



RETAIL MARKETING SCENE IN INDIA (Its Evolution, Growth, Challenges, Recent & Future Trends)

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Abstract

The aim of the paper is to provide detailed information about retail marketing scenario in India. The Indian retail industry is divided into organised and unorganised sectors. Organised refers to trading activities undertaken by licensed retailers where as unorganized refers to the traditional formats of low cost retailing. Retail industry is the second largest employer in India after agriculture. Accounting for over 10 percent of the country's GDP and around eight per cent of the employment retailing in India is gradually inching its way toward becoming the next boom industry. The study examines the concept, retail scenario in India, its evolution and growth of retail sector in India, importance, retail format set up, recent retail reforms. This paper also shows the present and future trends in retail marketing and it finally pointed out the challenges facing by the retail marketing in the future days.

Introduction

The actual term “retailing” means “a piece of” or to “cut up”. This implies that retailers acquire large quantities of products and divide them up into smaller units to be sold to individual consumers. Marketing is a managerial process of providing the right product, in the right place, at the right time and at the right place. In the growing market, retail marketing has become one of the major emerging trends in the entire economical cycle. It is the retail market only which provides the consumer a basic platform to encounter with goods and a shop keeper for the first time. Retail market consists of a fixed location like boutique, store, departmental store etc, here in these location consumers meets the shop keeper and purchase goods in return of certain value. Maintaining a certain profit margin, these shop keepers sell goods to their consumers.

The total concept and idea of shopping has undergone an attention drawing change in terms of format and consumer buying behavior, ushering in a revolution in shopping in India. Modern retailing has entered into the Retail market in India as is observed in the form of bustling shopping centers, multi-storied malls and the huge complexes that offer shopping, entertainment and food all under one roof. The basic motive of these shopkeepers is to satisfy the consumers and fulfill their needs and demands.

Customer needs are the basic key factors of retail. Retail marketing consists of 5 basic pillars, first is saving the precious time of the customers. Second is setting the right prices of the goods, third is creating a proper connection with the emotions of the customers, fourth pillar is paying the right respect to the customers and lastly solving the problems of the customer is another pillar of retail.

Statement of Problem

The retailer is an intermediary in the marketing channel because he is both marketer and customer, who sells to the last man to consume. He is a specialist who maintains contact with the consumer and the producer; and is an important connecting link in a complex mechanism of marketing. Though producers may sell directly to consumers, such method of distributing goods to ultimate users is inconvenient, expensive and time consuming as compared to the job performed by a specialist in the line. Hence, frequently the manufacturers depend on the retailers to sell their products to the ultimate consumers. Hence the role played by the retailer are very challenging one makes the researcher to make a study to know the retail scene in india.

Objectives of the study

1. To provide detailed information about retail marketing scene in India.
2. To study the Evolution, Growth and Challenges of retail marketing in India
3. To know the present and future trends in retail marketing in India

Nature of the study:The study is based on explorative in nature

Secondary Data:The data used in the present were secondary sources of data.

Importance of Retailing in India

Retailing in India is one of the pillars of its economy and accounts for about 10 percent of its GDP The Indian retail market is estimated to be US\$ 600 billion and one of the top five retail markets in the world by economic value. India is one of the fastest growing retail markets in the world, with 1.2 billion people.



As of 2003, India's retailing industry was essentially owner manned small shops. In 2010, larger format convenience stores and supermarkets accounted for about 4 percent of the industry, and these were present only in large urban centers. India's retail and logistics industry employs about 40 million Indians (3.3% of Indian population).

Until 2011, Indian central government denied foreign direct investment (FDI) in multi-brand retail, forbidding foreign groups from any ownership in supermarkets, convenience stores or any retail outlets. Even single-brand retail was limited to 51% ownership and a bureaucratic process.

In November 2011, India's central government announced retail reforms for both multi-brand stores and single-brand stores. These market reforms paved the way for retail innovation and competition with multi-brand retailers such as Walmart, Carrefour and Tesco, as well single brand majors such as IKEA, Nike, and Apple. The announcement sparked intense activism, both in opposition and in support of the reforms. In December 2011, under pressure from the opposition, Indian government placed the retail reforms on hold till it reaches a consensus.

In January 2012, India approved reforms for single-brand stores welcoming anyone in the world to innovate in Indian retail market with 100% ownership, but imposed the requirement that the single brand retailer source 30 percent of its goods from India. Indian government continues the hold on retail reforms for multi-brand stores.

