



Organized Retail Sector: Indian Perspective

Dr. Sangeeta Jain , Director,

Shri Yogindra Sagar Institute of Technology and Science,

Ratlam

Abstract

The whole world is witnessing emergence of India as a superpower. The winds of globalization have paid rich dividends to the social and economic growth of the nation. The modern Indian economy is integrating with the world and even during the critical phase of economic meltdown, the country has shown positive signs for inclusive growth. The boom in Indian market has widened the horizons for the customers to be selective while purchasing any product. On the other hand, the sellers are more proactive in facilitating their customers' quality services and cater to their growing demands. There is a paradigm shift in the customer's perception and purchasing tendencies. The traditional shops and shopkeepers are now being slowly but gradually replaced by big/mini retail stores (shopping malls) and retailers (top corporate houses). Indian consumers are evolving and accepting modern retail formats. In the context of Indian retail sectors, **Big Bazaar, Pantaloon Retail India Ltd, ITC's e-choupal Reliance Retail Ltd, Suhiksha, Vishal Mega Mart, Titan Industries, Archies, Bata India Ltd** etc are dominating the scene and have a wide spread network to execute their operation. At the backdrop of the present paper is an attempt to study the issues and challenges that are intertwined with organized retail sector that are operating their business from Indian soil.

Key words

: Retail, Organized, Unorganized, Mall, consumers etc.



Introduction

The word 'retail' is derived from the French word 'retailer' meaning 'to cut a piece off' or 'to break bulk' in simple term it involve activities whereby product or services are sold to final consumer in small quantity. Retailing process involves a direct interface with the customer and the coordination of business activities from the design stage of a product to its delivery and post-delivery service. Generally, retail business can be classified into several types depending on their size, shape, product lines, amount of service they offer and prices they charge etc. Some among them are specialty stores, supermarket/ malls, factory outlets, franchises, chain stores, discount stores, lifestyle & personal products, furnishing & house hold appliances.

Over the years Indian retail sector has observed rapid transformation in diversified activities of business. India's retail market is 5th largest retail destination globally. It is estimated to grow by \$637 billion in 2015. Indian Retail Industry comprising of organized and unorganized sector. Majority of population has no access to the organized market and distribution of commodities. Still there is huge population waiting to be benefited from the customer-friendly services of retail sector. India is emerging as one of the most dynamic organized retail markets across the globe. The booming sector of the Indian economy is expected to touch US \$ 175-200 billion by 2016. Now companies are focusing on burgeoning market that is sprawling in fast developing states like Madhya Pradesh. Etc. It is expected that in short span of time approximately 700 malls coming up across India, 40 per cent are expected to be in small towns like- Ujjain, Dewas , Mandisor, Ratlam, Shajapur, Neemuch and so on. Consumers of these towns are getting more aware about the concept of organized retail, so retailers are moving fast towards these markets to tap middle class consumer who are more willing to spend. The consumers are showing greater interest in purchasing quality and branded products along with an environment of trust and honesty.

Indian Retail Industry comprising of organized and unorganized sector. Though initially the retail industry in India was mostly unorganized which involve the local kirana shop, paan /beedi shop, handicraft and pavement vendors etc. According to survey by AT Kearney , an overwhelming proportion of the Rs. 4,00,000 Crore retail market is unorganized , in fact only



20,000 crore segment of the market is organized. Organized retailing in India is reaching out to encompass smaller towns. Whether it is multi-brand stores, hypermarkets, food chains or fashion stores, retailers are moving fast towards these markets to tap the middle class consumer who's more than willing to spend, given the chance and choice. India has been ranked as the third most attractive nation for retail investment among 30 emerging markets by the US-based global management consulting firm, A T Kearney in its 9th annual Global Retail Development Index (GRDI) 2010.

