

INDIA, THE LAND OF RETAILING

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Abstract

Retailing is not only an important aspect of the economic structure but very much a part of our lives. As it contributes 10% of the country's GDP, it proved that its contribution to the GDP is very much significant. For centuries now, India has been operating within her own unique concept of retailing. David Gilbert has defined retail as "any business that directs its marketing effort towards satisfying the final consumer based upon the organization of selling goods and services as a means of distribution". It is sure and certain that India will be the destination for retailing as existing Indian middle class purchasing power is increasing at a rapid pace. Rural India can be considered as heart land of retailing. But according to Indian Market Research Bureau (IMRB) study 0.6 million villages in India did not have a retail outlet of any kind, further the outlet density in rural India is lower than that of urban India. It indicates a lot of potential being left untapped. The retail companies are found to be rising in India at a remarkable speed year by year. They brought a revolutionary change in the shopping attitude of the Indian customer. Many global retail giants like TESCO, METRO AG, WAL-MART have already identified the scope of growth in Indian retail industry. As India is the second fastest growing economy of the world, the scope of the Indian retail market is very vast. Investors have excellent investment opportunities in Indian retail sector and allied sectors. India offers highest shop density in the whole world, having almost 1,20,000 shops across the length and breadth of the country India has been ranked high amongst the top 10 FDI destinations of the world.

Key words: Rapid Pace, Revolutionary, Allied Sectors, Indian Retail Industry.

Introduction

Retailing has come to occupy a prominent position in today's modern society. But retailing is not a new concept of trading goods, it has been in existence since olden days. It is only in the recent past that the buying and selling of goods has become more organized, formal and brand dominated activity. In the present scenario of liberalization, privatization and globalization it has been evolving as a high-tech business. Nevertheless, the traditional formats like kirana, local baniya dukhan, pan shops co-exists along

with the organized retailers like department stores, specialty stores, shopping malls, multiplexes, supermarkets, hypermarkets, etc. Organized retailing has emerged in a big way all around the world since 2000 onwards. This gave a tremendous momentum to the emergence of new retailing formats. The retail markets can be segmented on the basis of various retail formats to focus the targeted group of consumers.

With the increase in competition in the retailing markets, retailers are seeking new consumer groups and new ways to tap this market. Most of the global giants in retailing started eyeing at big markets and making new strategies to enter into new markets. This has led to the development of a new complex environment, potential markets have become an arena for business wars. Infact, it is interesting to learn that Indian retail industry is the fifth largest in the world, with two wings of organized and unorganized sectors. Retail industry is one of the fastest growing industries in India, especially over the last few years it has been gathering maximum momentum.

The basic feature of the Indian retail industry is unorganized, however with the change in taste and preferences of the consumers the industry is getting more popular these days and becoming organized as well. With the tremendous market growth and demand- the industry is expected to grow at a rate of 25-30% annually. The Indian retail industry is expected to grow from Rs 35,000 cores in 2004 – 05 to Rs1, 09,000 cores by the year 2010

PHASES OF GROWTH OF RETAIL MARKETS IN

INDIA :

Retail markets also pass through a life cycle and distinct phases of growth. Development of organized retail sector started in the western markets much before it did in the rest of the world. These markets are characterized by the existence of definite formats. The retailers have a national and international presence, however expansion in the domestic market has started declining as customer loyalty is

a key issue. Markets of south Asia like Singapore, Malaysia, Thailand and Bangkok have reached a stage of maturity. Naturally this stage can last from five to ten years. Maturity stage can be characterized by a large number of formats and more towards specialization. The Indian market has just entered the stage of growth. The growth stage can last from 15 to 20 years. During this stage various retail formats start emerging, many retailers move local to national presence. During this period Expansion and growth is rapid, integration of process by the use of information technology becomes necessary. The first stage in the evolution of markets is the stage of regional presence. The predominant feature of this stage is availability of retail space is limited and the cost of acquiring the same is fairly high. Indian retail market is exactly at this stage, hence this stage involves high logistic costs and other investment costs. The cost of acquiring finance for retail is also high. Traditional formats of retail is predominant and creating customers loyalty is an issue. When the state of maturity starts competition increases, the rate of growth slows down, profit also starts declining. This is the time when the retail organization needs to rethink its strategy and reposition itself in the market. A change may occur in the format but also in the merchandise mix offered. As Indian retail market is in growth stage, which is the stage of development a few competitors emerge. Since the growth is imperative, the investment level is also high, as scope for profitability increases. Hence the Indian retail market has a vast scope and maximum time to reach decline stage. Hence there is much space and scope for development of retail industry in India.

