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Interdisciplinary Practices in Management

A Study on Retailing in India: Growth and Challenges

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ABSTRACT

Retailing in India has several outstanding achievements as well as impressive growth during last few decades. Indian retail market is one of the top five retail markets in the world by economic value and also it is considered as one of the fastest growing retail markets in the world. Retailing in India is the most important pillar of its economy and accounts of about 10% of its GDP. Indian retail industry is classified into organized and unorganized sectors. There is a rapid development of retailing which leads to shifting of customers from unorganized to organized sectors and it is mainly because of changing behavior and preferences of consumers. This changing behavior of consumers is due to increased income and changed life styles. Now the customer is very much aware about the product and services. He is becoming very specific and conscious about getting services by the retailers. His expectations are increasing day-by-day. Customers want everything under one roof i.e. shopping, food and entertainment and hence retailing in India is developing very fast. This is paper fully based on secondary data. This paper provides information about role of organized and unorganized sectors in India. It also includes various formats of retailing, current scenario, growth and challenges of retail industry and the future prospects of retailing in India.

INTRODUCTION

The Indian Retail Industry is the fifth largest in the world and it is one of the fastest growing sectors in India. Retailing in India has several outstanding achievements as well as impressive growth during last few decades and it is one of the pillars of its economy. This is only because of rising income, changing life styles by middle class, and increasing digital connectivity. Each of the retail companies has their own unique strategies and offering in order to sustain and grow the business. Development of mega malls in India is also one of the most important aspects to the booming retail sector. No. of big players are entering in this field and competing to survive in the market but it is not very easy to stand in the competition and so only few managed to survive and taste the success.

The main reason behind this is a Customer. He is the king of the market. Customers are now very much aware about getting some products, brands or services provided by the companies. He is becoming more specific and conscious about getting proper services and his expectations are increasing day-by-day. Hence it is very much important to identify their actual expectations. There must be a gap between services provided by the company and actual expectations of the customers. That gap is to be identified and retailers have to minimize that gap. This will lead to increase the level of satisfaction of the customers.

Objectives

- To understand the concept of retailing in India
- To study the growth trends of Indian retail sector
- To identify the challenges faced by Indian Retail Industry
- To know the future prospects of retailing in India

Research Methodology

This paper is based on secondary data

Indian Retail Sector: Current scenario

Indian Retail Sector is experiencing exponential growth with retail development taking not only in major cities and metros but also in tier II and tier III cities. There are various factors affect the growth in the retail market like changing demographic profile, increasing income, urbanization and changing tastes and preferences of the consumers. According to AT Kearney (2017), Global Retail Development Index (GRDI), India is at top position and got first rank among 30 developing countries in Retail Sector. Indian Retail is the fastest growing market in the world only because of its economic growth with 1.2 billion people. It accounts of about 10 per cent of its GDP (Gross Domestic Product) and

employs 8 per cent of the workforce. Indian retailing is one of the top five retail markets in the world.

Indian Retail Market is expected to increase by 60 per cent to reach USD 1.1 trillion by 2020, factors considering like rising income and changing lifestyles by middle class. In the year 2017-18, Retail Industry grew at a CAGR (Compound Annual Growth Rate) of 13 per cent to reach USD 950 billion. Indian Retail market is divided into 'Organized Retail Market' which is valued at USD 60 billion which is only 9 per cent of total sector and 'Unorganized Retail Market' constitutes the rest 91 per cent of total sector.

Indian Retail Industry Analysis Report (January 2019) shows demand for retail space is expected to increase at the rate of 81 per cent to 7.8 million sq. ft. in 2018. Goods and service tax is introduced as a form of single unified tax system. Financial Development with collective efforts of financial houses and banks with retailers are enabling consumers to go for durable products with credits and cumulative FDI (Foreign Direct Investment) inflow in retail as reached USD 1.42 billion between April 2000 and June 2018. Government of India has approved 51 per cent FDI in multi-brand retail and 100 per cent in single brand retail under the automatic route which is expected to give a boost to ease of doing business and Make in India and plans to allow 100 per cent FDI in E-Commerce.

Retail Classification

Retail Industry is classified into two categories namely Organized and Unorganized Retail.

A. Organized Retail – Organized retail industry means retailers licensed for trading activities and register for organized retailing. Here all the items like shopping, food, entertainment brought together under one roof. It is also named as modern retailing where including shopping malls, multi-stored malls, supermarkets which offer large variety of products, different types of brands of same product in terms of quality, price and memorable shopping experience. Organized sector means any retail chain (more than two outlets) which is professionally managed; it has accounting transparency and organized supply chain managements with centralized quality control. It is based principle of unity.

B. Unorganized Retail – Unorganized Retail Industry refers to unauthorized small shops- conventional kirana stores, general stores or other small retail outlets. It is also named as Traditional retailing which is limited to local or regional place but they are highly competitive outlets. These retailers generally do not pay taxes and most of them even not registered for sales tax or income tax. Small store outlets are easy to run and require limited investments in terms of place, labour and capital. It is based on principle of singularity and has relatively narrow range of products. Sometimes pricing of product depends on the relationship and it is decided by seeing the face of the customer. But then also in many developing countries, unorganized retailing has the major share of the retailing business.

Various Retail Formats in India

➤ **Supermarket/Hypermarket** – It is self service shop that offers a wide variety of food, beverages and household products.