According to a McKinsey & Company report titled 'The Great Indian Bazaar: Organised Retail Comes of Age in India', organised retail in India is expected to increase from 5 per cent of the total market in 2008 to 14 - 18 per cent of the total retail market and reach US\$ 450 billion by 2015. Between 2010 and 2012, the organised retail real estate stock will grow from the existing 41 million sq ft to 95 million sq ft. Driven by the growth of organised retail coupled with changing consumer habits, food retail sector in India is set to be more than double to US\$ 150 billion by 2025, according to a report by KPMG. BMI India Retail Report for the first-quarter of 2011 forecasts that total retail sales will grow from US\$ 392.63 billion in 2011 to US\$ 674.37 billion by 2014.

Review of Literature

D. Tschirley (2007) discussed through Coca-cola that “emerging consumers infrequently shop – if at all – at large supermarkets” in Brazil, despite the heavy market penetration of such outlets in that country. They refer to “the myth (that) it’s just a matter of money & time until emerging consumers flock to large supermarkets”, and conclude in general for Latin America that “small retailers have a sustainable business model”. Farina and Nunez (2005) stated that “the number of independent supermarkets (as opposed to large chains) and traditional retailers has grown, and their share in food sales has increased” in recent years. Goldman (1999) revealed that the “persistent continued strength of ‘wet markets’ in Hong Kong” despite that city’s developed economy; they attribute this strength to these traditional markets’ adaptation to consumer shopping habits.



Organized Retail V/s Unorganized Retail

Factors	Traditional	Contemporary Organized
Money flow	Fixed operating cost and overheads.	Low operating cost & overhead
Competitive edge	Proximity to consumer	Range & variety of goods
Reliability	Long operating – hours strong relation with customer convenience & hygiene	Long operating – hours quality assurance (Brand related , durability)
Display	Close display, Placing of product according to seller convenience.	Open display ,Systematically arranged , Placing of product according to customers convenience .Pick & Parcel facility
Price	Discounts based on relations, Difficult to compare value of money	Customer free to compare value of money

Source: Developed on the basis of Review of literature

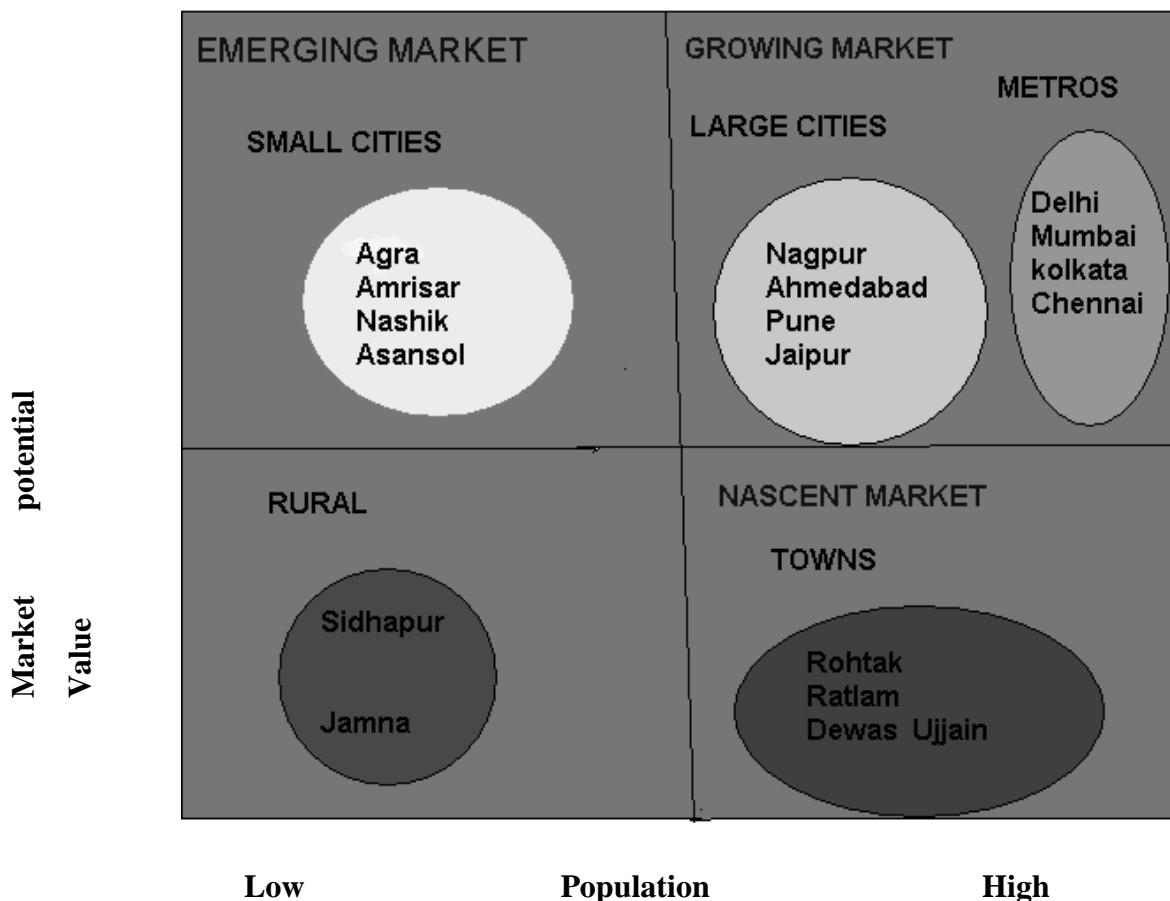
Present and upcoming organized Retails in Towns