GROWTH OF RETAIL COMPANIES IN INDIA:

Growth of retail companies in India exhibits the boom in the retail industry in India. The increase in the purchasing power of the Indian middle classes and the influx of the foreign direct investments have been increasing in the growth of retail companies in India. Infact, the growth of retail companies in India is in the growth stage, the great potential retail sector is to be explored. Brand big companies have stepped in to retail sector this will enhance the competition among them, which will ultimately lead to the growth of retail sector. The growth of retail companies in India is most concentrated in metros, however towns are also not lagging behind. The retail companies are not only targeting the big cities but also considering the second graded up coming cities like Ahmadabad, Baroda, Coimbatore, Visakhapatnam, Cochin, Ludhiana, Pune, Gurgaon and others. The south India adopted the process of shopping in the super markets for their daily requirements and it is influencing other cities as well as where many hypermarkets are coming up day to day. Infact the retail companies are found to be rising at a remarkable speed. The recent past has brought a revolutionary change in the shopping attitude of the Indian customers. Some of the following factors have played a vital role in changing Indian's customer attitude, buying behavior.

Presently Indian middle class citizens are mostly influenced by their increased purchasing power. The rise of upcoming business sectors like Information Technology, Telecom, Health care, Infrastructure, Retail. The effect of globalization has changed the taste and attitudes of Indian's, of course it has become a global phenomenon. The policies of the government have also fascinated more FDI's to the retail sector. It is very much reasonable to note that much

potential in rural India is still remained untapped. Rural India is also being provided with well defined infrastructural facilities like Road connectivity to the highways, Water supply, Communication network and Electrification. The retail companies must have to show equal importance towards urban and rural India. The habits of the rural people are also being influenced and changed due to the electronic media. Even rural people are also being exposed to global changes, they are trying to cope up with the changing trends of the world.

The changes in fashion, have not been limited to the any part of the globe, but have become a global phenomenon. It has an impact in India. Hence India will be the best market for retailing since its population is high and change in the lifestyles, strong surge in Income levels which has been supported by the demographic patterns.

SCOPE OF THE INDIAN RETAIL INDUSTRY

The post liberalization era witnessed retail industry is under going a revolutionary change. The changes in the organized retail industry is visible in the form of new retail and indigenized formats such as departmental stores, hypermarkets, supermarkets, specialty and convenience stores, and malls, multiplexes and fun zones are fast dotting the retail landscape.. The reason for the success of these modern retail outlets in India can be attributed to the rapid growth of middle class consumers, increase in per capita income spending by consumers.

Growth in the number of double income (DI) households, less time at the disposal of (DI) families,

exposure to the global changes through communication network and electronic media, increased usage of plastic money. Earning sources to the younger population while they are studying. India is also witnessing growth of luxury brands in India, leading to introduction of new retailing stores called as Luxury stores. The luxury retail market in India is showing tremendous growth momentum regardless of the present global financial crisis.

According to the 8th annual Global Retail Development Index (GRDI) of A.T.Kearney, India retail industry is the most promising emerging market for investment. In 2007 the retail trade in India has 8-9% in the

GDP of the country it was 12% in the year 2009, and it has been expected to reach 22% by 2010. Hence growth of retail industry and its contribution to the GDP is very significant.

As per the current **AT Kearney Global Retail Development Index (GRDI 2012)** rating, India remains an attractive market for (modern) retail business for global retailers.

The rankings are dominated by Latin American countries like Brazil (has been on top of this list for 2 consecutive years now), Chile (2nd), Uruguay (4th) & Peru (10th). This can be largely attributed to better political stability and a steady economic growth the region is experiencing.

Rank	Country	Market attractiveness	Country risk	Market saturation	Time pressure	GRDI score	Change in rank over 2010
1	Brazil	100	85.4	48.2	61.6	73.8	0
2	Chile	86.6	100	17.14	57.1	65.3	0
3	China	53.4	72.6	29.3	100	63.8	3
4	Uruguay	84.1	56.1	60	52.3	63.1	-1
5	India	31	66.7	57.6	87.9	60.8	-1

According to a study conducted by the Indian Council for Research on International Economic Relations (ICRIER), the retail sector is expected to contribute to 22 per cent of India's GDP by 2012. At present, the retail industry in India is estimated at US\$ 400 billion industry. With rising consumer demand and greater disposable income, it is projected to grow to US\$ 700 billion by 2012 with an expected annual growth rate of 30 percent, according to a report by global consultancy Northbridge Capital.

the retail sector is expected to rise to US\$ 833 billion by 2013 and to US\$ 1.3 trillion by 2018, at a compound annual growth rate (CAGR) of 10 per cent. In absolute terms, this figure is very commendable but the actual contribution to the GDP comes only in the form of organized retail. Organized retail segment grew at the rate of 42.4 % in and is expected to maintain a much faster growth rate in next three years. As of now, the organized part accounts for around 6.5% of the Indian retail market. Though, it is expected to maintain a faster growth rate in the coming years with an estimation of touching 13% by the end

of 2013. The Organized Retail share has been gaining strength owing to the robust economy that has given more disposable income in the hand of the consumer. This has led to increased demand of products/services and a better shopping environment. Over the long term (5 years), it is expected to grow at a CAGR close to 19 percent from Rs 852 billion to Rs 2024 billion in 2012-13 as per CRISIL research report. The organized retail penetration as a result is expected to move upwards from 5.5 percent to 7.3 percent in 2012.