Retail Marketing Scene in India

Traditionally it is a family's livelihood, with their shop in the front and house at the back, while they run the retail business. More than 99% of the retailer's function in less than 500 square feet of shopping space. Today, the retail industry in India is transformed in to a well developed retail hub. The Indian retailing scenario has dual aspects – a large number of small retailers on the one hand and a small number of large retail outlets on the other hand. The Indian retail industry is the fifth largest in the world. Unorganized retail sector comprises 98% while the organized retail trade is only 2% of the total trade. Super markets and hyper markets fuel the growth of retail trade in India. Food and grocery items account for 76% of the total consumer expenditure in the country. The recent boom in the growth of retail industry has been due to increasing disposable incomes attributed to rising salary of the youth and increased participation of women in the workforce. The upper and middle classes are ready to shell out a little more for a better shopping experience. With growing market demand, the industry is expected to grow at a pace of 25-30% annually.

In the Indian retailing industry, food is the most dominating sector and is growing at a rate of 9% annually. The branded food industry is trying to enter the India retail industry and convert Indian consumers to branded food. Since at present 60% of the Indian grocery basket consists of non branded items.

There is no doubt that the Indian retail scene is booming. A number of large corporate houses Tata, Reliance, Raheja, Piramal have already made their foray into this arena, with beauty and health stores, supermarkets, self-service music stores, newage book stores, every-day-low-price stores, computers and peripherals stores, office equipment stores and home/building construction stores.

Growth of Retail Marketing in India

Growth over 1997-2010

India in 1997 allowed foreign direct investment (FDI) in cash and carry wholesale. Then, it required government approval. The approval requirement was relaxed, and automatic permission was granted in 2006. Between 2000 to 2010, Indian retail attracted about \$1.8 billion in foreign direct investment, representing a very small 1.5% of total investment flow into India.

Single brand retailing attracted 94 proposals between 2006 and 2010, of which 57 were approved and implemented. For a country of 1.2 billion people, this is a very small number. Some claim one of the primary restraint inhibiting better participation was that India required single brand retailers to limit their ownership in Indian outlets to 51%. China in contrast allows 100% ownership by foreign companies in both single brand and multi-brand retail presence.

Until 2010, intermediaries and middlemen in India have dominated the value chain. Due to a number of intermediaries involved in the traditional Indian retail chain, norms are flouted and pricing lacks transparency. Small Indian farmers realise only 1/3rd of the total price paid by the final Indian consumer, as against 2/3rd by farmers in nations with a higher share of organised retail. The 60%+ margins for middlemen and traditional retail shops have limited growth and prevented innovation in Indian retail industry.

A 2007 report noted that an increasing number of people in India are turning to the services sector for employment due to the relative low compensation offered by the traditional agriculture and manufacturing sectors. The organised retail market is growing at 35 percent annually while growth of unorganised retail sector is pegged at 6 percent.

The Retail Business in India is currently at the point of inflection. As of 2008, rapid change with investments to the tune of US\$25 billion were being planned by several Indian and multinational companies in the next 5 years. It is a huge industry in terms of size and according to India Brand Equity Foundation (IBEF), it is valued at about US\$395.96 billion. Organised retail is expected to garner about 16-18 percent of the total retail market (US\$65–75 billion) in the next 5 years.

India has topped the A.T. Kearney's annual Global Retail Development Index (GRDI) for the third consecutive year, maintaining its position as the most attractive market for retail investment. The Indian economy has registered a growth of 8% for 2007. The predictions for 2008 is 7.9%. The enormous growth of the retail industry has created a huge demand for real estate. Property developers are creating retail real estate at an aggressive pace and by 2010, 300 malls are estimated to be operational in the country.

Growth after 2011

Before 2011, India had prevented innovation and organised competition in its consumer retail industry. Several studies claim that the lack of infrastructure and competitive retail industry is a key cause of India's persistently high inflation. Furthermore, because of unorganised retail, in a nation where malnutrition remains a serious problem, food waste is rife. Well over 30% of food staples and perishable goods produced in India spoils because poor infrastructure and small retail outlets prevent hygienic storage and movement of the goods from the farmer to the consumer.

