merchandise. In theory, hypermarkets allow customers to satisfy all their routine weekly shopping needs in one trip. Examples are big bazaar, Shoppers Stop and Vishal Megamart.

SUPERMARKET

Large self service outlets, catering to varied shopper needs are termed as Supermarkets. These stores today contribute to 30 percent of all food and grocery retail sales. Supermarkets can further be classified into mini supermarkets typically 1000 sqft to 2000 sqft. And large supermarkets ranging from 3500 sqft to 5000 sqft having a strong focus on food and grocery and personal sales.

OPPORTUNITIES FOR THE ORGANIZED RETAIL IN INDIA

Organized Retail sector gets various opportunities to grow up in the Indian market. Not only retailing but manufacturers as well as suppliers, and buyers have various opportunities, some of which are mentioned as follows.

- India's booming economy is a major source of opportunity. It is the third largest in the world in terms of purchasing power. India is the second fastest growing major economy in the world.
- India's huge population has a per capita income of Rs 44,345.
- The proportionate increase in spending with earnings is another source of opportunity.
- With the Indian economy now expected to grow at over 8% and with average salary hikes of about 15%, manufacturers and retailers of consumer goods and services can expect a major boost in consumption.
- The Demography Dynamics are also favorable as approximately 60 percent of Indian population is below the age of 30.
- Increasing instances of Double Incomes in most families coupled with the rise in spending power.
- Increasing use of plastic money for categories relating to Apparel, Consumer Durable Goods, Food and Grocery etc.

CHALLENGES FACED BY ORGANIZED RETAIL SECTOR IN INDIA

The Retail industry in India has a long way to go, a vast untapped potential, and become a truly flourishing industry, it should also be recognized that it is not that easy to operate in Retail market because of several problems. Retailers need to address the challenges to become successful on long term.

- The organized retail sector in India is still at a developmental stage, characterized by a very small number of players trying to create a paradigm. To become a flourishing industry, the Indian retail sector has to attract leading Indian and foreign players to make substantial investments.
- Technology is one of the challenges faced by organized retailers for efficient management.
- Shortage of skilled workforce in retail sector.
- Retail shrinkage is also one of the major challenges. Retail shrinkage is the difference in the value of stock as per the books and the actual stock available in the shop. The causes of retail shrinkage are mainly employee theft, shoplifting, administrative errors and vendor fraud.
- Understanding customers in terms of customer behavior and loyalty is a difficult job. Retailers need to implement effective customer relation management and loyalty program.

KEY PLAYERS OF INDIAN RETAILER

Organized retail sector is witnessing a wave of players entering the industry. These players are experimenting with various

retail formats. An number of large corporate houses like Aditya, Bharti, Reliance, Pantaloon, Vishal, Tata, RPG, Raheja's and Piramals's have already made their foray into this arena, with beauty and health stores, supermarkets, self service music stores, computers and peripheral stores, office equipment stores, new age book stores and home/building construction stores. Today organized players have attacked every retail category. Some of the key players in the Indian retail market, with a dominant share are.

PANTALOON RETAIL INDIA LTD, A FUTURE GROUP VENTURE

This group is incorporated by Mr. Kishore Biyani and it is recognized as multi brand retail. PRIL is the first retail store in hypermarket format. Over 12 mn sq. ft. of retail space spread over 1,000 stores, across 71 cities in India. The company's leading formats include Pantaloon – a chain of fashion outlets, Big bazaar – an uniquely Indian Hypermarket chain, Food bazaar – a Supermarket chain, blends the look, touch and feel of Indian bazaars with aspect of modern retail like choice, convenience and quality. Some of the other formats include Depot, Shoe factory, All, top 10, M bazaar, Star and Sitara.

VISHAL MEGAMART

Vishal Mega mart is established in 1986 in Kolkata. This group is conglomerate today having 180 showrooms across the country. It is one of the fastest retail groups in India and caters to almost all price range.

RELIANCE FRESH

Reliance fresh is the venture of Reliance Industry Limited in foods and vegetables. It is first modern retail enterprise in food sector which has potential of approximately \$500 billion market. It is one of the best examples of agribusiness industries which boost economic integration in rural areas and villages. The size of this store is varying from 1500 sqft to 3000 sqft.

NILGIRIS

This is the Organized Supermarket way of shopping was introduced by fairly small South Indian family. It has been operating very successfully in Bangaluru, Chennai, Coimbatore, Erode, Salem and some other South Indian towns and cities since more than four decades. In fact the advent of Nilgiris has been a tremendous boon for consumers in these terms who have been able to do there one stop grocery shopping here. The customer traffic at these stores in turn has fascinated many entrepreneurs in South India so much that a large number of retail stores have come into existence.

FOOD WORLD

Food World brought the concept of "every day low price". With 80 outlets in the cities of Chennai, Bangaluru, Hyderabad, Pune, Pondicherry, Coimbatore, Salem, etc.

THE FUTURE

In India Organized retailing is a new phenomenon, despite the downturns, the market is growing exponentially, as economic growth brings more of India's people into the consuming classes and it lures more and more existing shoppers into its open doors. By 2015, more than 300 million shoppers are likely to patronize organized retail chains. 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.

Consumer markets in emerging market economies like India are growing rapidly owing to robust economic growth. India's modern consumption level is set to double within five years to US\$ 1.5 trillion from the present level of US\$ 750 billion. Thus, with tremendous potential and huge population, India is set for high growth in consumer expenditure. With India's large 'young' population and high domestic consumption, the macro trends for the sector look favorable.

Online retail business is another format which has high potential for growth in the near future. The online retail segment in India is growing at an annual rate of 35 per cent, which would take its value from Rs 2,000 crore (US\$ 429.5 million) in 2011 to Rs 7,000 crore (US\$ 1.5 billion) by 2015. For instance the Tata Group firm Infiniti Retail, that operates its consumer durables and electronics chain of stores under the 'Croma' brand, is in the process of tapping net savvy consumers. Similarly, the Future Group, that operates a dedicated portal 'Futurebazaar.com' for online sales, has revealed that it is targeting at least 10 per cent of the company's to talk retail sales through the digital medium.

the entry of organized players and multinationals, the fate of the neighborhoods kirana store as well as the posh super-market is bound to change. The key differences between the retail setups in India and the western world, the impact that the entry of foreign players, and the role of an efficient supply chain in the retailing industry. The impact of the State policies and the current global economic downturn on the Indian retail industry has its major impact of the unorganized retail sector. This proposed study will enable the strategy makers to know the factors which will have such an impact and will throw light on the making necessary changes in the policies and regulations.

CONCLUSION:

With the Indian retail landscape undergoing a sea change via

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