It will be cent percent possible as the country has got a high growth rates, the consumer spending has been increased and also expected to grow up for further future. In fact the consumer spending in India climbed up to 75% in the last four years. infact retail industry in India is largely unorganized, comprising of drug stores, medium and small stores. Most of the organized retailing in India is concentrated metropolitan cities, hence there is large scope in rural India. Many Indian companies are trying to give a boost to the Indian retail market.

The foreign retail giants were initially restricted from making investments in India. But now FDI of 51% is permitted in India only through single branded retail outlets. Multi brand outlets are still beyond their reach. Again they can only enter the market through franchisees. This was how Wal-Mart had entered joining hands with Bharati Enterprises. Pantaloon is another Indian company which plans to increase its investment to US \$ 1 billion Bharati telecoms an Indian company is negotiating with Tesco to establish a joint venture for £ 750 million, a number of

global retail giants such as Wal-Mart, Carrefour also planning to setup shops in India.

. If we consider urban India, some of the cities with excellent potential are Mumbai, Delhi, Pune, Ahmadabad, Bangalore, Hyderabad, Kolkata, Chennai, Bhubaneswar, Tiruvananthapuram, etc. still the rural India has enonomous scope for its expansion. There is a good aspirational class in towns, who are hungry for a good range of electronics, consumer durables and technical products.

Rural India can be considered as heart land of retailing. But according to Indian Market Research Bureau (IMRB) study 0.6 million villages in India did not have a retail outlet of any kind, further the outlet density in rural India is lower than that of urban India. It indicates a lot of potential being left untapped. The retail companies are found to be rising in India at a remarkable speed year by year. They brought a revolutionary change in the shopping attitude of the Indian customer. The rural market in India is fast emerging as a retail consumption area. The total size of rural market for FMCG products is larger than urban India. The rural customer is now more aware and ready to experiment in key product categories like FMCG and consumer durables. The rural middle class is steadily increasing, retailers are realizing the huge potential in rural marketing and they are trying to work out rural formats, using innovative marketing strategies to reach customers across different income groups through cost effectiveness and efficiency. Hence rural India will become a heart land for retailing, India will be the destination for retailing. The India Retail Industry is gradually inching its way towards becoming the next boom industry.

Realizing the scope of retailing in India Future Group entered the education sector and the Future Group is one of India's leading retailers through brands like Big Bazaar, Food Bazaar, pantaloon and central. Future university is the academic initiative of Future Human Development Limited (FHDL), a part of Future Group. Taking in to the consideration of retailing, two full time courses have been introduced, they are MBA & BBA which covers all aspects of retail including supply chain management, category and brand management, Merchandise management, retail finance management, enterprise resource planning and stores operations along with other general management subjects. All successful MBA & BBA candidates will be inducted into Future Group companies of managerial and supervisory positions. These courses will be conducted at Bangalore, Kolkata, Ahmadabad, Delhi and FDHL has partnered with IGNOU to offer these degrees.

CHALLENGES FACING INDIAN RETAIL INDUSTRY:

Indian organized retail sector facing various challenges and its growth is being prevented. The biggest challenge faced by the Indian organized retail is the lack of retail space. Due to the high cost of real estate it has become difficult to acquire space for retailing. Specially in metro's finding space for retail activity became nearly impossible to small retailers. The tax structure in India is favorable to small retail business, it does not provide much benefits to the big retailers. Lack of adequate infrastructural facilities are also one of the major challenges to the Indian organized retail sector. The Indian government allowed foreign direct investments (FDI) in single brand retailing, this has opened

up a lot of opportunities in Indian organized retail sector, yet a lot of opportunities to be extended to fascinate more FDI's, many restrictions to be lifted on the entry of foreign players. Trained man power shortage is an another important challenge faced by Indian organized retail sector. Retailers have much difficulty in finding trained persons and also have to pay more in order to retain them, this brings down the retailers profit levels.

The Indian government has allowed 51% foreign direct investment in Indian retail brand shops only, this has made the entry of global giants to organized retail , but the global players like Tesco, Wal - Mart and Metro AG are entering the organized retail sector in India indirectly through agreement and cash and carry wholesale trading. Many Indian companies are also entering organized retail sector like Reliance Industry limited, Pantaloon and Bharati Telecom but they are facing stiff competition from these global retail giants, as a result discounting is becoming practice, this too brings down the profits of the Indian retailers. All these are posing challenges to the growth of Indian organized retail sector. But the government has to initiate necessary steps to protect the interest of foreign and domestic players.

Conclusion

India is one of the fastest growing economies in the world today. Topping the Global Retail Development Index for the third consecutive year as the most attractive market for retail investment, India has one of the most vibrant retail sectors in the world. Retailing in India is becoming increasingly organized and is poised to grow at an exponential rate. These growth opportunities have even attracted global major players who are setting up shops in India. India will be the destination for retailing as existing Indian middle class purchasing power is increasing at a rapid pace. The changes in the organized retail industry is visible in the form of new retail and indigenized formats

such as departmental stores, hypermarkets, supermarkets, specialty stores and convenience stores, and malls, multiplexes and fun zones.

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