



A STUDY ON CONTEMPORARY RETAIL STRATEGIES & CHALLENGES IN RETAIL SECTOR IN INDIAN CONTEXT

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Abstract

Retail Sector is one among the massive growing sectors in India. The Nation with a huge population caters a big market for Retail business. Indian Retail Industry has immense potential majorly due to the rapid urbanization and penetration of Internet marketing. India Brand Equity foundation (IBEF) had projected that by end of this year (2018) Indian retail Industry shall achieve CAGR of 13 per cent to reach US\$ 950 billion (www.ibef.org). India is ranked first in the Global Retail Development Index 2017, backed by rising middle class and rapidly growing consumer spending. This primarily rationalises the massive talk on development of Retail sector and significantly the sector is growing to contribute further in overall GDP. The Nation has seen a sweeping revolution in terms of shopping formats and consumer buying behaviour. Retail industry is the largest among all industries accounting to 10 per cent of the country GDP and employs around 8 per cent of the workforce (www.indiaretailing.com).

The huge Retail revolution in the Nation, growing trend & significant contribution to the GDP certainly requires a great strategising effort. This paper attempts to understand the Retail strategies adopted by the sector and also study the challenges faced by the sector. This is a conceptual study conducted massively with the help of Secondary data. The scope of the study comprises of understanding the dynamics of Retail Industry and contributing further to the existing literature on Retail sector. The authors have considered the Industry at large rather a specific company in the sector or a region for the study which may lead to be the limitation for the study. The industry witnesses its own share of challenges & capitalises on its strength. Retail sector with latest reforms and evolving consumer behaviour, is certainly a promising sector in the Nation.

Key words: Retail Sector, Retail Strategies, Challenges in Retailing, Retail Formats, Organised & Unorganised Retailing

Introduction

“Retail is undergoing a massive change, and there is a chance for new leaders to emerge and older brands to reinvent themselves.”

- Kirsten Green, American Business Woman

Retailing is undergoing a rapid & vibrant change. Be it the Retail format, be it the consumer's behaviour towards buying products, be it the approach of serving customers or may it be faith in market. The Nation has witnessed this very progressive & business friendly shopping revolution. Right from shopping centres to multi-storied malls to huge complexes offering shopping, entertainment and food all under one roof and it is because of this trend that the retail industry is witnessing a revolution as many new format markets like hypermarkets, supermarket, departmental stores have made their way in the market. The present generation retailers typically adopt strategic level decisions including the type of store, the market to be served, the optimal product assortment, customer service, supporting services and the store's overall market positioning. Once the strategic retail plan is in place, retailers devise the retail mix to reach customers. The advent of digital inclusion in businesses, retailing has got its share of benefits. The procurement of needs by customers has got an option other than just physical market and that's the e-world of shopping.

India's retail market is expected to increase by 60% to reach US\$ 1.1 trillion by the year 2020, with credit to the factors like rising incomes and lifestyle changes by middle class and increased digital connectivity (www.ibef.org). While the overall retail market is expected to grow at 12% per annum, modern trade would expand twice as fast at 20 per cent per annum and traditional trade at 10% . Indian retail market is divided into “Organised Retail Market contributes 93% of the total sector and “Unorganised Retail Market contributes the rest 7% of the sector (www.ibef.org). E-commerce / online platform for shopping has created a strong revolution in the retail sector and certainly the trend would continue further. While at one end the craze for shopping & formats of retailing are developing, at the other end, it's the sector facing its own share of challenges. The behaviour patterns of the Indian consumer, gender dynamism, western market & pattern influences, earning capacity of consumers, all these & many factors have undergone developments in their state of affairs. Such situational factors pose challenge to the Industry at large. However these challenges aren't the bottlenecks, as they aren't massive threats instead keep the momentum moving for the Retail sector. Retailers being the final touch point with the Customers,



hence the Principal companies / manufacturers ensure a proper Retail management, which eventually benefits the customers. Overcoming challenges of retailing is mutual responsibility of both the Manufacturers and Retailers.

