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**ORGANIZED RETAIL SECTOR: FUTURE, CHALLENGES AND
OPPORTUNITIES IN INDIA**

Dr. Pawan kumar

Asstt. Prof (MBA)

Dronacharya Institute of Management and Technology

Kurukshetra, Haryana, India

ABSTRACT: This paper intends the emergence of organized retailing in india. In the era of globalization economy changes rapidly in which retail sector also transforming from traditional to organized retailing. Due to changing in the scenario of world,s economy retail sector attracts the attention of scholars make some efforts relating to study of opportunities and challenges. Since efforts have been made in this paper to highlights the present status, challenges and opportunities of retail sector in India.

INTRODUCTION

In India the vast middle class and its almost untapped retail industry are the key attractive forces for global retail giants wanting to enter into newer markets, which in turn will help the India Retail Industry to grow faster. Indian retail is expected to grow 25 per cent annually. retail in India could be worth US\$ 175-200 billion by 2016. The Food Retail Industry in India dominates the shopping basket. The Mobile phone Retail Industry in India is already a US\$ 16.7 billion business, growing at over 20 per cent per year. The future of the India Retail Industry looks promising with the growing of the market, with the government policies becoming more favorable and the emerging technologies facilitating operations. The word retail is derived from the French word retailer, means to cut off a piece or to break bulk. Therefore, a retailer is a dealer or trader who sells goods in small quantities. Retailing is the final step in the distribution of products, for consumption by the end consumers. It consists of all activities involved in the marketing of goods and services directly to the consumers, for their personal, family or household use. This excludes direct interface between the manufacturer and institutional buyers such as government and other bulk customers. Retail

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is India's largest industry. The sector has witnessed an immense growth in the last few years. The key factors responsible for the retail boom have been the change in consumer profile and demographics, increase in the number of international brands available in the Indian market, economic implications of the government, increasing urbanization, credit availability, improvement in the infrastructure, increasing investments in technology and real estate building a world class shopping environment for the consumers.

EMERGENCE OF ORGANIZED RETAILING IN INDIA:

Retail trade has emerged as one of the largest industry contributing to employment generation, revenue generation, increased turn over and many more. Organized retailing is showing signs of enormous creativity. It has emerged as one of the most dynamic and fast paced industries with several players entering the market. As a matter of fact retailing in India is gradually edge its way towards becoming the next boom industry. The emergence of Retail in India is cause for success of Indian organized Retail & Marketing. With the help of modern management techniques we will become the specialist Retailers in future. We know that the relationship between the Retailer & customer is very close than other chains of distribution. India is a nation of shopkeepers. We can see more than 12 million retail outlets in India, and India has highest density of retail outlets in the world. Retail Industry in India is at present estimated to be more than US \$ 250 billion. On that part of organized retailing is estimated 3.5% i.e. \$ 7.47 billion.

THE EVOLUTION OF RETAIL IN INDIA

While barter is considered to be the oldest form of retail trade, since independence, Retail in India has evolved to support the unique needs to our country given its size and complexity. Haats, Mandis and Melas have always been a part of the Indian landscape. They will continue to be present in most parts of the country and form an essential part of life and trade in various areas. The PDS or the Public Distribution System would easily as the single largest retail chain existing in the country. The evolution of the public distribution of grains in India has its origin in the 'rationing' system introduced by the British during the World War II. The System was started in 1939 in Bombay and subsequently extended to other cities and towns. By the year 1946, as many as 771 cities / towns were covered. The system was abolished post war, however, on attaining Independence, India was forced to reintroduce it

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in 1950 in the face of renewed Inflationary pressures in the economy. Tracing the evolution of Indian retail would be incomplete without mention of the Canteen Stores Department and the Post Offices in India. The Khadi & Village Industries (KVIC) was also set up post independence. Today, there are more than 7,050 KVIC stores across the country. The Co-operative movement was again championed by the government which set up Kendriya Bhandras in 1963. In Maharashtra, Bombay Bazaar, which stores under the label Sahakari Bhandar, and Apna Bazaars run a large chain of Co-operative stores. In the past decade, the Indian marketplace has transformed dramatically. However from the 1950's to the 80's investments in various industries was a limit due to the low purchasing power in the hands of the consumer and the Governments policies favoring the small- scale sector? It was at this time that many steps towards liberalization were taken in the period of 1985-90. It was at this time many restrictions on private companies were lifted, and in the 1990's the Indian economy slowly progressed from state led to becoming 'market friendly'. While independent retail stores chain like Akbarally's Vivek's and Nalli's have existed in India for a long time, the first attempts at organized retailing were noticed in the textiles sector. One of the pioneers in this field was Raymond's which set up stores to retail fabric. It also developed a dealer network to retail its fabric. These Dealers sold a mix of fabrics of various textile companies. The Raymond's distribution network today of 20,000 retailers and over 429 showrooms across the country. Other textile manufacturers who also set up their own retail chains were reliance – which set up Vimal Showrooms – and Garden Silk Mills with Garden Vareli. It was but natural that with the growth of textile retail, readymade branded apparel could not be far behind and the next wave of organized retail in India saw the likes of Madura Garments, Arvind Mills, etc, set up showrooms for branded mens wear. With the success of the branded mens wear store, the new age departmental store arrived in India in the early nineties.

