



PROSPECTS AND PROBLEMS OF RETAILING

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Abstract

Increase in the urbanization leads to the dynamic growth in the Indian retail sector .With the rapid development and phenomenal changes in retailing, India has become an attractive destination and place for the market leaders from outside the country. Which has witnessed rapid changes in the formats of retail marketing structure from the past few decades. This rapid growth has indicated the way to expand the organized retailing in both urban and rural areas. Traditionally the basic nature of Indian retail sector is unorganized. All these factors have led to a continuous change in consumer purchase behavior and marketing philosophies. The present paper is focuses on the descriptive theoretical concepts of retailing, overview, significance, challenges, advantages, disadvantages etc and explore the various stages through which the retail industry has evolved.

Key Points: Retail Marketing, Organized Retailing.

Introduction

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. And it is one of the pillars of Indian economy. The retail industries are generating the 15 to 20 percent of employment. Retailing is growing at fastest speed as compared to other countries with more people. Indian retail luxury market is the 12th largest in the world. So many Indian and foreign based companies are putting interest in Indian Retail sector. Over 10000 shopping malls operating and over 1200 malls are under construction in India. This is benefiting Indian retailers, foreign retailers and consumers as well. But still Indian retail industry is not developed to avail the available opportunities. There are many challenges faced by the retail outlets in India which includes lacking of skill labor, infrastructure, technologies etc. Major portion of Indian retail industry is driven by big giants like Bharati, Reliance, Future Group, Tata, Birla etc. The study will include understanding the major and minor challenges faced by the retailers like competition, less skilled human resource, government policies, tax, kirana, general stores etc. The Indian retail industry has emerged as one of the most dynamic and fast-paced industries due to the entry of several new players. India is the world's fifth-largest global destination in the retail space. In FDI Confidence Index, India ranks 16th (after U.S., Canada, Germany, United Kingdom, China, Japan, France, Australia, Switzerland and Italy). Retail is the largest industry in the world and is controlled and monitored by few powerful businesses entrepreneurs in the country and also outside the world. These are now entering in India, where organized retail trade is only about 8% and there are huge growth potentials. Retailing in India is thoroughly unorganized. Traditionally, the retail industry in India comprised of large, medium and small grocery stores and drug stores which could be categorized as unorganized retailing. Most of the organized retailing in India had recently started its operations and was mainly concentrated in metropolitan cities. Even though India has over 5 million outlets of all sizes and styles, the country lacks in modern sense of organized retail stores. This presents great opportunity to retailers. As much as 90% of the 5 million outlets are smaller than 500 to 1000 square feet in area. This means that India's per capita retailing space is about 2 to 3 square feet which is lowest in the world. Just over 8% of India's population is engaged in retailing as compared to 20% in U.S. In the past couple of years, the organized, multi outlet retailing concept had gained acceptance in India. Leading global retailers such as Wal-Mart, Tesco and others are keen to enter actively in the Indian retailing industry. However, it was interesting to note that there had been a decline in the purchase of food-related items in the organized retail stores. In recent years, there has been higher spending on non-food items. Lifestyle in India has been changing and the concept of 'value for money' is picking up local companies and local-foreign joint ventures are expected to more advantageously position than the purely foreign ones. Upcoming modern retail channels such as hypermarkets, supermarkets, convenience stores and discounters were unable to make a significant mark in grocery retailers' value due to a limited geographical spread in consumer reach. Department



stores within mixed retailers were the forerunner in growth, being boosted by the introduction of lifestyle concept stores. In a developing country like India, a major consumer's expenditure is on retail products. This expenditure is only likely to increase in the near future.

Review of Literature

Saxena Nitu, (2010) – 'Service Orientation in Retailing', author has stated that, service orientation in retailing has come to the fore with the emergence of organized retailing, and has spread its roots to traditional formats as well. The changing expectations of consumers have necessitated that services are effectively planned and executed. Successful retailers know that the demand for their merchandise is not just price elastic, as economists would like to believe, but also service elastic. Accordingly service orientation should be integrated into all aspects of retailing. The goal should not be only customer satisfaction, but also customer delight

Singh Swati (2010) – 'The Rise of Non-Metros- New Retail Frontiers' in this article researcher discusses the changes taking place in Tier II and III cities and also the factors that have facilitated transformation. As markets in metros face saturation, organized retailing is moving to non-metros to make the most of changing behavioral patterns brought about the increased earnings, western influences, increased number of working women and desire for luxury items.

Consumers in small cities want to eat shop and get entertained under the same roof like their counterparts in metros.

