

RETAIL INDUSTRY IN INDIA

Nancee, Ph. D.

Assistant Professor, Department of Commerce, S.C.V.B Govt. College Palampur
Himachal Pradesh, India. E- Mail id - nancychauhan001@gmail.com

Abstract

Retailing is the last link in the chain of production, which begins at the extractive stages, moves through manufacturing and ends in the distribution of goods and services to final consumers.

Retailing is not a recent phenomenon; it is as old as human civilization. However, modern retail business is different. Particularly, in service sector, retailing has transformed thoroughly. Now, retail business is among fast developing activities. India is ranked first among top thirty emerging markets in the world. Across the world, retailing business is on rise. Retailing is no longer treated as the part of distribution system, a one decision of marketing management; now, it is recognized as an industry with huge turnover.



Scholarly Research Journal's is licensed Based on a work at www.srjis.com

I. INTRODUCTION

The word 'retail' is derived from French word retailers which means 'to cut a price off' or to break bulk. The distribution of consumer products begins with the products and ends at the ultimate consumers. Between the producer and the consumer there are middlemen– the retailer, who links the producers and the ultimate consumers. A retailer is a person, agent, agency, company, or organization which is instrumental in providing the goods, merchandise or service to the ultimate consumers. Retailing is defined as a conclusive set of activities or steps used to sell a product or service to consumer for their personal or family use.[1]

STRUCTURE OF THE RETAIL INDUSTRY IN INDIA

The Indian retail market is the fifth largest retail destination globally. Modern retail is increasing its share in the total retail market to 22% in 2010. India has one of the largest numbers of outlets in the world. Of the 12 million retail outlets present in the country, nearly five million sell food and related products. Though the market has been dominated by unorganized players, the entry of domestic and international organized players is set to change the scenario. Around 7% of the population in India is engaged in retailing. In India the retail sector is divided in two broad sectors Unorganized Retailing and Organized Retailing.

ORGANIZED RETAILING

Organized retailing refers to trading activities undertaken by licensed retailers those who are registered for sales tax, Income tax and it includes the retail chains, corporate backed hyper market and directly owned large retail business, Organized retailing comprises of shopping malls, Multi-storey malls, and huge complexes that offer a large variety of products in terms of quantity and value of money.[2]

UNORGANIZED RETAILING

Unorganized Retailing, refers to the traditional formats of low-cost retailing, for example the local Kirana shops, owner manned general stores, pan/beedi shops, convenience stores etc. Indian retail is dominated by a large number of small retailers consisting of the local Kirana shops, owner-manned general stores, chemists, footwear shops, apparel shops, pan and beedi shops, and hand-cart hawkers etc. which together make up the so called “unorganized retail” or traditional retail.[3]

Retailing is one of the oldest businesses of mankind and almost close to settled agriculture, as its origin can be traced back to the time when exchange of goods started taking place. As the development of human civilization took place and business as an entity took birth, the direct producer-to-consumer interaction gave way to business-to consumer interaction. Any business to consumer interaction in the present context can be termed as retailing. Retailing therefore encompasses all forms of direct marketing too in its broader sense.[4]

KEY ELEMENTS OF RETAILING

Following are the key elements (features) of retailing.

1. Retail must be ultimate stage of distribution. Product must be sold after retailing.
2. Retailing must involve individual dealing or personal dealing between consumer and retailer.
3. Products must be sold directly to consumers for their personal or family use.
4. Products must be sold in original form, without making any type of change.
5. Product must be sold to ultimate users in small quantity.
6. Retailing must involve repeat transactions. Retailer sells the same merchandise repeatedly to same group of consumers.

GLOBAL RETAIL INDUSTRY

The term global industry means an industry where a firm’s competitive position in one country is affected by its position in other countries and the reverse is also true. The industries exhibiting global pattern in today’s world include automobiles, television sets, commercial

aircrafts and boats, sporting equipment's, watches, clothing, semiconductors, copiers and also the transfer of funds.[5]

GROWTH OF RETAIL COMPANIES IN INDIA

Growth of retail companies in India exhibits the boom in the retail industry in India over the years. The increase in the purchasing power of the Indian middle classes and the influx of the foreign investment has been encouraging the growth of retail companies in India. The growth of retail companies in India is most pronounced in the metro cities of India, however the smaller towns are also not lagging behind in this. The retail companies are not only targeting the four metros in India but also is considering the second graded upcoming cities like Ahmadabad, Baroda, Chandigarh, Coimbatore, Cochin, Ludhiana, Pune, Trivandrum, Shimla, Gurgaon and others.