- Big Bazaar has gone all out to woo customers in towns such as Sangli and Alwar. "The biggest challenge for retail is to attract people to the mall culture.
- ITC's Chaupal Sagar in M.P.
- Reliance Retail (Mukesh Ambani's) is taking big strides in small towns. Of the 200-plus Reliance Fresh outlets in 11 states, 20 outlets are in small towns. Reliance also plans to open a large number of Reliance Town Centres in smaller towns.
- DSCL ,with 300 retail outlets the Hariyali Kisan Bazar
- Electronic retail chain major, Next Retail India, plans to open 400 showrooms across the country during January-March 2011 increasing the total number of retail stores to 1,000 by the end of the fiscal year 2010-11.



- V Mart Retail Ltd, a medium-sized hypermarket format retail chain, is set to open 40 outlets over the next three years, starting with 13 stores in 2011, in Tier-II and Tier-III cities.
- Future Value Retail, a Future Group venture, will take its hypermarket chain Big Bazaar to smaller cities of Andhra Pradesh, with an investment of around US\$ 1.54 million to US\$ 4.41 million depending on the size and format.
- RPG-owned Spencer's Retail plans to set up 15-20 new stores in the country in 2011-12.
- British high street retailer, Marks and Spencer (M&S) plans to significantly increase its retail presence in India, targetting 50 stores in the next three years.
- Jewellery retail store chain Tanishq plans to open 15 new retail stores in various parts of the country in the 2011-12 fiscal.

Segmentation of India into five clusters with illustrative examples



Source: A CII- ATKEARNEY Report



Issues and Challenges

There are various issues in this market which enforce the retailer to move towards these markets are:

- **Rising consumption expenditure & disposal income of middle class:**

Retailers are now moving towards large consumer base with focus shifted from upper income consumer to middle class. Lower income and middle income segment is being targeted by a different value proposition of product, prices and services such as deep discount.

- **Potential untapped market**

Most of the retailers are rapidly moving into smaller towns & even rural India, because metros have already leading to:

- Cost escalation - real estate , services ,people
- Margin dilution – due to Competition , market share wars
- Over saturation of certain locations

- **Abundant availability of skilled labor& Low cost of operation**

In India there is vast resources based talent and skilled labor. A lot of talent labor present in India towns which offer cost advantage in terms of low cost labor and that why many leading players are attracted towards towns of India

- **Growing Use of Debit and Credit Cards**

With the use of debit and credit card the payment is going to be very easy and also increase the spending on shopping & eating out. With the acceptance of & the increase in the no. of electronic data converter machine installed in retails outlet, plastic money will provide growth to organized retail.