One report estimates the 2011 Indian retail market as generating sales of about \$470 billion a year, of which a minuscule \$27 billion comes from organised retail such as supermarkets, chain stores with centralised operations and shops in malls. The opening of retail industry to free market competition, some claim will enable rapid growth in retail sector of Indian economy. Others believe the growth of Indian retail industry will take time, with organised retail possibly needing a decade to grow to a 25% share. A 25% market share, given the expected growth of Indian retail industry through 2021, is estimated to be over \$250 billion a year: a revenue equal to the 2009 revenue share from Japan for the world's 250 largest retailers.

In 2011, food accounted for 70% of Indian retail, but was under-represented by organised retail. A.T. Kearney estimates India's organised retail had a 31% share in clothing and apparel, while the home supplies retail was growing between 20% to 30% per year. These data correspond to retail prospects prior to November announcement of the retail reform.

Indian retailers

A 2012 PWC report states that modern retailing has a 5% market share in India with about \$27 billion in sales, and is growing at 15 to 20% per year. There are many modern retail format and mall companies in India. Some examples are in the following table.

Indian Retail Group	Market Reach in 2011 and Notes
Pantaloon Retail	65 stores and 21 factory outlets in 35 cities, 2 million square feet space
Shoppers Stop	51 stores in 23 cities, 3.2 million square feet space
Spencers Retail	200 stores in 45 cities, 1 million square feet space
Reliance Retail	708 mart and supermarkets, 20 wholesale stores in 15 cities, 508 fashion and lifestyle 1,206 crore (US\$180 million) per month sales in 2013
Bharti Retail	74 Easyday stores, plans to add 10 million square feet by 2017
Birla More	575 stores nationwide
Tata Trent	59 Westside mall stores, 13 hypermarkets
Lifestyle Retail	15 lifestyle stores, 8 home centers
Future Group	193 stores in 3 cities, one of three largest supermarkets retailer in india by sales - 916 crore (US\$140 million) per month sales in 2013

Evolution of Retail Marketing Industry In India

1. The emergence of the neighborhood Kiranaï stores catering to the convenience of the consumers.
2. Era of government support for rural retail: Indigenous franchise model of store chains run by Khadi & Village Industries Commission.
3. 1980s experienced slow change as India began to open up economy.
4. Textiles sector with companies like Bombay Dyeing, Raymond's, S Kumar's and Grasim first saw the emergence of retail chains.
5. Later Titan successfully created an organized retailing concept and established a series of showrooms for its premium watches.
6. The latter half of the 1990s saw a fresh wave of entrants with a shift from Manufactures to Pure Retailers.
7. For e.g. Food World, Subhiksha and Nilgiris in food and FMCG; Planet M and Music World in music; Crossword and Fountainhead in books.
8. Post 1995 onwards saw an emergence of shopping centers.
9. Mainly in urban areas, with facilities like car parking.
10. Targeted to provide a complete destination experience for all segments of society.
11. Emergence of hyper and super markets trying to provide customer with 3 V's - Value, Variety and Volume.
12. Expanding target consumer segment: The Sachet revolution - example of reaching to the bottom of the pyramid.

Retailing Format in India

The Following Kinds of Retail Formats Are Found In India:

Mom-and-pop stores: These are generally family-owned businesses catering to small sections of society. They are small, individually run and handled retail outlets.

Category killers: Small specialty stores have expanded to offer a range of categories. They have widened their vision in terms of the number of categories. They are called category killers as they specialize in their fields, such as electronics (Best Buy) and sporting goods (Sport Authority).

Department stores: These are the general merchandise retailers offering various kinds of quality products and services. These do not offer full service category products and some carry a selective product line. K Raheja's Shoppers Stop is a good example of department stores. Other examples are Lifestyle and Westside. These stores have further categories, such as home and décor, clothing, groceries, toys, etc.

Malls: These are the largest form of retail formats. They provide an ideal shopping experience by providing a mix of all kinds of products and services, food and entertainment under one roof. Examples are Sahara Mall, TDI Mall in Delhi.

Specialty Stores: The retail chains, which deal in specific categories and provide deep assortment in them are specialty stores. Examples are RPG's Music World, Mumbai's bookstore Crossword, etc.

Discount stores: These are the stores or factory outlets that provide discount on the MRP items. They focus on mass selling and reaching economies of scale or selling the stock left after the season is over.

Hypermarkets/ Supermarkets: These are generally large self-service outlets, offering a variety of categories with deep assortments. These stores contribute 30% of all food and grocery organized retail sales. Example: Big Bazaar.

Convenience stores: They are comparatively smaller stores located near residential areas. They are open for an extended period of the day and have a limited variety of stock and convenience products. Prices are slightly higher due to the convenience given to the customers.

