

## A BIRD'S EYE VIEW OF RETAIL INDUSTRY IN INDIA

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### *Abstract*

*Retailing, especially organized retailing is an emerging industry in India. In fact it has become the second largest employer after agriculture. It is estimated to grow from the US \$ 330 billion in 2007 to US \$ 637 billion by 2015. The growth and development of organized retailing in India is driven by two main factors – lower price and benefits the consumers can't resist. Because of the increasing number of nuclear family, working women, greater work pressure and increased commuting time, convenience has become a priority for the Indian consumers. Organised retail provides the convenience of shopping with multiplicity of choice in one roof. The objective of this paper is to provide a bird's eye view of Indian retail industry.*

### **Key words:**

**R**etailing,

**O**rganized **R**etail,

**R**etail **F**ormats,

**M**arket **C**apitalization

### **Introduction**

The word retail has its origin in French word *retailier* and means “*to cut a piece off*” or “*to break bulk*”. The term Retailing refers to all activities involved in selling goods and services directly to final consumers for their personal use. In other words it means a first-hand transaction with customer. Retailing involves a direct

interface with the customer and the coordination of business activities from end to end, right from the concept or design stage of a product or offering, to its delivery and post delivery service to the customer.

Retailing in its new form is a fast growing industry in India with a lot of

opportunities. In fact in India the retail industry has become the second largest employer after agriculture. Many institutions- Manufacturing, Wholesalers and Retailers – do retailing, but most retailing is done by Retailers. Indian retail sector is in boom period and many factors are contributing to it. The objective of this paper is to provide a bird's eye view of Indian retail industry.

### **Indian Retail Industry**

The Indian retail industry is classified into two broad categories-organised retail and unorganized retail. The Organized retail includes traders/retailers those who are licensed with trading activities and registered to pay taxes to the government while unorganized retail consists of unauthorized small shops, conventional kirana shops, general stores, corner shops among various other small retail outlets.

The retail scenario in India is unique. Much of it is in the unorganized sector, with over 12 million retail outlets of various sizes and formats. Almost 95% of these retail outlets are less than 500 sq. ft. in size, the per capita retail space in India being 2 sq. ft. compared to the US figure of 16 sq. ft. Thus India's per capita retailing space is the lowest in the world. (Shodhgangotri) . With more than 9 outlets per 1000 people, India has the largest

number of outlets in the world. Most of them are independent and contribute as much as 95% to the total retail sales. (Shodhgangotri) In the developed countries the organized retail industry accounts for more than 80 percent of the total retail trade whereas in India organised retail sector is merely 5 percent of the total retail trade. However, the Indian retail market is the fifth largest retail sector in the world. India ranks fourth among the 30 countries in terms of global retail development.

### **Organized Retail in India**

Organized retailing in India is a recent phenomenon which has brought about demographic & psychographic changes in the life of urban consumers. The change in life style and an increase in the purchasing power of middle and upper class segment have contributed to the growth of organized retailing and today there is an intense competition among the big players. The growth and development of organized retailing in India is driven by two main factors – lower price and benefits which proved very attractive to consumers. Because of the increasing number of nuclear family, working women, greater work pressure and increased commuting time, consumers give a lot of importance to convenience.

Organised retail provides the convenience of shopping with multiplicity of choice under one roof. According to experts, economies of scale drive down the cost of supply chain, allowing retailers to offer more benefits to the customers. Globally, retailing is customer-centric with an emphasis on innovation in products, process and services. In short, the customer is the king. New generation consumers with greater expectation, change in lifestyle and awareness about the branded products have given a big boost to the growth of organised retail in India.

### **Organized Retail Formats**

The organised retail is differentiated from the unorganised on the basis different formats given below.

**Department Stores :** A department store is a shop a wide range of products like Electronic Appliances, Apparels, Jewellery, Toiletries , Cosmetics , Footwear , Sportswear , Toys, Books, CDs, DVDs etc., are made available to consumers under one roof . In a department store, consumers can get almost all the products they wish to shop. Department stores provide a wide range of options to the consumers and thus fulfill all their shopping needs. The best examples are Shoppers Stop, Pantaloon

**Discount Stores:** Discount stores also offer a large variety products to the end-users but at a discounted rate. The discount stores generally offer a limited range and the quality in certain cases might be a little inferior as compared to the department stores. Wal-Mart operates more than 1300 discount stores in United States. In India Vishal Mega Mart comes under discount store.