REASONS FOR THE FAST GROWTH OF RETAIL COMPANIES IN INDIA

The retail companies are found to be rising in India at a remarkable speed with the years and these have brought a revolutionary change in the shopping attitude of the Indian customers.

The growth of retail companies in India is facilitated by certain factors like [6]

- a. Existing Indian middle classes with an increased purchasing power.
- b. Rise of upcoming business sectors like the IT and Engineering firms.
- c. Change in the taste and attitude of the Indians.
- d. Effect of globalization.
- e. Heavy influx of FDI in the retail sectors in India.

II. MATERIAL AND METHODS

In order to have complete understanding of the retail concept, its operationalization and implication, the secondary data is essential. Therefore, this study is based on secondary data. Data is collected from all possible sources like publications, magazines, journals, books, statistical reports, databases and internet.

EVOLUTION STAGES OF RETAIL FORMAT

In fact, it is difficult to explain stages of retail trade. Exact inception of retailing is a difficult state. Retailing is assumed to be as old as human civilization. However, it has experienced drastic changes during its evolution to reach today's position. New forms could improve retailing practices but could not replace old modes of retailing. For example, emergence of shopping malls cannot replace small retailers. Swapna Pathan considers specific stages of retail

trade evolution. With little variation, we can describe journey of retail trade- from very primitive stage to advanced stage-in the following steps:

Barter System Stage

Social Development Stage

The Industrial Revolution Stage

The Emergence of Self-Service Stores

Supermarkets and Convenience Stores

Specialty Stores, Malls and other Formats

The Rise of the webs

Barter System Stage

In fact, it is difficult to state when and where retailing emerged. It is as old as human civilization. It has been in existence since many centuries in one or other forms. Barter was the oldest form of trade. Most merchandise was sold in the market places or by peddlers (hawkers). Vendors or producers themselves used to come to market to sell their goods. During the time, local markets were dependent on sources of supplies of perishable items because of difficult and slow journey. Markets were seasonal due to lack of storage facilities. However, some customers preferred to travel considerable distances for specialty items.

Social Development Stage

Development of retail can be attributed to social development over the time. Development of railways and telegraph contributed positively to the growth of retail trade. Retail traders started using telegraph to book orders from distant places and railways to receive or send goods to distant destinations.

The Industrial Revolution Stage

Beginning of 19th century led to systematic growth of retail trade across the world. Industrial revolution resulted in mass production, and necessitated mass distribution. It brought dramatic changes in distribution and retailing. Due to urbanization, consumers clustered in small geographical areas that phenomenon led to the emergence of a number of shops in market places.

The Emergence of Self-service Stores

20th century experienced the boom in retailing both in terms of retailing modes and volumes of business. Self –service stores started in first couple of decades of 20th century in developed and some developing countries. At present, most departmental stores and retail shopping malls

practice self-service retailing. The primary purpose of self-service stores is to permit customers to see and choose the brand they like.

Supermarkets and Convenience Stores

Supermarkets started in the 1930s. This retailing system attempted to serve different types of customers. In supermarkets, well-packed products were displayed in an attractive way. Necessary details such as price, weight, manufacturers, manufacturing and expiry dates, contents, and other relevant details are printed on the package.

On the other hand, convenience stores functioned on customer request. The stores were established at the place where customer could access merchandise conveniently. These stores worked from early morning to late night and sold groceries, cold drinks, bread, milk, etc. Invention of cold storage facilities and automobiles further helped growing retail activities. Most supermarkets and stores were working in leading cities of Europe and America.

Specialty Stores, Malls, and other Formats

After 1970, in many big cities of world, new modes of retailing started. Increased population and hence demand, rapid means of transportation and telecommunication, development of latest cold storage facilities, introduction of barcodes on package, improved banking and insurance etc., further contributed to retail boom. Several retail malls were established in last two decades of 20th century and continue growing till today.

The Rise of the webs

Internet brought further revolution in retailing. With growth of World Wide Web, customers as well as retailers can access suppliers and products from anywhere in the world. Most companies have their websites. Systematic linkage of one web with others and with search engines helps retailers to sell products globally. Cyber marketing facilitates selection of products, placing orders of specific description, and paying bills. Not only durables but also consumables can be purchased online. Internet marketing contributed significantly to service sector retail trade.

INDIAN RETAIL

The Indian retail industry has experienced high growth over the last decade with a noticeable shift towards organized 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.

Retailing in India is one of the pillars of its economy and accounts for 14 to 15% of its GDP. The Indian retail market is estimated as 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. India's retailing industry is essentially owner manned small shops.

RETAIL CHAINS IN INDIA

Future Group

Pyramid Retail Ltd.

