



## A DEEP UNDERSTANDING OF INDIAN RETAILING INDUSTRY- A HOLISTIC VIEW

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### **Abstract**

India is fast becoming the retail destination of the world. India has emerged as the fourteenth most favorable destination for international retailers, according to GRDI 2015 report. The advent of economic reforms made globalization an indispensable phenomenon across all the countries irrespective of some objection from some part of the world. Globalization in essence means free trade of goods and services, capital, intellectual skill and knowledge among different countries. This in turn offers variety of products & services to the global market. The Indian retail is poised to become a \$1.3 trillion opportunity by 2020. With the current market size estimated at \$500 billion. The needs, tastes and preferences of the customers are rapidly changing at a much faster rate. In order to sustain this highly ever changing customer's needs, tastes, demands and preferences, the marketer need to be more organized to withstand & sustain the highly competitive market. Changing customer demand & lifestyle in turn has given rise to organized retailing in India. retailing is one of the active & attractive sectors of the last decade and has become an intrinsic part of everyday lives. This paper provides detailed information about the growth of retailing industry in India. It examines the growing awareness and brand consciousness among people across different socioeconomic classes in India and how the urban and semi-urban retail markets are witnessing significant growth. India has come a long way from its traditional stores concepts to huge retail mall's; with the vast middle class population and its increasing middle class income; which are the key attractive forces for global retail giants. There is a stiff competition between the retail giants (organized sector) and unorganized kirana shops. The organized retail formats rapidly emerged in India because of the economic fundamentals, nuclear families, easy financing options, increase in the population of working women, rising disposable income, Dual Income No Kids. But its impact on unorganized sector is severe. It will take over the profitability and presence of unorganized sector in the years to come.. Irrespective of that, organized retailers facing problems such as rigid tax structure, inadequate infrastructural facilities, high cost of real estate, stringent foreign direct investment (FDI) policies etc. Because of the support of government & the buying nature of the Indian consumer, unorganized retail sector is still predominating over organized sector in India, unorganized retail sector constituting 86% of total trade, while organized retailing accounts only for 14%. In the near days to come Currently, service sector's contribution to the Indian GDP is 59% out of which 14-15% is held by retail sector. This paper will focus on the strategies, strength, issues and opportunities of retail industry and its recent/future. This paper is an attempt made in this direction in order to have better insights about the retail sector in India. analysis discusses about the rapid changing phase of retail industry in India. It gives an insight into the impact of strategies applied by organized retailing on unorganized retail sector. This paper provides a holistic view of retail sector, consumer & their buying influencing factors.

**Keywords: Organized And Unorganized Retailing, Holistic View of Retail Sector, Marketing Strategy For Retail Sector**

### **Introduction**

A Consumers buying preference in India is almost changing and creating a tremendous potential for the retail industry to look for innovative ideas and bring in new products with creative marketing approach to tap the huge working population with the age group of 21-30years. The ever increasing demand from the customer for new products and services inturn has given rise to Retailing. New modern retailing concepts of western trends has entered into the retail market in India; 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 Indian retail industry has expanded by 10.6 per cent between 2010 and 2012 and is expected to increase to US\$ 750-850 billion by 2015, according to a report by Deloitte. Food and Grocery is the largest category within the retail sector with 60 per cent share followed by Apparel and Mobile segment. The foreign direct investment (FDI) inflows in single-brand retail trading during April 2000 to June 2013 stood at US\$ 96.96 million, as per the data released by Department of Industrial Policy and Promotion (DIPP).

The Indian Retailing market is present since ancient times. In olden days Indian retail sector was known basically through mandis, haats, and meals. The exchange of goods and services were taken place through barter system. But, in the current scenario due to the technological upgradations, the concept of old traditional way of retailing has taken a new shape through organizing its sectors. The traditional ways of handling retailing operations are known to be Unorganized Retail sector and the systemized modern way of handing retailing is organized sector.



