

Factors Affecting Growth of Organised Retailing In India- Challenges And Opportunities

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Abstract

India is on the radar screen in the retail world and global retailers are seeking entry into the Indian retail market. The market is growing at a steady rate of 11-12 percent and accounts for around 10 percent of the country's GDP. Indian retail market is considered to be the second largest in the world in terms of growth potential. The recent years have witnessed rapid transformation and vigorous profits in Indian retail stores across various categories. This can be contemplated as a result of the changing attitude of Indian consumers and their overwhelming acceptance to modern retail formats. Domestic consumption market in India is estimated to grow approximately 7 to 8% with retail accounting for 60% of the overall segment. Of this 60%, organized retail is just 5% which is comparatively lesser than other countries with emerging economies. For the growth of retailing in India organized retailing provides great opportunities. This paper provides insight into various factors responsible for growth of organized retailing in India. The paper also focuses on various challenges and opportunities for growth of organized retailing in India.

Introduction

Sale of goods to ultimate consumers for use and consumption and not for resale is termed as Retail. This word retail; comes from the French word retailer which means to break bulk therefore in most simple terms it implies direct contact with ultimate consumers. Retailing can be defined as the buying and selling of goods and services. It can also be defined as the timely delivery of goods and services demanded by consumers at prices that are competitive and affordable. (Ms. Vidushi Handa, Mr. Navneet Grover). In 2004, The High Court of Delhi defined the term 'Retail' as a sale for final consumption in contrast to a sale for further sale or processing (i.e. wholesale), a sale to the ultimate consumer. (High Court of Delhi). Thus retailing can be said to be the interface between the producer and the individual consumer buying for personal consumption. This excludes direct interface between the manufacturers and institutional buyers such as the government and other bulk customers. Retailing is the last link that connects the individual consumers with the manufacturing and distribution chain. A retailer is involved in the act of selling goods to the individual consumer at a margin of profit. (Ms.Sonia). Organised retailing formats are still at evolving stage in india but still retail sector in emerging markets is becoming increasingly competitive. Various factors like increasing number of nuclear families, greater work pressure, working women, and increased commuting time, convenience has become a priority for Indian consumers. This provides great platform for organized retailers in India.

Literature Review

According to Zenia Kotval and John R.Mullin, malls also provide decent second jobs or partime jobs for children spouses and senior citizens. Further they have mentioned their work about impacts and downtowns. According to them malls hurt downtowns! Local department stores,

unable to compete with the mall in terms of prices and variety will inevitably close. Family owned stores will suffer and few will survive the transition. Modern marketers are rediscovering the ancient mantras for success in corporate world and blending them with contemporary marketing practices. Long term survival and competitive advantage can only be attained by establishing an emotional bond with the customers. A shift is taking place from marketing to anonymous masses of customers to developing and managing relationships with more or less well known or at least some identified customers (Gronroos, 1994). Unless and until a retailer understands a specific class of factors that influences customers satisfaction, induces to develop this loyalty towards a particular retail format and liking for a particular buying behavior, a retailer cannot succeed in attracting consumers loyalty as well cannot retain a large number of customers for a long period.(Ellen Garbarino et al). The analysis of the study conducted by Kalirajan Kaliappa & Singh Kanhaiya, (2009) shows that consumers gain in terms of low pricing when they shop with corporate retailers. The study further reveals that from the consumers' perspective, expansion of organized retailing is preferred as different malls and corporate retailers compete with each other and stabilize prices. These results support the surprise findings of ICRIER1 (2008) study, which reveals that low income consumers save more than others through shopping at organized retail outlets, which is a result of targeted discount shopping. According to Vijaya et al., (2008) one of the winners in the unionization of the organized retailing are the consumers. The relationship between store attributes and retail format choice is also examined in the literature. Previous studies have shown that pricing, product assortment, and customer services are important factors in determining choice of format in the department store context (Arnold, 1997; Sparks, 1995). In addition, store environment and atmosphere appear to be influential in consumers' format decisions (Baker et al., 1994; Donovan et al., 1994). Fox et al., (2004) identified frequency of store promotion efforts and product assortment-related factors to be highly influential on format choice in the grocery sector. Interestingly, price was shown to be less influential. Generic factors such as location, ambience, reputation, customer service and the like, which meet the general shopping orientations such as the enjoyment that they seek or the convenience, which they look for while shopping are some of the guiding considerations to shop at malls (Levin et al., 2003). A majority of shopping malls in India are created to provide divergent benefits of shopping to consumers (Jhamb & Kiran 2012). Holbrook (1982) states that malls are attractive locations which facilitate social interactions and entertainment. Bloch et al. (1994) & Geuens et al. (2001) identified different patterns of the shopping malls habitat.