Objectives of The Study

The study encompasses the following objectives:

1. To understand the concept and significance of Retail Sector in Indian context.
2. To conduct a literature review pertaining to the dynamics of the Retail Sector including the review of its past, present & future and review study on Strategies adopted in Retail Sector & challenges in Retail Sector.
3. To study the Contemporary Retail strategies & emerging Trends in Retail Sector and record the challenges faced by the Retail Sector in Indian Context while discussing the measures to overcome these challenges.

Rationale & Significance of The Study

The Indian Retail Industry has emerged as one of the most dynamic industries across the world. Majorly this dynamism is attributed to the living standard of people, the changing preferences of consumers, enhancement of the service element and increase in disposable income. All such factors support the Industry today to be a significant contributor to the Gross Domestic Product (GDP) of the Nation. Retailing accounts for over **10%** of the country's GDP and around **8%** of the employment. India is the world's fifth-largest global destination in the retail space (www.indiaretailing.com). In an independent report ASSOCHAM and MRRSIndia.com states that the Indian retail market is expected to **grow over 60 per cent** to hit **USD 1.1 trillion** 2020 (www.economictimes.indiatimes.com). The Government's positivity towards FDI has also promoted the Industry to a large extent. Amidst all the positives, there lie the threats in terms of changing consumer preferences & authoritative norms. Hence the huge magnum of the Industry, its penetration in the market, grossing capacity, employment opportunities & many more significant aspects rationalises the study of the contemporary retail strategies & challenges in retail sector.

Research Methodology

The Study on Contemporary Retail Strategies & Challenges in Retail Sector in Indian context is a descriptive study conducted with the help of secondary data massively collected through online sources listed in references and other Books & Journals. The study aims at understanding the Contemporary Retail strategies adopted by the Retail Sector and the overall challenges faced by the respective sector. The study primarily has the scope of contributing to the existing literature for the study in Retail sector pertaining to the essential strategies adopted by the Retail Sector & challenges experienced by the Industry in Indian Context. The outcome of the study basically supports narrative with respect to the Retail Strategies and challenges experienced by the Retail Sector. The Authors have considered the Retail sector at large rather any specific Company in Retail Sector or any region for the study; this may be a major limitation of the study as the results are indicative in nature rather exhaustive.

Literature Review

Literature Review is a determined effort of reviewing the existing literature and recording relevant inferences on predetermined sections of the theme for study. Retail Industry today is a dominant sector and the data pertaining to its progress & its dynamism is available in abundance. The authors had a good scope of reviewing the thoughts of different authors pertaining to the theme of the study. The inferences of the review have been categorised under following heads to present the learning: **Retail Sector – Past, Present & Future, Retail Sector Strategies and Challenges in Retail Sector.**