Vishal Mega Mart

Reliance Retail Limited (RRL)

Bharti Retail Limited

The RPG Group

Future Group

The company was incorporated on 12th October 1987, as Men's Wear Private Ltd. It converted into a public limited company in September 1991. The company sold branded garments under the Pantaloon, Bare, and John Miller brands and set up its first Men's wear Pantaloon Shoppe outlet in 1993. Its name was changed to Pantaloon Retail (India) Ltd. in 1999. Future Group makes every effort to delight its customers, tailoring store formats to changing Indian lifestyles and adapting products and services to their desires. The group is credited with creating some of India's most popular retail chains. The 162-store hypermarket chain, Big Bazaar is ranked amongst the top 3 service brands in the country by The Nielsen Company. Other retail chains include, department store chain, central, outlet stores chain, Brand Factory, sportswear chain, Planet Sports, home improvement and consumer durables chain, Home Town and Ezone, supermarket chain, Food Bazaar, convenience stores chain, KB's Fair price and a growing rural distribution network through Aadhaar.

Type of Stores

The Future Group operates through six verticals: Future Retail, Future Capital, Future Brands, Future Space, Future Media and Future Logistics. Today, Future Group has presence across multiple segments including food, fashion and footwear, home solutions and consumer electronics, books and music, wellness and beauty, general merchandise, telecom and IT, E-

tailoring, leisure and entertainment and financial products and services. The company has entered into a multi-format department stores and hypermarkets. Future Group also operates in other segments such as healthcare and beauty services under the brand names Star & Sitara and Health Village, kidswear under the brand name Gini & Jony, and Depot for books, music and gifts, stationery, etc.

Pyramid Retail Ltd.

Pyramid Retail Ltd is a part of the Piramal Group that specializes in textiles, real estate, engineering, family entertainment and retail sectors. It deals in lifestyle and food, home and personal care (FHPC) products. The lifestyle retail business is operated under the brand, Piramyd Megastore. Its FHPC business is operational as TruMart. The company has 13 stores across 5 cities in India. It has plans to open 17 mega stores and 69 TruMart stores by 2008. India's first true shopping mall of international standards, called Crossroads; a lifestyle department store called Pyramid Megastore; and a family entertainment centre known as Jammin.

Vishal Mega Mart

Vishal Retail (VRL), incorporated in 2001, runs a wide chain of retail stores. The company has pioneered in bringing the concept of hyper-markets in India. A Delhi-based retailer started with selling primarily clothing and accessories. Today, it operates 32 large stores and clocked sales of INR 2.88 billion last year. Vishal's ambitious retail plans by year 2010 included an IPO, pumping in investments close to INR 12.5 billion and 220 outlets, taking its cumulative retail space to 5 million sq.ft and a sales turnover of INR 50 billion. In the current fiscal the chain plans to invest INR 3 billion and targets sales of over INR 7 billion.

Reliance Retail Limited (RRL)

Reliance Retail was established in 2006, a subsidiary of Reliance Industries Limited under Mukesh Ambani, is Reliance Group's foray into organized retail. RRL is based on the growth strategy of backward integration, and it generates inclusive growth and prosperity for farmers, vendor partners, small shopkeepers and consumers. Reliance Retail Ltd. is the second largest retailer in India. Its retail outlets offer foods, groceries, apparel and footwear, lifestyle and home improvement products, electronic goods, and farm implements and inputs. The company's outlets also provide vegetables, fruits, and flowers.

Bharti Retail Limited

Bharti Retail Limited, a wholly owned subsidiary of Cedar Support Services Limited which belongs to the Bharti Group of companies, one of India's leading business groups, owns and operates neighbourhood stores called Easyday and compact hypermarket stores called easyday Market. These stores provide consumers immense value and wide choice with products of great quality at affordable prices.

Easyday stores are one-stop shops that cater to every family's day-to-day needs. They bring together a wide range of relevant goods, high quality products and great in-store experience and service, all under one roof. These neighborhood format stores offer more than 3,000 products at the lowest prices. The wide assortment of goods includes personal care products, stationery, household articles, hosiery items, as well as daily-need groceries including staples, processed foods, bakery and dairy products, meat and poultry and fresh produce.

Easy day Market provides customers everything a great market offers, bringing together a potent combination of the familiar and the innovative, all under one roof. These stores range up to 55,000 sq. ft. and offer thousands of products displayed in a consumer-friendly manner that bring both entertainment and ease to the shopping trip.

The RPG Group

The RPG Group is an industrial conglomerate headquartered in Mumbai, India. It was founded by R.P. Goenka in 1979, and initially encompassed the Phillips Carbon Black, Asian Cables, Agarpara Jute, and Murphy India companies. The RPG Group was the first to get into the organized retailing business in India and expand beyond the south, the only region where organized retail flourished with retailers like Nilgiri's, Subhiksha, Viveks etc.