- **Change in consumer needs, attitudes and behavioral patterns**

Rising income levels, education & global exposure have contributed to evolution of the Indian middle class. Increase disposal income and consumption expenditure results in more shopping and purchasing habits.

- **Growing awareness**

The television, news paper and internet are the most important and effective way of communication. As the result of the increasing literacy level in towns and villages the people changing their preference & attract towards different skims of modern retail. While the big retail players like Big bazaar follow the route of providing the services at least possible price with their tagline being '*Is se sasta aur accha kahi nahi*'.

Challenges

Improper transportation facilities and non-availability of infrastructure obstructs the growth of retail business especially in rural Indian sector. The lack of refrigerated transportation is a big cause of wastage. It requires reasonable sum of money and time in building a logical distribution network.

The organized retail sector has to face a very high rate of stamp duties on transfer of property that varies from state to state. Different type of levies and taxes are also becoming heavy burden on retailers. VAT charged on FMCGS has affected retailer's margin resulted from long sales and distribution channels. For the retailers the lease or rent of the property is one of the main areas of expenditures that reduce profitability of a project.

The organized retail sector is having vast employment opportunities for skilled and qualified professionals but there will be pressure on existing players as new entrants look for trained manpower at various levels.

Opening up of FDI in retail could see the entry of international majors which will put further pressure on the manpower of existing retailers. FDI will also hit the future prospects of small



store retailers. FDI could promote only skilled professionals not of semi-literate who are in a very large number in India.

Conclusions

The organized retail sector in Indian towns is at growing stage of development. This sector is totally untapped and because of increase in disposal income and changing pattern the retailer are attract towards this segment. While there are lots of obstacles and challenges but still Government can support this sector not only by strengthen the Indian companies but also allow international players.

References

- Farina, Elizabeth, Ruben Nunes and Guilherme Monteiro (2005). "Supermarkets and Their Impacts on the Agrifood System of Brazil: The Competition Among Retailers." *Agribusiness*, Vol. 21
- Gilbert ,David, (2006) Retail Marketing Management, New Delhi:Pearson Education
- Goldman, Arieh , Robert Krider and S. Ramaswami (1999). "The Persistent Competitive Advantage of Traditional Food Retailers in Asia: Wet Markets' Continued Dominance in Hong Kong". *Journal of Macro Marketing*. Vol. 19.
- Gopal, V,V (2005).Retail management, Hyderabad: The ICFAI University Press.
- Gupta, S.L (2007), Retail Management, New Delhi: Wisdom Publication.
- Gupta S.L., (2005), Sales & Distribution Management in Indian Prospective, New Delhi Excel Books.
- Kulkarni, M.V.(2005)Retail Marketing Management, New Delhi: Everest Publishing House
- Pateria, Parag, "Future of Organized Retailing India: A Curtain Raiser", www.indianmba.com.
- Rajpal Anil & Singh Pragya , The Indian Retail Landscape :Now & Beyond, Technopak Perspective ,A quarterly report by Technopak ,Vol.1-2009
- Rahul & Rahil ,Organised Retail "Inquilab" in India ,STVP -2007-002 ,June 12,2007
- Sarwar, Tarannum M (October, 2006), "An Analysis of the Indian Retail Sector", www.valunotes.com.
- Stanely, Morgan J.M (June 06, 2006), "India Retail-Initiation of Coverage Ready for Take off".
- Sinha P.K. & Kar S.K. (March 2007)" An Insight into the Growth of New retail formats In India, IIM-Ahemdabad India Research and Publication.
- Tschirley D., "Supermarkets and Beyond: Literature Review on Farmer to Market Linkages in Sub-Saharan Africa and Asia", July 28, 2007