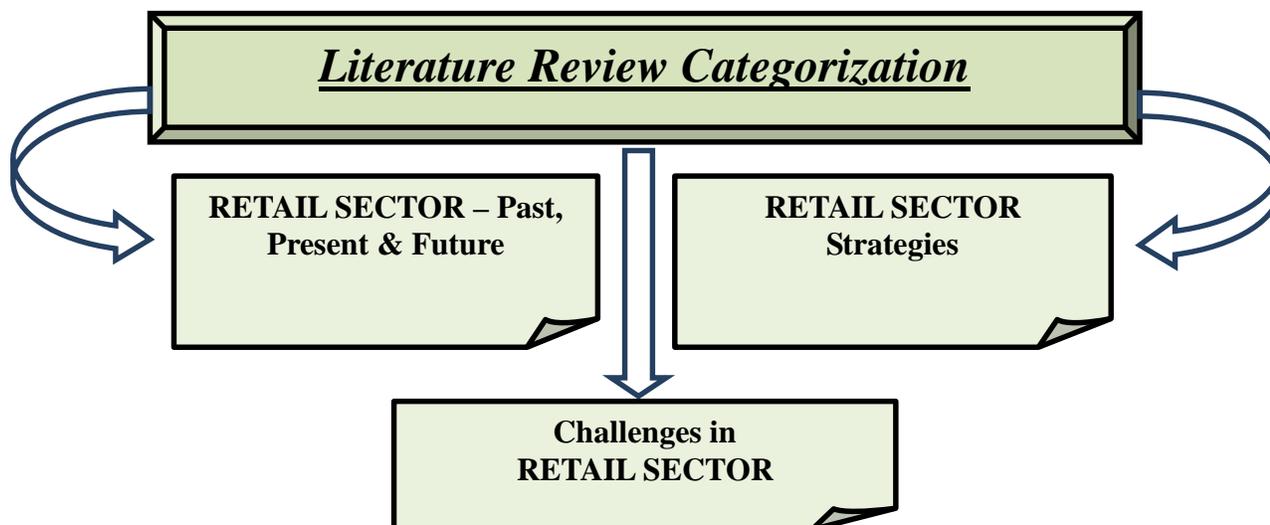


Chart No. 1: Literature Review Categorization

Retail Sector – Past, Present & Future

The Unorganised sector has been credited to a longer period of existence in the retail segment. Right from the **Kirana** store format & **Kendriya Bhandars** to the **mega marts**, single stores to **Malls**, and physically door to door selling to shopping on finger tips (**e-retail**). Retailing has experienced a very exciting journey of development. Consumer awareness levels were quite low in past & also their spending powers were very limited (www.ibef.org). Industry experts predict that the next phase of growth in the retail sector will emerge from the rural markets. By 2015 the rural retail market had captured approx. 50% market share. The total number of shopping malls is expected to expand at a compound annual growth rate of over 18.9% by 2025 (<http://shodhganga.inflibnet.ac.in>).

The future seems to be further strengthened with Indian retail industry reaching US\$ 1.3 trillion by 2020 (www.ibef.org). The retailers will have to shift their focus from selling a product to delivering an individualized store experience. Growth would be achieved by expansion (increasing the market size) and diversification (increasing the firm's offerings) strategies. Environmental concerns and corporate social responsibility will occupy a significant place in the retailers' decisions and the rural consumers would have a better control on the market (www.moneycontrol.com – Renjhen, 2012).

Future Aspiration From Retail Sector

Stakeholders	Farmers	Importers	Middlemen	SMEs	Consumers
Future Aspiration	Better Price for produce Sale of goods at the place of produce Knowledge enhancement on farming	Better domestic opportunities shall impact international market rates More Bargaining Power	Direct procurement from farmers Only one level of Intermediary, more margin	Elimination of Middlemen, increased margin for SMEs 30% mandatory purchase from SMEs shall boost further momentum	Competitive market shall have better price value for customers Wide choices across the purchase segment

Retail Sector - Strategies

Retail sector may proudly accept the fact that strategising does help the businesses to grow. One of the primary strategies for Retail sector is Positioning Strategies. The effectiveness of the Retail marketer's communication of the offerings to the target customers determines how well the product / offering gets positioned in the minds of customer. A business well positioned lasts longer (Pandey, 2015). Another strategy that supports retailers is the effective visual communication.

Retailer has to give more emphasis on display visual merchandising lighting signage and specialized props. Changing the perception of consumers & Strong Supply Chain are few more critical strategies for retail players. Retailers benefit only if consumers perceive their store brands to have consistent and comparable quality and availability in relation to branded products. The critical components of supply chain planning applications can help manufacturers meet retailer's service levels and maintain profit margins. (Pandey, 2015)

Retail Sector - Challenges

Retail Sector has its own share of challenges. Right from Infrastructural bottlenecks to Cultural diversity, all pose threat to the players in the industry. Retail Store space, Human Resource problems, Cultural diversity, Real estate issues, Fraud in retail, Logistics & Supply Chain Management and maintaining International Standards are leading challenges faced by the Retail sector (Sikri & Wadhwa, 2012). Despite the structural challenges and bureaucratic bottlenecks that the Indian retail market suffers from, global retailers have been queuing up to enter and establish their footprint in the market, as they are aware of its potential growth opportunities (Vivek Kaul, Head Retail Services for CBRE India)

Exhibit 1: Retail Industry – Fact File: Indian Context

1. Retail Industry in Indian context has recorded following fact files:
India is expected to become the world's **third-largest consumer economy**, reaching **US\$ 400 billion** in consumption by **2025**, according to a study by Boston Consulting Group.
2. On the other hand a joint report by ASSOCHAM and MRRSIndia.com states that the Indian retail market is expected to **grow over 60 per cent** to hit **USD 1.1 trillion** 2020.
3. India was ranked first in the Global Retail Development Index 2017.
4. India's retail market witnessed investments worth **US\$800 million** by Private Equity (PE) firms and wealth funds in **2017**.
5. Retailing accounts for over **10%** of the country's GDP and around **8%** of the employment.
6. India is the world's **fifth-largest** global destination in the retail space & is growing at a rate of 12% per annum.
7. 100% FDI approved by the government in single brand retail. 30% local sourcing may be realised / postponed till max 5 years.
8. Within organized retail, food & beverage holds around 70% of the retail sector, followed by apparel and personal care.