- **Shopping Malls** – It is a modern form of shopping, a large retail complex containing a variety of stores.
- **Departmental Stores** – It is a retail establishment offering a wider range of consumer goods in different product categories known as department.
- **Convenience Stores** – It is a small retail business that stocks a range of everyday items.
- **Mom And Pop Stores** – It is family owned business – a small independent and controlled by family with minimum amount of employees.
- **E-tailing** – Electronic Retailing for any business to consumer transaction that take place over the internet
- **Discount Stores** – Retail shops in which products are sold at lower prices as compared to typical market price.
- **Specialty Stores** – It is a shop that caters to one specific retail market or it focuses on selling particular product range
- **Vending** – An automated vending machine provides items such as snacks, beverages and lottery tickets etc.
- **Category Killer Store** – It is retail chain store that is dominant in its product category and generally offers low prices.

Growth of Retail Industry in India

As Indian Retail market accounts of about 10 per cent of its GDP and 8 per cent of employment, it is expected to increase by 60 per cent to reach USD 1.1 trillion by 2020. India modern retail to double in size over the next 3 years and it is expected to grow USD 111.25 billion in 2019. A T Kearney report shows, India ranks first in the Global retail development index (2017), retail market is expected to expand USD 1.3 trillion by 2020 and luxury market of India is expected to grow to USD 30 billion by 2020.

IBEF (India Brand Equity Foundation) report shows Indian E-commerce market is expected to reach USD 200 billion by 2026. Revenue from the sector is expected to increase from USD 39 billion in 2017 to USD 120 billion in 2020, growing at an annual rate 51 per cent which is the highest rate in the world. The report also shows that as the Indian E-commerce industry has impressive growth, it is expected to overtake US to become second largest E-commerce market in the world by 2034.

Online shopping in India is expected to increase from 9 per cent in 2017 to 18 per cent in 2021. Global retailers such as Wal-mart, GAP, Tesco and JC penny are increasing their sourcing from India and India is expected to become the world's 3rd largest consumption economy, reaching USD 400 billion in consumption by 2025. Indian retail market has upward growth and outstanding achievements due to increasing participation of foreign and private players.

Challenges faced by Retail Industry in India

- **Indian Consumer** – Earlier Indian Consumers were not that much aware about the products and brands. He used to save the income and purchase only necessary requirements. But today he is very much aware about the products, brands, luxury products and services. His tastes and preferences are changing continuously and because of improved standard of life, his expectations are increasing day-by-day.
- **Young Shoppers** – India has more than 50 per cent of its population is young. College students earn money at very young age. Usage of internet and television is increased.

They are ready to pay high for quality products. Most of their income is spent of apparel, electronics and accessories.

- **Higher Income** – Due to liberalization, most of the population are entering into service sector and as multinationals increasing, opportunities for employment in rising. Increased Consumption rates leads to rise in income.
- **Urbanization** – Urbanization leads to changing consumer behavior. Local Population also becoming spenders rather savers.
- **Flexible Financial Options** – Earlier it is difficult to get loan or credit cards. But today short term loans and credit cards have become easily accessible and there is tempting Indian consumer to shop.
- **Human Resource** – Retail industry yet to become a preferred career. India's most of the educated class chooses IT, BPO and financial services. And hence trained manpower shortage is a challenge facing by retail industry.
- **Lack of Adequate Infrastructure** – Inadequate infrastructure with respect to roads, electricity, cold chains lead to impediment of pan-India network of suppliers.
- **Tax Rates** – Government is trying to implement uniformity in value added tax across the states but still various states are plagued with flexible tax rates. This leads to complexities in establishments of network.
- **Non-Availability of Government Land** – Demand of space for retail market is becoming serious matter. It is difficult to find a good real estate in terms of location and size.
- **International Standards** – India has over 5 million retail outlets but still it is longer way to reach international standards.
- **Inefficient Supply Chain Management** – unorganized sector constitutes 91 per cent of total sector and still there is lack of supply chain management. Efficient supply chain management leads to bring down inventory cost and it will be passed on to the customers offering low prices.
- **Cultural Diversity** – India does not have established pattern of consumption throughout the country. It changes state to state. So retailers have to strategies for different sectors and segments.
- **Frauds in Retail** – It may include vendor frauds, thefts, shoplifting, and inaccurate supervision. These are the primary challenges that are difficult to handle even though having proper use of security techniques.

Future prospect of retail industry

'Retail 2020: Retrospect, Reinvent, Rewrite' titled report of Boston Consulting Group and Retailer's Association of India shows that Retail market is expected to double the size to USD 1.3 trillion by 2020, driven by income growth,

urbanization and changing preferences. Future of Indian Retail Market is highly dependent on the retailer's ability, changing times and technological innovation. And retail sector will develop in small towns and cities. Indian population is aware about national and international brands and learning to become a good consumer. And hence it will lead to faster growth of Indian Retail Market.

Conclusion

Indian Retail Market is the largest sector among all the industries. It has upward growth. Several players are entering this market but only few are managed to survive and taste the success. The status of retail industry is dependent on various factors like government regulations, real estate prices, and demands of customers. But still there is an impressive growth though some challenges exist. Retail Sector in India can overcome the challenges by grabbing the available opportunities.

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