**Supermarket:** Super market is a retail store which usually sells food products and household items, properly placed and arranged in specific order is called a supermarket. A supermarket is an advanced form of the small grocery stores and caters to the household needs of the consumer. The various food products (cereals, meat, vegetables, dairy products, bakery products, juices, medicines etc) are all properly displayed at their respective compartments to catch the attention of the customers and for them to pick any merchandise depending on their choice and need. Examples are Big Bazar, Spencer, More etc

**Warehouse Stores:** Warehouse stores sell limited stock in bulk at a discounted rate. Warehouse stores do not give much importance to the interiors of the store and the products are not properly displayed.

**Mom and Pop Store (also called Kirana Store in India):** Mom and Pop stores are the small stores run by individuals in the nearby locality to cater to daily needs of the consumers staying in the vicinity. They offer selected items and are not at all organized. The size of the store would not be very big and depends on the land available to the owner. They wouldn't offer high-end products.

**Speciality Stores:** Speciality stores specialize in a particular product and do not sell anything else apart from the specific range. Speciality stores sell only selective items of one particular brand to the consumers and primarily focus on high satisfaction of customers. For example, you will find only Reebok merchandise at Reebok store and nothing else, thus making it a speciality store. You can never find Adidas shoes at a Reebok outlet.

**Malls:** Many retail stores operating at one place form a mall. A mall would consist of several retail outlets each selling their own merchandise but at a common platform.

**E -Retailers:** These days the customers also opt for shopping online from home or office. They can place their order through internet, pay with the help of debit or credit cards and the products are delivered at their home or office. However, there are chances that the products ordered might

not reach in the same condition as they were ordered. This kind of shopping is convenient for those who have a hectic schedule and are reluctant to go to retail outlets. In this kind of shopping the delivery charges are borne by the consumer itself. For example EBAY, Rediff Shopping, Amazon

**Dollar Stores:** Dollar stores offer selected products at extremely low rates but the prices are fixed. For example, 99 Store would offer all its merchandise at Rs 99 only. This types of stores do not entertain bargaining. However the quality of the product is always in doubt at the discount stores.

## **SWOT Analysis of Indian Retail**

### **Strengths**

- Increased awareness of consumer about the product and services
- Changing consumers' lifestyle and requirement
- Emphasis on innovation in product, process and services
- Attraction towards branded products with emergence of organized retail sector
- Emerging retail formats like malls, hyper/supermarkets and specialty stores which provide product, service and entertainment at one place

### **Weaknesses**

- Demographic differences across the regions which require a regionally adjusted approach to business.
- Presence of a significant number of strong and well-established players in the industry which limits market entry potential
- Unsupportive small and fragmented markets limit growth opportunities
- High real-estate and distribution cost are the obstacles for growth of retail in India
- Shortage of Talented professionals who will be able to generate Leads
- Large presence of Grey market
- Difficulty in managing supply chain
- Absence of National Cold chain Network
- Lack of National distributors and Hubs

### **Opportunities**

- Emerging retail formats like malls, hyper/supermarkets and specialty stores which provide product, service and entertainment at one place
- Huge Population of India with an increasing proportion having high disposable income which leads to high purchasing power and high consumption level

- A large proportion of earning young population employed in IT, BT and ITES with high level of consumerism
- Internet has created a good way of communicating with the customers and has proven methods in creating new channels to market many of its products and maintaining competitive edge
- Growth of real-Estate and Improvement in Infrastructure
- Huge agricultural sector offering an abundance of food products and raw materials
- Growing urbanization in India is the strength for the organized retail outlet
- Availability of Skilled workers at a lower cost
- Approval of 100 percent FDI in single brand and 51 percent in multi brand retailing.

### **Threats**

- Policy Issues with regard to numerous license, permit and registration
- Complicated taxation policy and cumbersome tax structure
- Lack of world class infrastructure facilities in urban areas and undeveloped/underdeveloped basic infrastructure in rural areas
- Slow recovery of economies world over from the recent global economic crisis

- Indian GDP growth rate is low in the recent years
- Rigid government policies and regulations restrict the entry of new players.
- Price competition among retailers puts downward pressure on margins.
- Entry of International big players in Indian markets eats away the share of Indian retailers

### **Conclusion:**

Indian retail industry is becoming one of the high successful businesses due to a large population with good disposable income and tremendous spending power and the world has considered India as a potential market for retailing. The Government of India responded positively to the dynamics of market and introduced several policy reforms for both multi-brand stores and single brand stores including approval of 100 percent FDI in single brand and 51 percent in multi brand retailing.

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