Source: <https://www.ibef.org>, <https://economictimes.indiatimes.com>, <http://www.careratings.com>.

Contemporary Retail Trends & Strategies – Indian Context

In the present context of Indian businesses the demographics have changed largely and there has been a significant increase in the consumers' disposable incomes. The Nation is witnessing dual income families with both spouses working. Females are contributing equally to the income as well as buying decisions and kids also influence the family purchases. Today consumers prefer to shop at places where they can get grocery, food, entertainment and others daily routine items under one roof. This has made retailing the most attractive sector of the Indian economy. All such situations have boosted the Retail sector to strategize further in tapping new & improved market.

The current trend in Retail sector comprises of the Changing Retail formats – from single stores to departmental stores. The destinations have changed from less attractive shopping arcades to designer & convenient shopping Malls. Sales Promotion techniques have improved from just additional benefit to added value. Tier II & Tier III have emerged as shopping destinations & business venues for Retail players & customers. The varied payment options right from paper to plastic money is the added attraction for customers. E-marketing has facilitated the promotions of products that gets purchased on finger tips i.e., e-retailing. Franchising & Tie ups have given new meaning to the business.

The Retail strategies have supported the momentum of the business. This strategy covers everything from what retail channels a product or service will be available in to what should be the price or sales incentive to be given and how to display the product in the shelf. A well strategized plan once executed shall fetch better results. Strategies pertaining to the products, promotion efforts, personnel, presentation, place and price together shall make a lasting impact on the business. The leading strategies practiced by the Retail players are as following Impactful Store layout & design, Pricing Strategy, Personnel Strategy, E-marketing, Shifting Targets- from users to influencers, Loyalty programmes, Vendor relationships, Up selling & Cross selling, Market analysis & quality customer service.



Chart No. 2: Retail Sector - Strategies

Newness In Retail Sector – The Changed Image

The leading strategies and the growing demand have facilitated the Retail sector to experience a new aura. The developed Sales functions, educated customers, supportive government norms and the industry dynamism have altogether brought a new life to the sector. Notable changes witnessed over the years are E-Retailing concept with enhanced delivery systems, new formats of retailing, emergence of new cities in Tier II & III segments, improvised sales promotion techniques, Government support, varied payment options, improved skill sets of the sellers, educated customers etc.