#### **Different forms of Retailing : Emergence of new formats of retailing in India**

- Hypermarts
- Large supermarkets, typically (3,500 - 5,000 sq. ft)
- Mini supermarkets, typically (1,000 - 2,000 sq. ft)
- Convenience store, typically (7,50 - 1,000 sq. ft)
- Discount/shopping list grocer

#### **4. The Indian retail sector can be broadly classified into**

##### **4.1 Food Retailers**

There are large number and variety of retailers in the food-retailing sector. Traditional types of retailers, who operate small single-outlet businesses mainly using family labour, dominate this sector. In comparison, super markets account for a small proportion of food sales in India. However the growth rate of super market sales has being significant in recent years because greater numbers of higherincome Indians prefer to shop at super markets due to higher standards of hygiene and attractive ambience.

##### **4.2 Health and Beauty Products**

With growth in income levels, Indians have started spending more on health and beauty products. Here also small, single-outlet retailers dominate the market. However in recent years, a few retail chains specializing in these products have come into the market. Although these retail chains account for only a small share of the total market, their business is expected to grow significantly in the future due to the growing quality consciousness of buyers for these products.

##### **4.3 Clothing and Footwear**

Numerous clothing and footwear shops in shopping centers and markets operate all over India. Traditional outlets stock a limited range of cheap and popular items; in contrast, modern clothing and footwear stores have modern products and attractive displays to lure customers. However, with rapid urbanization, and changing patterns of consumer tastes and preferences, it is unlikely that the traditional outlets will survive the test of time.

##### **4.4 Home Furniture and House hold goods**

Small retailers again dominate this sector. Despite the large size of this market, very few large and modern retailers have established specialized stores for these products. However there is considerable potential for the entry or expansion of specialized retail chains in the country.

##### **4.5 Durable Goods**

The Indian durable goods sector has seen the entry of a large number of foreign companies during the post liberalization period. A greater variety of consumer electronic items and household appliances became available to the Indian customer. Intense competition among companies to sell their brands provided a strong impetus to the growth for retailers doing business in this sector.

##### **4.6 Leisure & Personal Goods**

Increasing household incomes due to better economic opportunities have encouraged consumer expenditure on leisure and personal goods in the country. There are specialized retailers for each category of products (books, music products, etc.) in this sector. Another prominent feature of this sector is popularity of franchising agreements between established manufacturers and retailers.

#### **5. Challenges of retailing in India**

Retailing as an industry in India has still a long way to go. To become a truly flourishing industry, retailing needs to cross the following hurdles:

- Automatic approval is not allowed for foreign investment in retail.
- Regulations restricting real estate purchases, and cumbersome local laws.
- Taxation, which favours small retail businesses.
- Absence of developed supply chain and integrated IT management.
- Lack of trained work force.
- Low skill level for retailing management.
- Intrinsic complexity of retailing – rapid price changes, constant threat of product obsolescence and low margins.

- The battle between the ruling party and the opposition party in India is creating a major obstacle and whether to welcome the major retail giants and let them establish their operations in all the states of India or not is a talk. Since certain states are not willing to accept the setting up of major retail stores in their states; they feel it will create loss of jobs and unemployment to the old traditional retail shop owners.

The retailers in India have to learn both the art and science of retailing by closely following how retailers in other parts of the world are organizing, managing, and coping up with new challenges in an ever-changing marketplace. Indian retailers must use innovative retail formats to enhance shopping experience, and try to understand the regional variations in consumer attitudes to retailing. Retail marketing efforts have to improve in the country - advertising, promotions, and campaigns to attract customers; building loyalty by identifying regular shoppers and offering benefits to them; efficiently managing high-value customers; and monitoring customer needs constantly.

Indian retail market offered a significant opportunity to wide group of companies. Because of low entry barriers & the high market potential market giants such as Mahindra Group, Reliance.

Industries, Birla group, Tata group of companies, Bharathi enterprises etc. have entered the market and now they have acquired prominent market share in the Indian retail market. Indian market has high complexities in terms of a wide geographic spread and distinct consumer preferences, in order to meet these diversified requirements, the marketers need to come out with a unique strategy such as localizing the products within the geographic zones. Cost and quality can play a prominent role.