PRESENT SCENARIO OF RETAIL INDUSTRY:

The size of the retailing industry in India is estimated to be in the order of Rs. 7200 to 8100 billion (US \$160-180 billion), with organised retailing estimated to be approximately 2 % (Rs 160-180 billion) of the total retailing industry in the country. Food and grocery retailing is estimated to contribute to around 50% (Rs 3500-4000 billion) of the total sales from retailing. The number of total retail outlets in the country is estimated to be around 12 million. The

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retail sector is the second largest employer of the country after agriculture. According to the National Readership Survey of 1999, 6.6% of the urban adults and 2% of the rural adults are estimated to be shop owners. Total retail sales area in India is estimated at 328 million sq meters in 2001. So the average retail selling space works out to be below 30 sq metres per outlet. However, the trend towards larger outlets is expected to increase the average retail space per outlet. A T Kearney, Global Retail Development Index, 2003, ranks India as the 5th among the 30 emerging markets for new retailers to enter. The Indian retail market is estimated to have a sales of around US \$ 160-180 billion (Rs 7200 to 8100 billion) and is estimated to be growing at above 5 % annually. A CII-McKinsey study estimates that if the growth rate is kept at around 6-7%, the market would reach around US\$ 300 billion by 2010. However, if the existing supply chain constraints are removed, real estate markets made more organised and tax structure rationalised, retailing in India has the potential to grow as large as US \$ 450 – 500 billion by 2010. Globally retailing is done in a more organised way than it is done in India. In the United States, almost 80 % of the retail sales are under the control of the organised retail sector. In other countries the corresponding figures are: Western Europe - 70 %, Brazil and Argentina - 40 %, Korea and Taiwan – 35 % and 20 % in Malaysia, Thailand and China.

Sector Wise Profile: The Indian retail industry has experienced high growth over the last decade with a noticeable shift towards organised retailing formats. The industry is moving towards a modern concept of retailing. The size of India's retail market was estimated at US\$ 435 billion in 2010. Of this, US\$ 414 billion (95% of the market) was

Traditional retail and US\$ 21 billion (5% of the market) was organized retail. India's retail market is expected to grow at 7% over the next 10 years, reaching a size of US\$ 850 billion by 2020. Traditional retail is expected to grow at 5% and reach a size of US\$ 650 billion (76%), while organized retail is expected to grow at 25% and reach a size of US\$ 200 billion by 2020. The US-based global management consulting firm, A T Kearney, in its Global Retail Development Index (GRDI) 2011, has ranked India as the fourth most attractive nation for retail investment, among 30 emerging markets. As India's retail industry is aggressively expanding itself, great demand for real estate is being created. The cumulative retail demand for real estate across India is expected to reach 43 million square feet by 2013.

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Around 46 per cent of the total estimated demand between 2009 and 2013 will be come from Tier-1 cities. For instance, Pantaloon Retail added 2.26 million square feet (sq. ft.) of retail space during the fiscal 2011 and booked over 9 million sq. ft of retail space to fructify its expansion plans in future. Some of the key players in the Indian retail market, with a dominant share are: 1) Pantaloon Retail Ltd, a Future group venture: Over 12 mn sq. ft. of retail space spread over 1,000 stores, across 71 cities in India. 2) Shoppers Stop Ltd: Over 1.82 mn sq. ft. of retail space spread over 35 stores, in 15 cities. 3) Spencer's Retail, RPG Enterprises: Retail footage of over 1.1 mn sq. ft. with approx 250 stores, across 66 cities. 4) Lifestyle Retail, Landmark group venture: Has approximately 15 lifestyle stores and 8 Home centres. Other major domestic players in India are Bharti Retail, Tata Trent, Globus, Aditya Birla 'More', and Reliance retail. Some of the major foreign players who have entered the segment in India are—

- Carrefour which opened its first cash-and-carry store in India in New Delhi.
- Germany-based Metro Cash & Carry which opened six wholesale centres in the country.
- Wal-Mart in a JV with Bharti Retail, owner of Easy Day store—plans to invest about US\$ 2.5 billion over the next five years to add about 10 million sq ft of retail space in the country.
- British retailer Tesco Plc (TSCO) in 2008 signed an agreement with Trent Ltd. (TRENT), the retail arm of India's Tata Group, to set up cash-and-carry stores.
- Marks & Spencer's have a JV with Reliance retail.