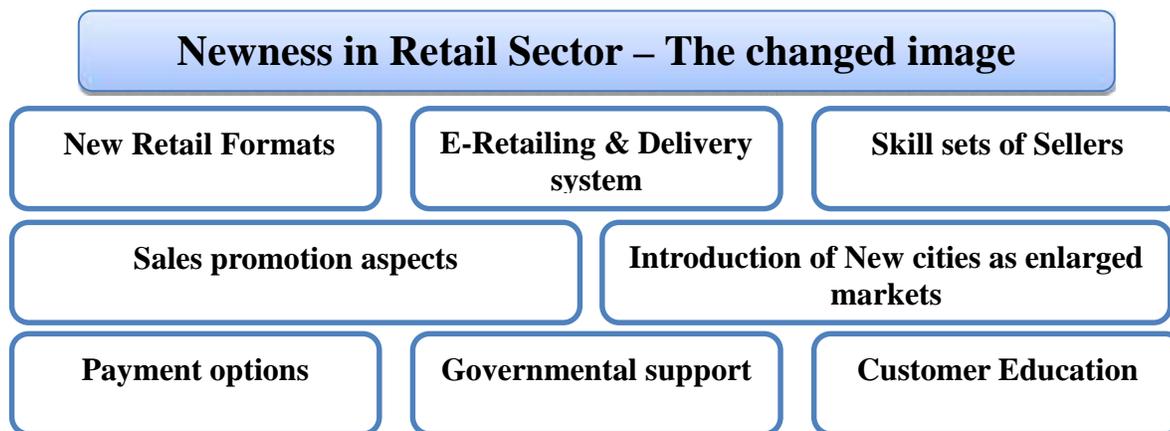


Chart No. 3: Newness in Retail Sector

Exhibit 2: Retail Formats

Retailing is trading activity directly related to the sale of goods or services to the ultimate consumer for personal, non-business use. The trade which includes activities like selling variety of goods in small quantities to the final consumer through varied format. Over the period Retail sector has experienced varied formats of executing the business. The Store Format of the business is dated long back which experienced a shift in this format & improvised set ups were in place in the form of departmental stores. First true department store in the world was founded in Paris in 1852 by Aristide Boucicaut and was named Bon Marche. The supermarket revolution was first sparked off its span in 1920s. In Indian context the shopping centre concept came into the existence in year 1869, with Mumbai Crawford market and Kolkata’s New Market in year 1874.

A broad change came in the Industry with the advent of the Non-Store Retail format. Especially the E-Retailers are credited for this advent. Service element within retailing adopted the combination of store & non-store formats.

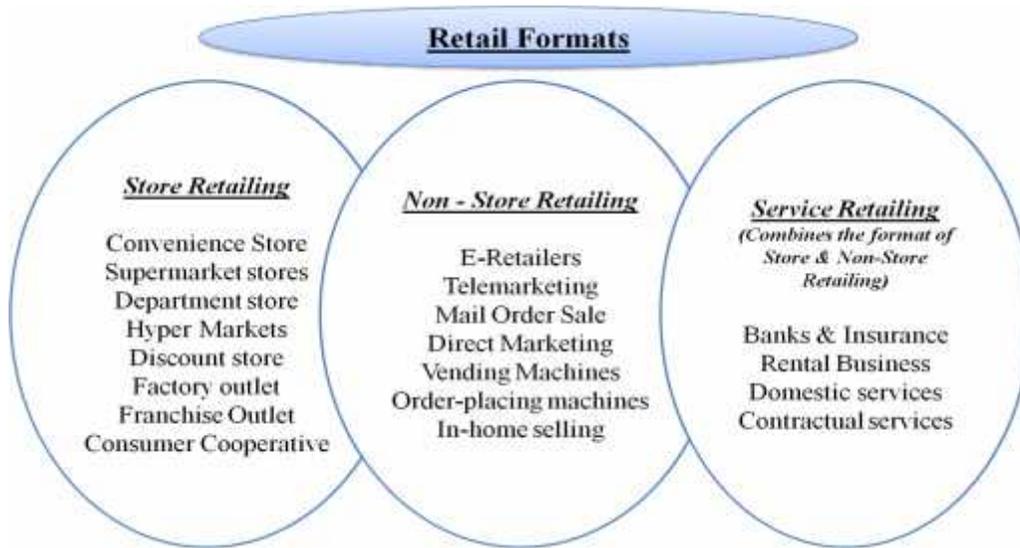


Chart No. 4: Retail Formats

Challenges of Retail Sector – Indian Context

Business is meant to tackle challenges. Retail Industry is a dynamic industry with constant Market & Human Challenges. Right from the market format till the changing customer needs. All these pose challenge in front of this ever growing sector. The notable challenges that the Industry is witnessing are Retail Store space –its Layout & design, Human Resource challenges, Ethicality of the business, Logistics & Supply Chain Management and maintaining International Standards. Various measures are adopted by the players in the Industry to overcome these challenges a few noted practices are highlighted here. Enhanced market knowledge, Market Research for Cultural diversity, Experimentation on Supply chain improvement, Negotiations on Real estate engagement, Complying to Government norms on HR issues & Infrastructural developments and experts support on Layout & design. These measures may not be the extreme response to the challenges but certainly curtails the impact of these challenges on the business.