Objectives of The Study

1. To know various factors affecting the growth of organized retailing in India.
2. To study various challenges faced and opportunities available for growth of organized retailing in india.

Research Methodology

The research design is descriptive in nature. Secondary data sources have been tapped efficiently and effectively. The paper is based on the use of previous research paper in the same field.

Factors affecting growth of organized retailing

Organized retailing is a recent development. It is the outcome of socio-economic factors. India is standing on the threshold of retail revolution. Retail Industry, one of the fastest changing and vibrant industries that, has contributed to the economic growth of our country. Within a very

short span of time, Indian retail industry has become the most attractive, emerging retail market in the world. Healthy economic growth, changing demographic profile, increasing disposable incomes, changing consumer tastes and preferences are some of the key factors that are driving growth in the organized retail market in India.

Growth of middle class consumers

In India the number of middle class consumer is growing rapidly. With rising consumer demand and greater disposable income has given opportunity of retail industry to grow and prosper. They expect quality products at decent prices. Modern retailers offer a wide range of products and value added services to the customers. Hence this has resulted into growth of organized retailing in India. Growing consumerism would be a key driver for organized retail in India. Rising incomes and improvements in infrastructure are enlarging consumer markets and accelerating the convergence (meeting) of consumer tastes.

Increase in the number of working women

Today the urban women are literate and qualified. They have to maintain a balance between home and work. The purchasing habit of the working women is different from the home maker. They do not have sufficient time for leisure and they expect everything under one roof. They prefer one-stop shopping Modern retail outlets therefore offers one store retailing.

Value for money

Organized retail deals in high volume and are able to enjoy economies of large scale production and distribution. They eliminate intermediaries in distribution channel. Organized retailers offer quality products at reasonable prices. Example: Big Bazaar and Subhiksha. Opportunity for profit attracts more and more new business groups for entering in to this sector.

Emerging rural market:

Today the rural market in India is facing stiff competition in retail sector also. The rural market in India is fast emerging as the rural consumers are becoming quality conscious. Thus due to huge potential in rural retailing organized retailers are developing new products and strategies to satisfy and serve rural customers. In India, Retail industry is proving the country's largest source of employment after agriculture, which has the deepest penetration into rural India.

Entry of corporate sector:

Large business tycoons such as Tata's, Birla's, and Reliance etc. have entered the retail sector. They are in a position to provide quality products and entertainment. As the corporate – the Piramals, the Tatas, the Rahejas, ITC, S.Kumar's, RPG Enterprises, and mega retailers- Crosswords, Shopper's Stop, and Pantaloons race to revolutionize the retailing sector.

Entry of foreign retailers

Indian retail sector is catching the interest of foreign retailers. Due to liberalization multinationals have entered out country through joint ventures and franchising. This further is responsible for boosting organized retailing.

Technological impact

Technology is one of the dynamic factors responsible for the growth of organized retailing. Introduction of computerization, electronic media and marketing information system have changed the face of retailing. Organized retailing in India has a huge scope because of the vast

market and the growing consciousness of the consumer about product quality and services. One of the major technological innovations in organised retailing has been the introduction of Bar Codes. With the increasing use of technology and innovation retailers are selling their products online with the help of Internet.

Rise in income:

Increase in the literacy level has resulted into growth of income among the population. Such growth has taken place not only in the cities but also in towns and remote areas. As a result the increase in income has led to increase in demand for better quality consumer goods. Rising income levels and education have contributed to the evolution of new retail structure. Today, people are willing to try new things and look different, which has increased spending habits among consumer.

Media explosion:

There has been an explosion in media due to satellite television and internet. Indian consumers are exposed to the lifestyle of countries. Their expectations for quality products have risen and they are demanding more choice and money value services and conveniences.

Rise of consumerism

With the emergence of consumerism, the retailer faces a more knowledgeable and demanding consumer. As the business exist to satisfy consumer needs, the growing consumer expectation as forced the retail organizations to change their format of retail trade. Consumer demand, convenience, comfort, time, location etc. are the important factors for the growth of organized retailing in India. The retail industry is divided into organized and un-organized sectors. Organized retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc.

These include the corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses. Un-organized retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, the local kirana shops, owner manned general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors.