Chile Sarjerao (2009) - In M.Phil. Dissertation he has stated in his research on 'Effects of Organized Retailing on Small Traders in Kolhapur City' that the effect on small traders is negligible because of personal relations with customers. People also prefer to buy things in small quantity and mostly the purchase on credit. Vendors of grocery and garment have been affected but effect is not significant

Objectives of the Study

This is a descriptive study and the data collected from the secondary resources and the objectives are

1. To study an overview of organized retailing
2. To know the developments and opportunities, challenges, recent trends etc of the organized retail sector

Research Methodology

The paper is based on secondary data. The data has been collected from internet, articles newspapers, magazines etc.

Implementing the retail strategy

- Organized structure
- Practical Training
- Communication Strategy
- Manufactured Brands
- Private Labels
- Suitable distribution channels
- Organized supply chain management

Social Impact and Retail Reforms

- Independent stores and unorganized retailers are closing their businesses, leading to massive job losses. Wal-Mart employs and any other retail companies are providing very few no of jobs to the people in India, United States and in all over the world. If foreign retailers are allowed to expand business in India as much as Wal-Mart has expanded in the United States and in India few thousand jobs may be created but millions are



already lost by the people. The same thing is repeating in again if the more companies are permitted in the country for business.

- Wal-Mart's efficiency at supply chain management leads to direct procurement of goods from the supplier. In addition to eliminating the "middle-man" like agents and distributors, due to its status as the leading retailer, suppliers of goods are pressured to drop prices in order to assure consistent cash flow.
- Wal-Mart may lower prices to dump goods, get competition out of the way, become a monopoly, and then raise prices. It is argued this was the case of the soft drinks industry, where Pepsi and Coca-Cola came in and wiped out all the domestic brands.
- Work will be done by Indians and profits will go to foreign countries and the economies of the foreign countries has been increasing rapidly compare with the Indian economy
- East Indian based Company long back in India started its business operation and finally gained the political and economical power; Wal-Mart and some other foreign based companies could enter India as a trader and then take over political popularity in the future.
- The small retailer and the middle man present in the retail industry play a large part in supporting the local economy, since they typically procure goods and services from the area they have their retail shops in. This leads to increased economic activity, and wealth redistribution. With large, efficient retailers, goods are acquired in other regions, hence reducing the local economy.
- The government claims modern retail will create 4 million new jobs. This cannot be true because Wal-Mart, with over 9000 stores worldwide, has only 2.1 million employees.
- By allowing modern retail there could be more stores in total than Wal-Mart has over the world, it's not unfeasible for 20,000 stores in India which would indeed create more than four million jobs. Let's not forget that India has 3 times the population of the United States.
- The Democratic staff of the U.S. House Committee on Education and the Workforce Report- Wal-Mart's low wages and their effect on taxpayers and economic growth.

Government Initiatives

- The Government of India may change the Foreign Direct Investment (FDI) rules in food processing, in a bid to permit E-commerce companies and foreign retailers to sell and manufacture consumer products in India.
- Government of India has allowed 100 per cent Foreign Direct Investment (FDI) in online retail of goods and services through the automatic route, thereby providing clarity on the existing businesses of e-commerce companies operating in India.
- The Government of India has allowed 51 per cent foreign direct investment (FDI) in multi-brand retail and 100 per cent FDI in single-brand retail

Successful global retailers

Wal-Mart Stores

This is an American multinational retail corporation that operates a chain of hypermarkets, discount department stores, and grocery stores, headquartered in Bentonville, Arkansas. The company was founded by Sam Walton in 1962 and incorporated on October 31, 1969. It also owns and operates Sam's Club retail warehouses. As of October 31, 2019, Wal-Mart has 11,438 stores and clubs in 27 countries, operating fewer than 55 different names. Wal-Mart only holds a minority stake in Wal-Mart Brasil, which was renamed Group Big in August 2019, with 20 percent of the company's shares, and private equity firm Advent International holding 80 percent ownership of the company. Although the young Sam Walton did a brief stint as an army officer, his retailing career commenced only as a management trainee at J C Penny in 1940 where he started at a salary of US\$ 45 per month. It was only in 1945 that Sam actually ventured out on his own for the first time in his life by buying a 'Ben Franklin' variety store franchise in Newport, Arkansas. When his landlord refused to renew his lease in 1950, Walton re-located to Bentonville, Arkansas and opened a 'Walton 5 & 10'. The location still remains the corporate headquarters of



Wall- Mart Inc, in spite of the company becoming the largest retailer in the world today. By 1962, Walton's business had grown to five stores, by which time Wall- Mart had created a firm corporate strategy to offer branded merchandise at discounted prices to small communities.