Chart No. 5: Challenges of Retail Sector & Measures To Overcome Challenges

The challenges can be tackled with focused approach on every element of the challenge. Effective Market Research, Better negotiations, expert opinion, compliance to governmental norms etc. shall have ample of support in managing the situations and tackling the challenges. The government has contributed in regular intervals the ways to motivate retailers. FDI being on the measures, the other is the support on the mandate on buying indigenous raw material. Recently it was reported through Economic times that, “Single-brand retailers can set off incremental sourcing of goods from India for global operations during initial five years, beginning April 1 of the year (Apr. – Mar.) of the opening of first store against the mandatory sourcing requirement of 30% of purchases from India. After five years, the firm will have to meet the sourcing norm every year. “The liberalisation in the single-brand retail trading sector is a progressive move in the direction of ‘ease of doing business’ in India,” said Goldie Dhama, partner, regulatory, PwC India. (<http://economictimes.indiatimes.com>). Meeting the challenges isn’t a distant dream now.

Exhibit 3: Organised Vs Unorganised Retail Sector

Organised Retail is characterised by high investment requirements, large premises, trained staff where retailers are licensed and are registered to pay taxes to the government. Unorganized Retail refers to the traditional form of retail often situated near residential areas. It is generally characterized by low rentals, low tax payouts with a majority of it being owner managed and employing personal capital. It includes formidable mix of conventional Kirana shops, general stores, mom-&-pop stores, paan-beedi shops and other small retail outlets (<http://www.careratings.com>). Organized retail represents a large untapped market in India that is likely to see tremendous growth in the coming years. Organized retailing is based on the principle of uniting resources & developing momentum. On the other hand unorganized retailing is based on the principle of singularity, protecting the selves. The un-organised retail has a strong grip on the Nation with its roots deep down in the commercial society. Massively this is attributed to the dynamic demography of the Nation.

While the necessity seems to be of both these organised & un-organised retail formats considering the respective attributes, however a developing Nation largely strives to get business better organised rather being dependent on Un-organised set ups. India with its neighbouring business giant China have been known for its unorganised sector worldwide. The Indian Retail industry has primarily been dominated by the unorganized segment. During FY16, the unorganized retail accounted for about 90% of the total retail revenue. Compared to the unorganized retail contribution of 15-20% to the total retail sales in countries such as U.K., U.S., Taiwan etc, the Indian figure is high (<http://www.careratings.com>). Organised sector still struggling with the 10% contribution; however it aims for a higher share of the success in years to come.

Retail Sector – Way Forward

Retailing has proved to be the cash cow for Indian Economy. The Nation is witnessing strong growth prospects especially in organized retailing. Potentially the income of an average Indian is increasing and thus there is a proportional increase in the purchasing power. The services sector has experienced the inclination of customers, especially in the Retail Banking & Insurance sector. All these aspects leads to the prediction for the way forward for the Retail sector. The authors comprehend the way forward for the Industry is the **domestic upsurge, Organised Retailing and E- Retailing**. All these are also going to have a boon in terms of FDI sanctioning by the government.

Indian market is dominated by the unorganised sector.

Un-Organised Retail – 90%
Organised Retail – 10%

With the advent of E-retailing, the share of organised retail has experienced a good momentum.