#### **6. Brings out the Key drivers of Organized and Unorganized - Retail sector in India.**

The current size of the overall retail market in India is estimated to be about USD 450 billion and it is expected that Indian retail industry will contribute about 23% of the overall GDP within the next three years. Unorganized retail sector is still predominating over organized sector in India, unorganized retail sector constituting 96% (twelve million) of total trade, while organized trade accounts only for 4%. In the case of organized retail sector, where the marketer have to operate through a legal license and register under government to market the product and at the same time accountable to pay income tax, sales tax for their business related activities. In the case of unorganized sector, it refers to traditional way of buying and selling of goods in an informal manner and their business operations are not regulated by government norms.

#### **The Key drivers of Unorganized Retail sector in India.**

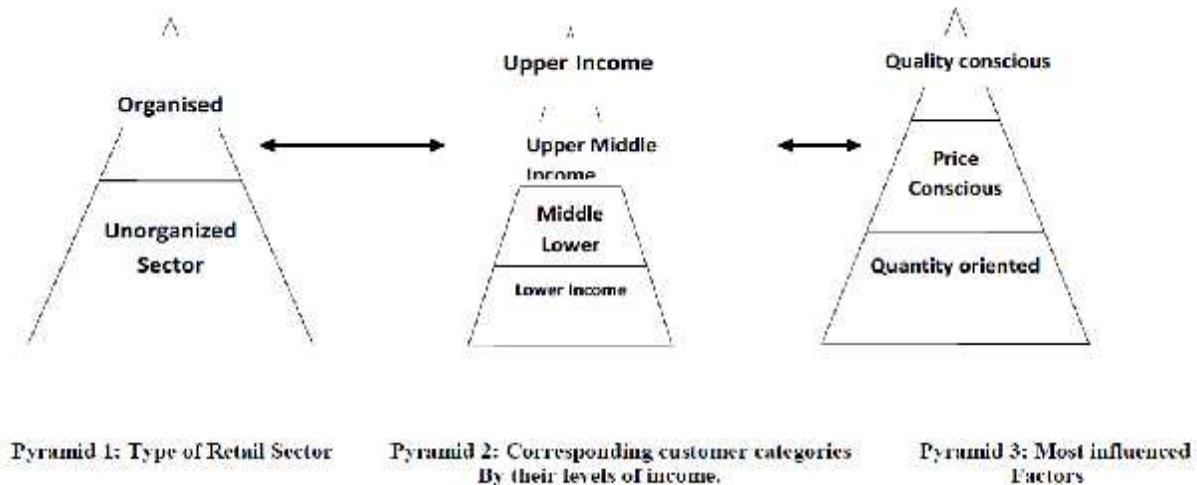
Unorganized retailers have experienced a decline in their share of business and margin after the entry of large organized retailers, which is seen a threat. There is no decline in overall employment in the unorganized sector. There is competitive response from traditional retailers through improved business practices and technology up gradation. A majority of unorganized retailers are interested to stay in the business to meet the needs of competitive market in the future years and the next generation to continue the same. Unorganized retailing i.e. owning a small petty shop is a major source of employment, it requires less amount of capital & labour. In India large number of working class people work on the daily wage basis, so small retailers /shops (unorganized retailers) are the best place for them to buy smaller quantity of products. Apart from that most of the Indian consumers are seasonal workers, hence they will buy their livelihood through cash during their employment period & during the unemployment period they will obtain the same through credit system. This facility is available only with unorganized retailers, but there is an exception that credit facility is also available in organized retailing only for purchase of consumer durables. Customers give more preference to location utilities i.e., proximity and convenient shop timings. Unorganized retailers offer this benefit to Indian consumer. Operating cost of unorganized retailers is low because unlike organized retailers their retailing activities are not bound by legal norms. Because of the less emphasis is given to promotional activities, there is no promotion cost and labor cost will also be less as the majority of the labors will be their own family members.