FINANCE AND ASSISTANCE

The Indian retail sector accounts for 22 per cent of the country's gross domestic product (GDP) and contributes to 8 per cent of the total employment. India continues to be among the most attractive investment propositions for global retailers. Cumulative foreign direct investment (FDI) inflows in single-brand retail trading, during April 2000 to June 2011, stood at US\$ 69.26 million. Till now FDI up to 100 per cent was allowed for cash and carry wholesale trading and export trading under the automatic route, and FDI up to 51 per cent was allowed in single-brand products, with prior government approvals. However, the Government recently passed a cabinet note and permitted FDI up to 51% in multi-brand retailing with prior Government approval and 100% in single brand retailing thus further liberalizing the sector. This policy initiative is expected to provide further fillip to the growth of the sector.

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THE KEY DRIVERS OF ORGANIZED RETAILING:

The changes in the nation's social structure like, improvement of the Indian economy, consumerism, urbanization, profusion of brands have been the main causal factor for the development of these modern formats. Indian food buying behavior is gradually changing in response to the changing social structure. The increasing number of nuclear families, double-income households and working women, greater work pressure and increased commuting time has put the consumers under constant time pressure. The other equally important factors in the changing Indian landscape are the increasing influence of children, gradual acceptance of frozen, semi-processed and processed foods by the Indian consumer, the growing influence of television in decision making and improvement in literacy rates. As the modern housewife starts shopping for herself she appreciates and welcomes:

- ❖ a pleasant shopping environment;
- ❖ Convenience of one-stop shopping with wider product portfolio at a single location;
- ❖ Speed and efficiency in processing;
- ❖ More information;
- ❖ better quality and hygiene; and
- ❖ discount too if possible.

The improved income and the increased purchasing power of a larger section of the Indian population makes the opening of outlets, which provide the whole bunch of these improved services a viable opportunity.

CHALLENGES FACING BY THE ORGANIZED RETAIL INDUSTRY:

Despite the rosy hopes, 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

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like higher labor costs, social security to employees, bigger premises, and taxes to meet. Availability and cost of retail space is one major area where Government intervention is necessary. Liberalizing policy guidelines for FDI needs focus as well. Proper training facilities for meeting the increasing requirements of workers in the sector would need the attention of both Government and the industry. Competition for experienced personnel would lead to belligerence between retailers and higher rates of attrition, especially during the phase of accelerated growth of the retail industry. The process of avoiding middlemen and providing increased income to farmers through direct procurement by retail chains need the attention of policy makers. Taking care of supply chain management, mass procurement arrangements and inventory management are areas that need the focus of entrepreneurs. India is now on the radar of global retailers. Accelerated development of retailing industry in the country and building brand value of domestic products is essential not only for marketing our consumer products more efficiently, but also for the development of our own retailing industry. Some more on discussion like such causes - The very first challenge facing the organized retail industry in India is competition from the unorganized sector. Traditionally retailing has established in India for centuries. It is a low cost structure, mostly owner operated, has negligible real estate and labor costs and little or no taxes to pay. Consumer familiarity that runs from generation to generation is one big advantage for the traditional retailing sector. On the other hand, organized sector have big expenses to meet and yet have to keep prices low enough to compete with the traditional sector. Lack of recognition as an industry hampers the availability of finance to the existing and new players. This affects growth and expansion plans. Real estate prices in some cities in India are amongst the highest in the world. The lease or rent of property is one of the major areas of expenditure; a high lease rental reduces the profitability of a project. In addition to the high cost of real estate the sector also faces very high stamp duties on transfer of property, which varies from state to state (12.5% in Gujarat and 8% in Delhi). The problem is compounded by problems of clear titles to ownership, while at the same time land use conversion is time consuming and complex as is the legal process for settling of property disputes. Poor roads and the lack of a cold chain infrastructure hamper the development of food and grocery retail in India. The existing Supermarkets and food retailers have to invest a substantial amount of money and time in building a cold chain network. The sales tax rates vary from state to state, while organized

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players have to face a multiple point control and system there is considerable sales tax evasion by small stores. In many locations, retailers have to face a multi point octroi with the introduction of value Added Tax (VAT) in 2005, certain anomalies in the existing sales tax system causing disruption in the supply chain are likely to get corrected over a period of time. There is price war between different retail organizations. Each and every one is saying to provide goods at low cost and offers various promotional schemes. In such a case it is difficult to keep one's customers with oneself.

