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Management

A STUDY ON GROWTH, CHALLENGES AND OPPORTUNITIES IN RETAIL INDUSTRY OF PRESENT SCENARIO IN INDIA

KEY WORDS: Retailing, Organized Sector, Traditional Retailing, Online retailing.

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ABSTRACT

This paper provides detailed information about the current growth of retailing industry in India. Retailing in India is the most important pillar of its economy and accounts of about 10% of its GDP. Indian retail industry is classified into organized and unorganized sectors. There is a rapid development of retailing which leads to shifting of customers from unorganized to organized sectors and it is mainly because of changing behavior and preferences of consumers. This changing behavior of consumers is due to increased income and changed life styles. The paper includes growth of retail sector in India, strategies and opportunities of retail stores, retail format in India, recent trends, E-tailing and opportunities and challenges. It concludes that Online retail in India is driven by strong investment and rapid increase in the number of internet users and in the next few years it would be equal to the retail stores.

1. INTRODUCTION

Retailing in India is gradually edging its way toward becoming the next boom industry. The whole concept of shopping has altered in terms of format and consumer buying behavior, leading in a revolution in shopping in India. Modern retail has entered India as seen in extensive shopping centers, multi-storied malls and huge complexes offer shopping, entertainment and food all under one roof. The Indian retailing sector is at an inflexion point where the growth of organized retailing and growth in the consumption by the Indian population is going to take a higher growth trajectory. The Indian population is witnessing a significant change in its demographics. A large young working population with median age of 24 years, nuclear families in urban areas, along with increasing working-women population and emerging opportunities in the services sector are going to be the key growth drivers of the retail sector in India.

Evolution of Indian retail

Retailing is one of the biggest sectors and it is witnessing revolution in India. The new entrant in retailing in India signifies the beginning of retail revolution. India's retail market is expected to grow tremendously in next few years. According to AT Kearney, The Windows of Opportunity shows that Retailing in India was at opening stage in 1995 and now it is in peaking stage in 2006. The origins of retailing in India can be traced back to the emergence of Kirana stores and mom-and-pop stores. These stores used to cater to the local people. Eventually the government supported the rural retail and many indigenous franchise stores came up with the help of Khadi & Village Industries Commission. The economy began to open up in the 1980s resulting in the change of retailing. The first few companies to come up with retail chains were in textile sector, for example, Bombay Dyeing, S Kumar's, Raymond's, etc. Later Titan launched retail showrooms in the organized retail sector. With the passage of time new entrants moved on from manufacturing to pure retailing.

Retail outlets such as Food world in FMCG, Planet M and Music world in Music, Crossword in books entered the market before 1995. Shopping malls emerged in the urban areas giving a world-class experience to the customers. Eventually hypermarkets and supermarkets emerged. The evolution of the sector includes the continuous improvement in the supply chain management, distribution channels, technology, back-end operations, etc. this would finally lead to more of consolidation, mergers and acquisitions and huge investments. India's retail market is expected to grow tremendously in next few years. India shows US\$330 billion retail market that is expected to grow 10% a year, with modern

retailing just beginning. In India, the most of the retail sector is unorganized. The main challenge facing the organized sector is the competition from unorganized sector. Unorganized retailing has been there in India for centuries. The main advantage in unorganized retailing is consumer familiarity that runs from generation to generation. It is a low cost structure; they are mostly operated by owners, have very low real estate and labor costs and have low taxes to pay. Organized retail business in India is very small but has tremendous scope.

Retail formats in India

Hyper marts/supermarkets: large self-servicing outlets offering products from a variety of categories.

Mom-and-pop stores: they are family owned business catering 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. **Convenience stores:** are located in residential areas with slightly higher prices goods due to the convenience offered.

Shopping malls: the biggest form of retail in India, malls offer 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.

Vending: it is a relatively new entry, in the retail sector. Here beverages, snacks and other small items can be bought via vending machine.

Category killers: small specialty stores that offer 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 example

Objective of the study:

1. To understand the evolution of retail sector in India
2. To study the popular retail formats
3. To study the growth, opportunities of Indian retail sector.
4. To study the challenges facing in Indian retail sector.

5. To study the Online Retail Growth Factors and Opportunities in India
6. To study the future prospects of organized retail sector in India

Research Methodology:

Information has been sourced from various books, trade journals, government publications, newspapers etc. and research is descriptive in nature.

Growth of retail industry:

Due to the large scope of business and high growth potential, India is attracting investors across the globe. In FDI Confidence Index, India ranks 8th (after U.S., Germany, China, UK, Canada, Japan, and France).

India is all set to gain from the latest FDI policy in retail. There has been an increase in purchasing power of the consumer due to easy availability of credit which has given a push to higher value items and encouraged repeated purchases. There has been a clear shift in consumer mindset in buying. They are more educated and well informed. They have become more experimenting and are willing to try and buy products which they haven't been used as yet. The expansion of middle class has led to higher purchases of luxury products and brand consciousness. Significant growth in discretionary income and changing lifestyles are among the major growth drivers of Indian retail industry. With GST taking its shape, it has helped the retailers simplify its tax structure. This will lead to better supply chain structure, better cash flows, pricing, and profitability.