It is important to understand how retailing works in our economy, and what role it plays in the lives of its citizens, from a social as well as an economic perspective. India still predominantly houses the traditional formats of retailing, that is, the local krana shop, I paan/beedi shop, hardware stores, weekly haats, convenience stores, and bazaars, which together form the bulk.

Challenges to organized retail development in India

Since Retailing is not very old concept in India so the rate of growth is still slow in India. Various reasons for slowrate of growth of organized retailing in India can be summarized as under:

1. Existence of small shops (The kiryanas): Competition from unorganized sector is the major challenge against organized retailing .The small shops are mostly owner operated ,it requires very little investment and has very little taxes to pay all of which collectively pose challenge for organized retailing because organized retailing has big cost structure and yet they have to keep prices low so as to meet competition.
2. No recognition to Retailing: Retailing in India is not recognized as an industry which hinders the growth of retailing as no finances are available for its development & growth.
3. Highly priced Real Estate: The real estate prices are very high in India. The rent or lease of

property is so expensive that it reduces the profitability of a project and makes it difficult to find suitable properties in central locations for retail.

4. **Stamp Duties:** There is a very high stamp duty on transfer of properties which also hinders the process of growth. Stamp duty varies from state to state.
5. **Lack of Infrastructure:** poor roads and the lack of a cold chain infrastructure hamper the development of food and grocery retail in India.
6. **Price War:** There is a price war between different retail organizations. 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. (Dr. Shahid Akhter et al).
7. **Lack of Skilled Manpower:** Since In India there are very few courses specific to retailing in India. Graduates/ post undergraduates from other fields are recruited so there is lack of skilled manpower.
8. **Policy Barriers:** Since organized retail in India is managed by both the Ministries of Commerce & Consumer Affairs. While the Ministry of Commerce takes care of the retail policy, the Ministry of Consumer Affairs regulates retailing in terms of licenses and legislation. There is a need to govern retail operations through a single apex body. A single agency can take care of retail operations more effectively.
9. **Channel Conflicts:** Globally, retailers maintain a direct relationship with their suppliers. Due to the complex taxation structure and geographical spread of the country, most FMCG companies have developed regional distribution and re-distribution network. Cutting out the distribution network will hurt the operating structure of distributors.

Growth And Opportunities Of Retailing In India:

The Indian retail trading has received Foreign Direct Investment (FDI) equity inflows totaling US\$ 537.61 million during April 2000–March 2016, according to the Department of Industrial Policies and Promotion (DIPP).

With the rising need for consumer goods in different sectors including consumer electronics and home appliances, many companies have invested in the Indian retail space in the past few months.

- International Finance Corporation (IFC), the investment arm of The World Bank, plans to invest up to Rs 134 crore (US\$ 19.86 million) in Kishore Biyani's Future Consumer Enterprises Ltd, which is expected to aid the company in driving its growth plans.
- Amazon India has opened six new fulfillment centres across Chennai, Coimbatore, Delhi, Jaipur and Mumbai, which will open up 5.5 million square feet of storage space for sellers on the marketplace who use the 'Fulfilled by Amazon' service.
- IKEA, the world's largest furniture retailer, plans to invest Rs 10,500 crore (US\$ 1.56 billion) to set up 25 stores across India and hire over 15,000 permanent employees and 37,500 temporary employees to assist in running its stores.
- Amazon Inc. has announced that the company would invest an additional US\$ 3 billion in India operations, thereby taking its committed investment in the country to over US\$ 5 billion.
- Aditya Birla Fashion and Retail Limited (ABFRL) has announced that it will acquire

exclusive online and offline rights of Forever 21, an American fast fashion brand, in the Indian market.

Conclusion

Retail in India is most dynamic industry and represents a large opportunity for domestic and international retailers. Modern retailing is not a problem to traditional stores as most of the consumers said that they never stopped visiting kirana stores. They strongly agree that the existence of both the sector is required. The retailers have to redesign the retail format strategies on the basis of customized regional approach. The analytical mass of the research makes it sufficiently evident exclusive showrooms and branded companies are not feasible in the Indian scenario and they have to reframe their strategies. The main reason for this is that the western pattern of retail format in India does not suit the people and culture. It must be kept in mind that Indian buyers are extremely price sensitive (than quality). Ease to buy and credit facilities provided by un-organised retail is still a major consideration while shopping. In nutshell we can say that there is vast scope for the growth of organized sector in India due to change in time, technology, customer requirement, customer taste, preferences. But it is also true that kirana store are big challenges in front of them. In India no doubt that due to lack of time and increase of service class organized sector is developing but still people in Rural, semi urban are still prefer to buy from Karyana store due to reliability, and boundness. .

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