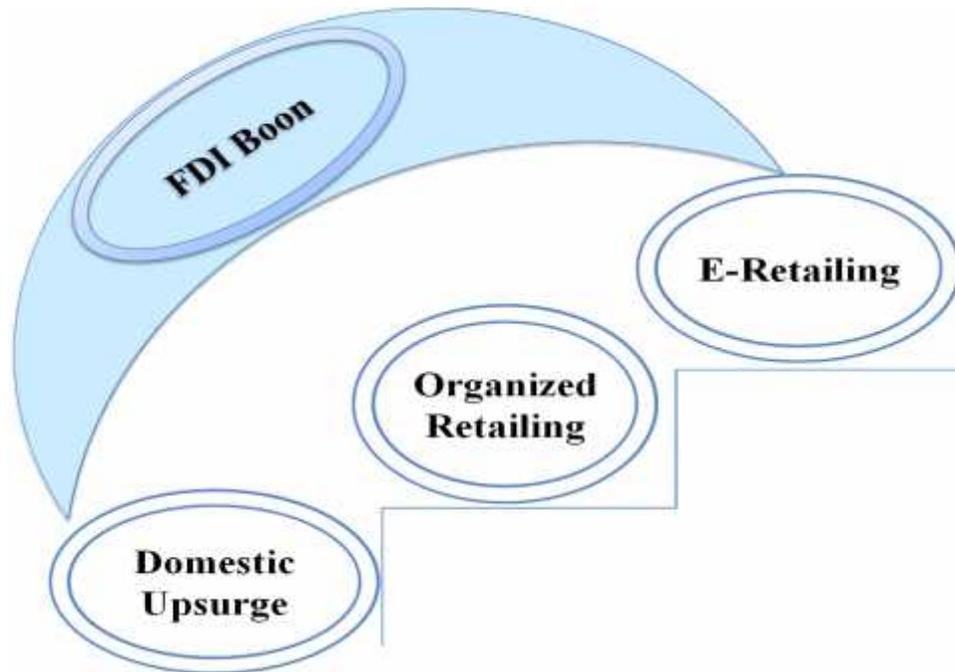


Chart No. 6: Retail Sector – Way Forward

Patanjali’s multi crore market capturing that too in a quick time has demonstrated the success of domestic set up. **Future Group’s Big Bazaar, D-Mart, Croma, Tanishq,** or say other **Retail Marts** have demonstrated the power of Organised Retailing. The success of **Flipkart, Amazon India, Myntra** or other **E-shopping destinations** have proved that the upsurge of E-retailing is just tip of the iceberg in Indian context. The new players in the industry have shaken the market with the Innovation & Technology. **Samsung** proved itself as the better market dominator than **Nokia, Big Bazaar** is finding tough to meet competition with **D-Mart & others.** On top of it e-players like **Big Basketeers** have taken the metropolitan market to a surprise with e-retail services. **Peperfry** is the new furniture retail market. All these advents in the recent decade or so, has provided a new shape to the Industry. The future of Retailing is the **organised retail with major stake of E-Retailers.**

Exhibit 4: Example of the Leading Players at Retail Sector

Sr. No.	Name of the Company	Name of the Promoter / Current Owner	Year of establishment	Net Worth
1	Titan Company Ltd	Vikram Kapur	1984	8.00 billion
2	Godrej India Ltd	Ardeshir Godrej, Pirojsha Godrej	1897	US\$4.1 billion
3	Raymond Group	Gautam Singhanian	1925	800 million
4	Shoppers Stop Ltd	B.S. Nagesh	1991	19.30 billion
5	Provogue India Ltd.	Arun Bhargava & Nikhil Chaturvedi	1997	207.53cr
6	Bigbazaar (Future Group)	Kishore Biyani	2001	US\$2.75 Billion (2017- Forbes)
7	D Mart	Radhakishan Damani	2002	\$74.64 million
8	Reliance Retail Ltd	Mukesh Ambani	2006	450 billion

Source: www.forbes.com, www.companycheck.co.uk, www.business-standard.com, www.wikipedia.org

Conclusion

India has occupied a remarkable position in global retail rankings; the country has high market potential, low economic risk and moderate political risk. E-Retailers have proved to be the game changer in the Industry. This has made the potential for the retailing industry to increase their revenue and customer base noticeably and still has a huge potential. As the market becomes more and more organized the Indian retail industry will gain greater worth. The Retail sector in the small towns and cities has further momentum to gain and it is projected to increase pertaining to easy and inexpensive availability of land and demand among consumers. The leading strategies pertaining to the customer service & the business preposition comprising of the Positioning, Planogram, Pricing, Loyalty programmes etc. have supported the Industry to march towards progressive path. Growing challenges like consumer behaviour, developing standards, domain knowledge & skill sets, Human Resource challenges & Infrastructural concerns have created threats in the progressive path however there are promising measures to tackle the same. Retail sector with its dynamic nature and ever growing status has certainly proved to be a delighting avenue for all its stakeholders.

Future Scope of The Study

Retail sector is a vast subject and understanding the dynamics of the Industry is an essential aspect attempted by this paper. The present study is more conceptual study based out of extensive secondary data. The Industry at large is considered for the study rather any specific segment of the sector. This theme has further scope of study with the conceptual analysis as the base that can be worked upon further as working papers on Retail Sector with special reference to a specific segment of the sector, be it, the FMCG segment or Consumer durables etc. The growth forecasting, understanding consumer needs, developing retail business models & augmenting consumer satisfaction can be potential study themes under the Retail sector domain and reflect as future scope of this study.

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