Opportunities-led growth

Over the past two years, the COVID-19 pandemic has led to changes in consumer preferences and attitudes; this has changed how consumers buy and use products and services. Consumers are no longer differentiated between offline and online consumption channels making large corporations experiment with various strategies to create seamless retail experiences integrated across all channels.

Retailers will use digital channels to increase customer reach in tier II and tier III cities while spending less on physical estate. Small-sized retailers will benefit from the continued popularity of third-party e-commerce platforms or marketplaces as they continue to rule the D2C market in 2023 and beyond. The most prosperous D2C companies and online merchants will have a few characteristics in common, such as being modest, highly skilled at using SEO and SEM tools and having great brand-building and digital marketing abilities.

However, the industry's long-term prospects are promising, supported by rising affluence, favourable demographics, the entry of foreign competitors, and increased urbanization.

Opportunities:

Rural markets show high growth potential if tapped with the right set of products and pricing. With increasing investments in infrastructure, connectivity to such towns is now becoming easier.

This helps the retailer to increase reach in such high potential markets.

The private label space in the organized Indian retail industry has begun experiencing an increased level of activity. The share of private label strategy in the US and the UK markets is 19 per cent and 39 per cent, respectively, while its share in India is just 6 percent.

Thus this gives a tremendous opportunity for the homegrown label to expand its base. India's price competitiveness attracts large retail players to use it as a sourcing base. Many international retailers are increasing their sourcing

from India and are moving from third-party buying offices to establishing their own wholly-owned/wholly-managed sourcing and buying offices

challenges facing the Indian retail industry are:

- Contending with the global standards.
- Many structural inefficiencies in the supply chain topology impact the Indian retail industry.
- By international standards for retail outlet size, Indian retail shops operate in an unreasonably small space—less than 500 square feet.
- Real estate issues have arisen due to the necessity to construct supermarkets and hypermarkets on a large scale in various locations.
- Problems with the availability or lack of competent or trained labour.
- The management has faced various challenges due to fraud in the retail industry, including thefts, vendor fraud, and administrative errors.
- Infrastructural and logistical problems.

Challenges facing in current scenario

Though, the digital transformation is also leading up to consumer behavior which may emerge as a major challenge for the retail industry in 2023. Maintaining brand loyalty will be a tough job in the coming year; the Indian consumer, who has an ingrained attitude of trying multiple things before settling for one, has more ammunition in his kitty with smartphones or access to the digital world. Though traditional customer loyalty programs will still be effective, brands have to look for solutions to address the growing personalization trend.

Secondly, the retailers have to sail through the labyrinth of tech solutions in the market to find the perfect one for themselves. Most retailers strive for software to streamline their operations, but frequently make poor decisions. Business owners need to understand what the software offers and whether it fits the needs of their business model. A company that manages just fine without a complicated software platform may experience cost increases and internal discord. The solution is to look for software created exclusively for retail enterprises for the best outcomes.

Thirdly, many retail businesses struggle with efficiency, effectiveness, and quantifying the results of their marketing strategies, including paid media, local SEO, enterprise SEO, content strategy, and social media. Online Retail Growth Factors and Opportunities in India

Online retail in India is experiencing phenomenal growth, successfully transforming people's transactions, online retail is a very small part of India's total retail market i.e. 16 billion out of 641 billion US dollars in 2016 Represents the US dollar, but has a lot of business potential. It is driven by increasing internet penetration, increasing use of smartphones, cost and time benefits. Modern purchasing methods, the popularity of cash on delivery (COD) and the increasing acceptance of online payments, favourable demographics are the main reasons for this, increase in online retail

Favourable Demographics in India some of them are appropriate demographics provide a unique opportunity for online retailers in India. The country's productive age group is higher. Half of India's approximately 1.2 billion people are under the age of 26, and by 2020, with an average age of 29, it is projected to be the world's youngest country. This means a growing pool of buyers for goods and services, and a growing middle-class people are busy with their daily life schedules and start looking for that facility to save their time. According to the survey, about 68% of young people in India shop online. The survey was conducted during the nationwide Tata Consultancy Service IT program between July and December 2013. It was delivered to 14 states of India including Pune,

Nagpur, Mumbai, Lucknow, Kolkata, Kochi, Indore, Delhi, Hyderabad, Bangalore, Chennai, Ahmedabad, Bhubaneswar and Coimbatore. The survey was conducted with the aim of studying and advancing students digital preferences. The survey found that seven out of ten urban youth are involved in online shopping. The number of teen shoppers has increased dramatically. In 2012-13, 37% of respondents shopped online and in 2013-14, that number increased by 68%. This is a great opportunity for online retailers.