#### **The Key Drivers of organized Retail Sector in India.**

The organized retail sector in the country, which presently accounts for close to 4 percent of total market, will increase its share to 14 to 18% by 2015. As per estimates made by ASSOCHAM, the organized retail in urban market is expected to grow at the rate of 50 percent to reach a value of 30 percent of the total retail market in India. Currently, the rural retailing accounts for 88% and urban retailing accounts for 12%. India is popularly called as youth nation as the majority of the Indian population belongs to the age group of 20 – 45 years, with working population. Because of the increasing number of working people in a family, household's income level is also raising at a rapid rate with enough purchasing power. Availability of credit facility with less interest rates increases the purchasing power of the Indian consumer, in turn increases rate of their shopping. The demand for service-retailing is increasing , there is a shift toward service retailing from goods retailing hence

entertainment parks, cafeterias, beauty salons, gyms, health care centers, fast food outlets, spas, etc are emerging. Availability of skilled man power specialized in different & significant educational background and changing customer tastes and preferences toward shopping behavior demand for one stop shopping led to the emergence of malls, multiplexes, hyper markets etc. The advancements in information processing technology led to computerization of the various operations in a retail store such as billings, inventory management, bar coding, RFID, database management etc.

### 7. Holistic view of Retail sector.



The interlinkage drawn between the categories of retail, consumer and the influencing factors as shown in the above pyramids is self-explanatory. In India, organized retail sector constitutes only two percent of the entire retail market and 98 percent of the Indian market is flooded with unorganized retailers. The major customers for organized retail sector are of rich income group. These groups of consumers are quality conscious & variety seekers. Major customers for an unorganized retail sector are middle income group and lower income group. These groups of consumers are concerned more about the availability of quantity goods at lesser prices.

In addition to this, upper income and upper middle income group are literates and have more access to information through technological advancements prefer organized retail sector. In contrast, lower middle and lower income group constitutes both literates and illiterates with the less purchasing power and lack of market information opt for unorganized retail sector.

### 8. Elaborates Strategizing the Marketing for Retail industry

In order to succeed in the chosen target market, the retailer must develop effective marketing-mix strategies. The marketing mix constitutes product assortment, Competitive price, location, promotion and customer service designed to create high in store customer traffic.

The rising income coupled with changing demographic profile, availability of credit facility and demand for variety products have been the major influencing factors for consumer to select a particular retail outlet. If the consumer is satisfied with the purchase experience, then the consumer repurchase may take place. The satisfied consumer will give free publicity through positive word of mouth. This in turn leads to build a favorable brand image for the retailer. To meet the changing demands and preferences of the customers, the retailers can come out with unique pricing strategies for different category of customers, such as the quantity conscious customer's, retailers can be target having the combination of bundled pricing strategy, multi unit pricing, Everyday low pricing strategy (EDLP).

In order to meet the needs and expectation of the ever changing customer demand the retailer need to redesign the strategies from time to time. The retailer can attract the customers through attractive sales promotional techniques through discount sale, premiums, gifts, free coupons and vouchers, price redemption etc.



The organized retail sector in order to withstand the highly competitive environment, the sector need to focus on e-tailing, e-commerce, mobile retailing, social media and digital space.

## 9. Conclusion

In India the retail sector is the second largest employer after agriculture, although it is highly fragmented and predominantly consists of small independent, owner – managed shops .There are over 12 million retail outlets in India .The country is witnessing a period of boom in retail trade, mainly on account of a gradual increase in the disposable incomes of the middle and upper-middle class households. More and more corporate houses including large real estate companies are coming into the retail business, directly or indirectly, in the form of mall and shopping center . New formats like super markets and large discount and department stores have started influencing the traditional looks of bookstores, furnishing stores and chemist shops. The retail revolution, apart from bringing in sweeping, positive changes in the quality of life in the metros and bigger towns, is also bringing in slow changes in lifestyle in the smaller towns of India. Increase in literacy, exposure to media, greater availability and penetration of a variety of consumer goods into the interiors of the country, have all resulted in narrowing down the spending differences between the consumers of larger metros and those of smaller towns. Retail sector of all sizes and types must focus on the basic level of any business transaction – namely understanding how consumers needs, preferences, lifestyle changes and their product purchase decisions. Retailers must align their strategies in order to meet the highly competitive market and must tune to the structural transformation taking place at both the macro and micro levels through constant innovation and customer feedback for effective and efficient use of resultant knowledge.

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