Department Stores

A departmental store may be described as a large retail organization having number of departments in the same building under centralized control. Large stores ranging from 20000-50000 sq. ft. The departmental stores originated in the European countries during the 19th century. The first departmental store known as bon Marché was established in France in the year 1852. Two more departmental stores viz; the louvre and the printemps were established in 1855 and 1856 respectively. Gradually the departmental stores started getting immense popularity. In England, departmental stores came into existence in 1840 and in the U.S.A. in the middle of nineteenth century. Catering the needs of the consumer needs. Further classified into localized departments such as clothing, toys, home, groceries, etc. Departmental Stores are expected to take over the apparel business from exclusive brand showrooms. Among these, the biggest success is K Raheja's Shoppers Stop, which started in Mumbai and now has more than seven large stores (over 30.000 sq. ft.)

Hypermarkets/Supermarkets

Large self service outlets, catering to varied shopper needs are termed as Supermarkets. These are located in or near residential high streets. These stores today contribute to 30 per cent of all food and grocery organized retail sales. Maximum no of Super Markets can further be classified in to mini supermarkets typically 1,000 sq. ft. to 2,000 sq. ft. and large supermarkets ranging from of 3,500 sq. ft. to 5,000 sq. ft. having a strong focus on food and grocery and personal sales. Hyper markets are very large in size, carry grocery, hardware, appliance and other general merchandise, with self service facilities, usually located in warehouse type structures with large parking facilities. For instance, Trent's (a Tata Enterprise) Star India Bazaar, Giant (RPG Group) and Big Bazaar (Pantaloon Retail India). Hyper markets are very large in size, carry grocery, hardware, appliance and other general merchandise, with self service facilities, usually located in warehouse type structures with large parking facilities. For instance, Trent's (a Tata Enterprise) Star India Bazaar, Giant (RPG Group) and Big Bazaar (Pantaloon Retail India).

Convenience Stores

Ideally located close to residential areas to enable target customers have easy accessibility and select convenient products such as beverages, ready-to-eat snacks, grocery etc. For instance the friendly neighborhood grocery stores. These are relatively small stores 400-2,000 sq. feet located near residential 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 as compared with the general stores.

Multi Brand outlets

Where a business sells goods to individual customers and such goods can carry several different **brands**. Example - TESCO or Wal-Mart (or other department store type **retailers**), which stock and sell goods from various different **brands** in their stores. Multi Brand outlets, also known as Category Killers, offer several brands across a single product category. These usually do well in busy market places and Metros. Single-brand retail refers to a business that sells goods to individual customers and not other businesses and such goods are all sold under the same brand. Nike, for example, sets up stores in India in which the foreign parent of Nike (Nike Inc.) invests. Such stores can only sell Nike products under the 'single brand' route. Multi-brand retail is businesses that sell goods to individual customers and such goods can carry several different brands.

Shopping Plaza

The shopping plaza will be a configuration of many tenants using space of 1,000 sq ft. or so for putting up stores within a single building. For instance, Fountain Pass (Chennai), Modi Arcade Plaza (Bangalore) etc. Kiosk as a

store often is a concession format store placed within a mall/shopping centre, a bus station, airport etc. It is a free standing pavilion open on one or more sides. For instance, in a bookstore kiosk, customers are provided with online catalogue service to help them to identify titles and read reviews before making a purchase decision.

Top Retail Stores in India	Top Retail Stores in the World
<ul style="list-style-type: none"> • Reliance • D- Mart • Future Group • Aditya Birla Group • Shoppers Stop • The Raymond group • Avenue supermarkets ltd • Godrej consumer products ltd • Tata Group • Raymond • Kurl on • Avenue Super marts • Future Life style fashions ltd • K Raheja Corp Group • V2 Retail Ltd • Provogue (India) Ltd • V-Mart Retail Ltd • Cantabil Retail India Ltd 	<ul style="list-style-type: none"> • Wall mart • Amazon • Costco • Shoppers Stop • Carrefour • Big bager <p>Regional Retail Stores In South India</p> <ul style="list-style-type: none"> • Nilgiris • Food World • Vishal Garments • Pantaloon • Shoppers Stop • Westside • Tinethra • Food World • Spencers • More • Reliance • D- Mart

Source: Internet Websites

Retail Products Segment	
<ul style="list-style-type: none"> ▪ Clothing, Textiles & Fashion ▪ Accessories ▪ Jewellery ▪ Watches ▪ Footwear ▪ Health & Beauty Care Services ▪ Pharmaceuticals ▪ Consumer Durables, Home Appliances 	<ul style="list-style-type: none"> ▪ Mobile handsets. Accessories & Services ▪ Furnishings – Home & Office ▪ Food & Grocery ▪ Out-of-Home Food (Catering) Services ▪ Books, Music & Gifts ▪ Entertainment
MAIN DRIVERS RETAILING IN INDIA	
<ul style="list-style-type: none"> • Rising incomes • Consumerism Cycle • Establishment of the Supply Chain • New Entrepreneurs • Explosion of Media 	<ul style="list-style-type: none"> • Foreign Retailers Looking for Entry Options • Technological Impact • Building Chains Around Brands • Expansion of Family-Owned Businesses • Awareness in Rural Market