Product Comparison: Without having to go from one store to another to compare products, consumers are now going online to compare product information, features and prices and then shop online. Most online sites offer this feature so that buyers can choose the product that suits them best. In Japan, for example, the online website Call is www.kakaku.com, which allows consumers to compare the prices of the same product from different retailers with one click.

Cost and Time Saving: The main benefit is the huge savings in time and money earned by both buyers and sellers. An online shopper can save a considerable amount of time and money. Online shopping is more convenient, when you can choose to shop and you are not limited to store hours. To stay competitive and encourage online shopping, many online retailers offer free shipping and free coupon points. In India's fast-growing metros and even in small towns, the average person's life has become very busy. People who work to go to the market and even to buy everyday necessities have very little time as usual. Therefore, online shopping would be the best solution for busy Indians.

Smart Phone Revolution and Mobile Internet: India's Internet user population is growing at a rapid rate. According to the joint study, the number of mobile subscriptions has increased by more than 100 million a year, mainly due to the entry into Reliance Jio. Most Indians access the Internet through mobile devices. And it's the great use of mobile broadband, high-speed third-generation and 4G networks that are accelerating penetration rates. India's mobile share in online shopping will continue to grow in a few years. Implementing a strong 4G network through mobile carriers will increase digital purchases made through smartphones. In addition, the falling costs of 4G devices and services plans will make it much easier for consumers to research, browse and purchase smartphones, which will make it easier to increase online shopping. 188 International Journal of Advanced Research in Commerce, Management & Social Science (IJARC MSS) - July-September, 2020

Changing Payment Systems: The increase in electronic payments depends on appropriate approval infrastructure, including ATMs, point-of-sale terminals. The Government of India is also promoting progress in the infrastructure of card acceptance. It has increased the use of debit and credit cards with the continuous development of online shopping tools and increasing consumer acceptance and stability. The biggest driver of this growth is the Internet spread of smartphones and tablets, Internet Mobile Access which is serving through an easy, cash free and card free foreign transaction. New payment concepts and business structures based on mobile infrastructure have been launched by online retailers and payment service providers. It has the ability to transfer traditional cash from other electronic payment methods to help make customers more comfortable with electronic payments. In terms of volume, about 97% of transactions in India are still done in cash, with rapid growth towards electronic and digital methods.

Factors responsible for the Growth of E-tailing in India could be:

1) No rent or land costs, as E-retailers do not require sophisticated showrooms in prime locations, and operate

through their websites or portals, which significantly saves the store maintenance costs, which are pretty high for physical store retailers.

2) E-retailing enables personalized interaction with customers and has a global reach of operation.

3) Effortless and joyful shopping which also saves time.

4) The online store is accessible 24x7 and delivers your products home.

5) Since 2005, a rapid growth has been seen in the number of people using internet. This is due to enhanced broadband internet services and penetration of 4G services that has given faster internet access.

6) People have additional options for everything online and can even buy those products that are unavailable at the physical retail shops.

E-tailing has become part and parcel of daily life for Indian consumers. Consumers are always hungry for modern ways of shopping. The Indian retail sector is growing fast and its employment potential is growing too. The new wave of industrialism coupled with exemplary shifts in the demographic and psychographic dynamics have driven consumers frequently to use online retail to search for product information and initiate any purchase. It is suggested that online retail businesses which focus on constant change and product innovation may be positioned for success in this new form of entrepreneurship.

Future Prospects and Opportunities in Retail Industry in India

After learning from the disruptions caused by the pandemic, retail companies will continue to leverage their multi-channel approach and marketplaces like B2B (Business to Business) and D2C (Direct to Consumer). They will focus on varying their supply sources as well. According to Kearney Research, the retail industry in India is predicted to grow at a 9% annual pace till 2030, to over US\$ 1,407 billion by 2026 and more than US\$ 1.8 trillion by 2030.

Conclusion:

Retailing in India contributes 10 percent GDP in its economy. The Indian retail market is estimated one of the top five retail markets in the world by economic value as it is the fastest growing retail market, with 1.2 billion people. Currently, the biggest opportunity is the transition from traditional retail to organized retail due to changing consumer expectations, growing middle class, higher disposable income, preference for extravagant goods and change in the population size. These factors are expected to drive organized retail growth in India in the medium to long term. With the incremental growth of Internet and Technology there have been major changes in the otherwise organized retail sector over the past decade and with the pace it is growing, it has no sign of getting slow. 66% of the consumers think that online retail has made their lives much easier. In the last 7 years, organized retail has gone through a number of changes on various verticals, whether its store layouts, per square foot, returns optimization or a smoother reordering process. With the international chains coming to India, domestic chains have developed and implemented various best practices to come at par. Online retail in India is driven by robust investment and rapid increase in the number of internet users and in the next few years it would be equal to the retail stores.

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