EMERGENCE OF MALLS IN INDIA

Malls as we understand, is a form of organized retailing. They lend an ideal shopping experience with an amalgamation of product, service and entertainment, all under a common roof. Mall development is phenomenal in India. The mall mania is spreading fast and entering even the second-tier cities in India. Real estate developers are jumping very fast to take this further from Metro cities to smaller cities and corporate houses like ITC and Sriram group are making steady progress to make this phenomenon feasible in rural market also. There is no denying that the top-notch cities like Mumbai, Delhi, Bangalore, Hyderabad, Kolkata, Chennai and Pune are leading the way but the second-tier cities like Ludhiana, Chandigarh, Nagpur and

Surat are catching the eye of all retailers. Retail developers are in such a mood that they may override the requirement in a specific city.

Large format malls are increasingly getting prominent with adequate retail space allocated to leisure and entertainment. Some states like Punjab have lifted entertainment tax on Multiplexes till 2009. This boosted the confidence of the mall developers to accommodate entertainment players like PVR, Waves, Adlab and Fun Republic in large malls.

CHALLENGES FOR ORGANIZED RETAILING IN INDIA

Organized retail in India is little over a decade old. It is largely an urban phenomenon and the pace of growth is still slow. Some of the reasons for this slow growth are:

The Kiranas Continue: 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.

Retail not being recognised as an industry in India: Lack of recognition as an industry hampers the availability of finance to the existing and new players. This affects growth and expansion plans.

The high costs of real estate: 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.

High Stamp Duties: 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.

Lack of adequate infrastructure: Poor roads and the lack of a cold chain infrastructure hampers the development of food and grocery retail in India. The existing supermarkets and foods retailers have to invest a substantial amount of money and time in building a cold chain network.

Multiple and complex taxation system: The sales tax rates vary from state to state, while organized 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.

OPPORTUNITIES FOR ORGANIZED RETAILING IN INDIA

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 mentioned below-

What is in store: 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.

Urbanization: Increased urbanization has shifted consumers to one place and thus a single retail can catch more customers.

Nuclear family: 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 have started earning. This results in increased power of purchase and lack of time. Now they want everything under one roof. This has brought the concept of organized retailing.

Plastic revolution: Increased use of credit cards is in favor of retail marketing. It creates requirement even when it is not necessary.

Proper infrastructure: 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 products of different varieties and of proper quality.

Employment: 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.

Price war: Increase in the number of retail outlets increases competition among these retailers. To attract customers, they give various promotional schemes as various discounts, buy one get one free, another product with any particular product, festival special, etc.

Contract farming: The retail marketers directly purchase from farmers, 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.

Reduces supply chain management: 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.

III. CONCLUSION

Consumer satisfaction is the key to succeed. A firm exists for its consumer satisfaction. Retailer has to understand consumers for developing successful retailing strategy. He can satisfy consumers only when he understands them in terms of consumer's needs, wants, habits, paying ability mode of payment, attitudes, services they expect, and so forth. Knowledge about consumer seems critical due to intense competition.

Retailing is a prosperous industry which presence in our day-to-day life, where the Retailers use to buy products or services in bulk from the manufacturers & suppliers and redistribute the same to the ultimate consumers in small quantities at the time of their requirements. In this aspect retailing is an industry which alienated with both domestic and foreign business vendors in the form of organized as well as unorganized method of supply. Due to the recent penetration of organized retailers in various retail businesses made the existing unorganized retailers to change their business strategies not only to survival in the business but also for retaining the existing buyers in their respective businesses.

REFERENCES

- C. Winston Borgen (1976), "Learning Experiences In Retailing: Test and Case". Good Year Publishing Company, INC., Pacific Palisades California, pp-15.
- Dr. Girish K Nair and Harish K Nair "An Analysis on Customer Perception Towards Service Quality Variables in Selected Organized Retail Outlets", *International Journal of Management and Social Sciences Research (IJMSSR)*, Volume 2, No. 1, January 2013, PP. 56-61.
- Mitul Deliya, Bhavesh Parmar and Dr. K. K. Patel "A Study on Impact of Organized Retailer on Unorganized Retailer", *International Journal of Research in Management, Economics and Commerce (IJRMEC)*, Volume 2, Issue 5, May 2012 ISSN: 2250-057X. PP.64-83.
- A. Shivakumar (2007), "Retail Marketing". Anurag Jain Publication, New Delhi 2007, pp-15.
www.euromonitor.com.
- Kaur P (2007) "Uncovering Retail Shopping Motives Of India Youth". *Journal Young Consumer*, Vol 8, Issue 2, pp138.