E-tailers: These are retailers that provide online facility of buying and selling products and services via Internet. They provide a picture and description of the product. A lot of such retailers are booming in the industry, as this method provides convenience and a wide variety for customer. But it does not provide a feel of the product and is sometimes not authentic. Examples are Amazon.com, Ebay.com, etc.

Vending: This kind of retailing is making incursions into the industry. Smaller products such as beverages, snacks are some the items that can be bought through vending machines. At present, it is not very common in India.

Present Scenario - Retailing in India

The present value of the Indian retail market is estimated by the India Retail Report to be around Rs. 12,00,000 crore(\$270 billion) and the annual growth rate is 5.7 percent. Retail market for food and grocery with a worth of Rs. 7,43,900 crore is the largest of the different types of retail industries present in India. Furthermore around 15 million retail outlets help India win the crown of having the highest retail outlet density in the world. The contribution of retail sector to GDP has been manifested below:

Country Retail Sector's share in GDP (in %)

Country	GDP in (%)
India	10
USA	10
China	8
Brazil	6
Source: CII-AT Kearney	

Future Trends of Retail In India

1. Certainty of Growth

- a. The Indian retail sector is projected to double from \$600 Billion to \$1 Trillion, by 2020. This rapid growth will be determined by factors such as Income Growth, Urbanization, Nuclearization, and Attitudinal Shifts.

2. Reality of Digital

The E-Commerce Market in India is expected to quadruple to \$70 Billion, over the next 5 years. With the rapid Increase Of Smartphone Users, competitive costs for connectivity, and expanded reach, internet users are expected to reach a mark of ~600 Million. Customers are attracted to superior value propositions like broader assortment, Higher Discounts and greater convenience.

3. **Challenge of Capability.** Customers expect a seamless experience and do not tend to distinguish between online and physical channels, while shopping. Traditional strengths are insufficient here.

- a. **Importance of Economics**

Several economic challenges plague Indian modern trade. Please find them listed below.

On the demand side

- 1.The level of processing is not high enough, as the Indian consumer gets used to modern trade.
2. Pricing and promotions are poorly executed , not leveraging on customer willingness and purchasing power.

On the supply side:

- 1.Inflating costs of real estate and rentals.
2. Increasing costs due to low bargaining power with suppliers due to limited scale.
- 3.High cost incurring supply chain due to poor connectivity, excess and deficit inventory.
4. As an immediate implicative measure, the throughput problem should be address first. The other cost and margin issue will fall subsequently.

4. Need for Transformation

Fundamental transformation is the need of the hour. Businesses should avail the growth opportunity and serve digitally empowered consumers. As mentioned earlier, they should also build capabilities in quality omni-channel experience, talent management, and supply chain optimizations. This requires working on four pillars simultaneously.

5. Indian Retail Reforms

- a. The ministries of finance and commerce and industry have initiated discussions on allowing 100% FDI in single-brand retail through the automatic route, one of the sources told FE. Currently, although FDI up to 100% is permitted in single-brand retailing, such investments beyond 49% require the approval of the Foreign Investment Promotion Board (FIPB).

At present, single-brand retailing is among the 18 sectors — including defence, mining, print media, air transport and banking — where FDI beyond stipulated levels needs FIPB approval.

In multi-brand retailing, FDI is allowed up to 51% with FIPB approval.



The Narendra Modi government has already announced two big rounds of relaxations in the FDI regime, first in November 2015 and then in June last year, easing rules in over a dozen sectors ranging from real estate, pharmaceuticals, food marketing, aviation, defence to e-commerce and banking.

Challenges Facing by Indian Retail Industry

Although retail industry in India is on a growing track not everyone has tasted success. Due to various diversities in the state policies and local influences, it becomes a larger hindrance for the retail to expand rapidly. The high cost of real estate, deep discounting from e-tailers, non-availability of skilled labor in rural market are a few challenges that may hinder the growth of retail industry. Innovative concepts and model shall survive the test of time and investment.

Conclusion

The retail sector has played a phenomenal role throughout the world in increasing productivity of consumer goods and services. There is no denying the fact that most of the developed economies are very much relying on their retail sector as a locomotive of growth. The India Retail Industry is the largest among all the industries, accounting for over 10 per cent of the country's GDP and around 8 per cent of the employment. 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. Favorable government policies and continued growth will mean that the future belongs to the most aggressive players.

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