Challenges Faced By Retail Industry

Despite of the multiple future aspects, some facts have to be considered to positively initiate the retail momentum and ensure its sustained growth. The major constraint of the organized retail market in India is the competition from the un-organized sector. Traditional retailing has been deep rooted in India for the past few centuries and enjoys the benefits of low cost structure, mostly owner-operated, therein resulting in less labor costs and little or no taxes to pay. Consumer familiarity with the traditional formats for generations is the greatest advantage to the un-organized sector. On the contrary, organized sector have big expenses like higher labor costs, social security to employees, bigger premises, and taxes to meet the challenges facing the Indian organized retail sector are various and these are stopping the Indian retail industry from reaching its full potential. The behavior pattern of the Indian consumer has undergone a major change. This has happened for the Indian consumer is earning more now, western influences, women working force is increasing, desire for luxury items and better quality. Indian consumer now wants to eat, shop, and get entertained under the same roof.

Challenges Faced by Retail Industry	
<ul style="list-style-type: none"> • Lack of Technology Adoption • Lack of Infrastructure and Logistics • Scarcity of Skilled Workforce • Frauds in Retail • Inefficient Supply Chain Management • Price War • Cultural Diversity • Complexity in Tax Structure 	<ul style="list-style-type: none"> • Escalating land and rental prices • Competition from Unorganized Retail • Online selling companies • Power Supply Problem in India • High Cost of Operation • Understanding customer • Ever-increasing customer demand

Advantages and Disadvantages of Retailing

According to the dictionary, retail marketing is the act of promoting a product directly to the consumers who use them. Retail marketing can take on a variety of forms, such as television commercials, direct-mail pieces to consumer households, Internet banner ads or coupons. Retail marketing possesses several advantages to the retailer and to the consumer.

Advantages	Disadvantages
<ul style="list-style-type: none"> • Awareness • Boosts Profits • Creates a Competitive Environment • Creates Jobs 	<ul style="list-style-type: none"> • Infrastructure costs • Website costs • Security and fraud • Advertising cost • Excess taxes

Prospects of Retail Companies in India

The world top retail companies in India are expected to start its operations in the coming few years owing to improving standards of living in the region coupled with rising levels of disposable income. The list of retail companies in India is focusing on expanding their upcoming retail brands with different sub products into new market territories as the rapid industrialization and globalization have opened bigger avenues for growth of the best retail companies in India. Extensive Indian retail industry analysis has shown the Indian retail companies are likely to boost the retail market in India beyond a value of \$1 trillion within the next twenty years. The top retail companies in the world are also foraying into the Indian retail industry and launching several departmental stores in India. Overall, the top 10 retail companies in the world are likely to have a rapid phenomenal growth as India enters the top 5 largest retail consumer country in the world. The retail industry in India is growing more and more rapidly. The retail sector in the small towns and cities is expected to increase 40 to 60%. The factors influencing the retail sector in future are as follows:



- The internet has made it easy for international brands to understand Indian consumers and influence them before entering into the market. Due to internet penetration in the remotest markets, consumers are aware of global products and service offerings.
- The well developed retail, large areas of land lying ideal in prime location with governmental and non-governmental agencies can be used to set up large retail formats and cater to the requirements of the consumers.
- Major tourist destinations have well organized retail sectors. Thus, well established retail sectors can attract tourist to the city and promote it.
- Realizing the need gap is important in the retail sector.
- Effective decision support system by retailers.
- Utilization of technological innovations to provide real time information of products sold, thus managing inventory levels.
- Building store brand by creating foot falls and converting them in to sales.
- Impact of increase in the income of an average individual, the purchasing power
- The improvement in the infrastructure and thus is contributing to market growth.
- Liberal policies formulated by the government, foreign investors can enter the Indian market and make investment.

Conclusions

Organized retailers are facing the Competition from Unorganized Retail as their biggest challenge. Lack of technology Adoption, Inefficient Supply Chain Management, lack of Infrastructure and Logistics, Understanding customer, high Cost of operation, maintenance, Scarcity of Skilled Work force, Price War, frauds in Retail, ever-increasing customer demand as major challenge. Cultural Diversity, E - Retailing, Escalating land and rental prices, Power Supply Problem in India, are considered as moderate challenge for Indian retailer. Complexity in Tax slabs and Government Opposition to FDI seems to have least effect on the Indian retail outlets. Due to the increase population and the rural peoples are shifting their base to urban areas leads to increase the demand for retail industry.

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