OPPORTUNITIES:

Retail marketing gets various opportunities to grow up in the Indian market. Not only retailing but Manufacturers as well as suppliers, and buyers have various opportunities, some of which are : Organized retail provides brands much needed visibility and platform for customer interaction. It also helps in launching of new product or product variant and in market penetration. It has wider product range and more frequent, speedier deliveries. Increased urbanization has shifted consumers to one place and thus a single retail can catch more customers. As the time passed away joint families came in a new form i.e. nuclear family. Again the income level of these nuclear families increases because both members started earning. This results into increased power of purchase and lack of time. Now they want everything under one roof. This brought the concept of organized retailing. Increased use of credit cards is in favor of retail marketing. It creates requirement even when it is not necessary. Organized retail stores put stress on proper Infrastructure like well maintained building, air conditioning, trained employees, electronic machine, parking facilities and proper display of goods category wise. Here customers feel comfort, joy and entertainment. Purchasing becomes joy for him. Self-selection saves time and gives more opportunities and satisfaction. Fix cost removes the threat of misleading. They avail various discounts and promotional schemes presented by the manufacturers. They also get product of different varieties and of proper quality.

Retail marketing is one of the largest employments generating industry. It provides employment to skilled, semi-skilled as well as to unskilled persons. Thus it helps in the socio- economic development of the society. Increase in the no of retail outlets increases competition among these retailers. To attract customers they give various promotional

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schemes as various discounts, buy one get one free, another product with any particular product, festival special, etc. The retail marketers directly purchase from farmers and reducing middlemen, thus provide proper cost to farmers and also set proper price for consumers. They also make contract with farmers to get proper amount of crops and vegetables. The big players of retail marketing and the manufacturing companies directly come in contact thus reducing many intermediary chains. Manufacturers also give many promotional schemes for their product that is beneficial for consumers.

THE FUTURE: Organized retail is a new phenomenon in India and despite the downturns, the market is growing exponentially, as economic growth brings more of India's people into the consuming classes and organized retail lures more and more existing shoppers into its open doors. By 2015, more than 300 million shoppers are likely to patronize organized retail chains. The growing middle class is an important factor contributing to the growth of retail in India. By 2030, it is estimated that 91 million households will be 'middle class', up from 21 million today. Also by 2030, 570 million people are expected to live in cities, nearly twice the population of the United States today.

SUGGESTIONS: There is a need for setting up of Retailers Cooperatives which functions as distribution centres and warehouses. It will help the retailers to buy the products they want directly from original manufacturers in bulk quantity. Mergers of weak retailers and buy out weak retailers by a stronger one are other important steps. This will give new retailers the desired leverages to be world class. Networking of Independent firms believing the use of technology for business excellence and pressurizing suppliers and others channel members to use compatible technology. Industry status should be given to improve retail development, to facilitate organised financing and to establish insurance norms. Tax holidays norms for cold storage chains, infrastructure and investments in supply chain should be enacted. Comprehensive legislation should be drafted and enacted with futuristic approach. Laws, Essential Commodities Act, APMC Acts, Licensing restriction, differential taxes, stamp duties, should be simplified and put in proper place so that it would not hinder growth of retail sector. This will help in creating "Commodities Futures Markets". Allow foreign direct investment in the company according to financial planning. The current multipoint taxation should be rationalised. Government should introduce a uniform taxation system across the

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country to relax the law that hinder inter state flows of goods. Streamline the process of clearance Encourage PPP model for infrastructural development .The existing labour laws needs to be amended on an urgent basis in order to support the growth the growth of organised retailing and to develop India as a sourcing hub.The Government should announce a National Retail Policy that allows the coexistence of both organised and unorganised retail and address issues such as sourcing, contract farming, movement of goods across India and also defines clear cut guidelines for the functioning of retail sector in India. The national commission on retail must be established. The function of commission should be To set clear target for giant retailers for procurement. To formulate rules on entry of foreign players and compliance with social safeguards. To develop cooperative stores for eradicating the problems of limited marketing and promotions. To facilitate the way of setting up Agricultural Perishable Produce Commission for ensuring the procurement prices for perishable commodities. Reduce impediments to inter state movement of goods. Enforce uniform quality standards Setup a regulatory body for the governing the operations of retail sector.

CONCLUSION: Retailing provides a crucial link between producers and consumers in modern market economy. Retail in India is most dynamic industry and represents a huge opportunity both for domestic and international retailers. Modern retailing is not threat to independent Mom and Pop stores as most of the consumers said that they never stopped visiting Kirana stores. They strongly agreed on coexistence of both is requirement of the day. Their frequency of going to kirana stores is reduced but its kind of opportunities for reorienting Mom and Pop stores for attracting more customers. So, organised retailing is beneficial for India because it's not alarming to create conflict with unorganized stores but reshaping unorganized stores into budding/nascent organised stores. Modern retailing has miles to go in India. The growth of modern formats has been much slower in India as compared to other countries and the development of this sector is restricted by the presence of regulatory and structural constraints.

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