



## **Retailing – The Changing Trend in Indian Market**

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### **Abstract:**

The Indian retail industry is the second largest in the world. Comprising of organized and unorganized sectors, India retail industry is one of the fastest growing industries in India, especially over the last few years. Though initially, the retail industry in India was mostly unorganized, however with the change of tastes and preferences of the consumers, the industry is getting more popular these days and getting organized as well. With growing market demand, the industry is expected to grow at a pace of 25-30% annually. With the tremendous growth of economy, retail management has emerged as one of the fastest growing careers in India. The enormous expansion in the retail sector during the past few years has thrown up a big demand for skilled professionals in the field.

### **Introduction**

In India why retail sector become boom? Because, India is a big market and World's second largest populated country in the world. So every big player wants to enter in Indian market. Retailing is one of the pillars of the Indian economy. Retailing has captured the imagination of the nation. Retailing has become the buzzword in today's business circle. From the petty traders at street corners retailing has assumed enormous proportion which lies beyond imagination. The word Retailing has become synonymous with big shopping malls, huge supermarkets, department stores and large discount stores that have become the one-stop-shop for all needs of customers under one roof. It combines convenience with variety and price reasonability which considerably changed buying scenario of the consumers.

The Indian retail industry is all set to grow manifold as several big names have already entered the fray and many more are waiting to chip in with huge investments. Several leading foreign retailers are also eyeing the Indian market and scouting the Indian patterns to establish their franchisees on the Indian soil.

### **Objectives of Research Paper**

1. To know the emerging trends in Indian retail industry.
2. To identify the drives of changes in organized retailing.

## Research Methodology

This paper is based on secondary data collection. All the data used for the purpose of this research has been sourced from various sources like research paper, newspaper, Paper Articles, websites and books.

## Retailing Scenario in India

Retailing began several thousand years ago with peddlers hawking their wares at the earliest marketplaces. The diversity of retailing is evident in the many forms as it now takes. It includes vending machines, door to door and telephone sales, direct mail marketing and so on. Because of the increasing number of nuclear families, working women, greater work pressure and increased commuting time, convenience has become a priority for Indian consumers. They want everything under one roof for easy access and multiplicity of choice. This offers an excellent opportunity for organized retailers in the country who account for just 2% of the estimated US \$ 180 billion worth of goods that are retailed in India every year. Presently there are 1500 super markets, 11025 departmental stores & 300 shopping malls having 45 million square feet area of retailing space. The retail industry in India is contributing 10% of the GDP & 8% of the total employment.

### Growth of Retailing (Rs.Crores)

Year	Retailing business sales (Organized Sector)
1999-2000	5000
2003-2004	15000
2005-2006	35000
2009-2010	60800

Source Economic Times January 29<sup>th</sup> 2010.

If we compare the Indian retail industry with USA there is wide gap. In 2004 the US Retail Market was of \$3 Trillion, on the other hand India's Retail Market was only \$180 Billion. The employment generated by US Market was for 22 million people and Indian market provided it to 15% of the Indian adults. The percentage of our organized retail market is only 2%, but it is 80% in USA. The retail sales of Indian retail market are \$202.6 Billion which is less the Wal mart (USA) the second largest in world which has 256 Billion sales & also employed 10 lakh employees in USA & 3 lakh employees internationally. Although Indian Retail Industry is 25 tears lagging behind the USA It will take just 5 years to fight back the competition.

### Comparison between US & Indian Retail Industry

Particulars	US Retail market	Indian Retail market
Total Sales per Annum	\$3 Trillion	\$180Billion
Employment Generated	22 Million People	15% of Indian Adults
Organized Retail Market	80%	2%

Total No. of Major Retail Stores	1,20,000	20,000
Contribution to National Income	33%	40%

Source: Marketing Master Mind, August 2004.

Retail Sector is most upcoming sector in Indian Economy. Many biggest players are yet going to enter in the industry soon. It is on the threshold of revolution after Information Technology sector. The organized retail sector has grown approximately 6% from earlier 2% of the world with the increase of approx. 20-25% of pace. The current growth rate is estimated to be around 8.5%. There are about 300 new malls, 1500 super markets, 325 departmental stores being expected and build soon.

he growth and development of organized retailing in India is driven by two main factors- lower prices and benefits of consumers. India is the 9<sup>th</sup> largest retail market in the world. As the employment rate is increasing and the economy is growing by 8 to 9% with total sales of US \$ 6.6 trillion, retailing is the world's largest private industry ahead of finance and engineering. Some of the world's largest companies are in this sector.( over 50 fortune, 500 companies and around 25 of the Asian Top 200 firms and retailers) Wal-Mart, the world's second largest retailer has a turnover of US \$ 260 billion, almost 1/3 of India's GDP. Many as 10% of the world's billionaires are retailers.

### **Share of Retailing in GDP & Employment**

In late 1990's the retail sector has witnessed of transformation. Retailing is being perceived as a beginner and as an attractive commercial business for organized business i.e. the pure retailing to emerge now. Organized retail business in India is very small but has tremendous scope. The total in 2005 stood at \$ 225 billion, accounting for about 11% of GDP. The employment opportunities created by retail marketing was 6-7% of the total employment in India. India's retail industry is the second largest sector, after agriculture which provides employment. According to Associated Chambers of Commerce and Industry of India, the retail creates 50,000 jobs in the next few years.

### **Organized Retailing**

The organized sector is expected to grow faster than GDP growth in next few years driven by favorable demographic patterns, changing lifestyles and strong income growth. This sector includes supermarkets, hypermarkets, discount stores and specialty stores. The organized retail segment has the urban, high income group as its core customer base. The organized retail sector is trying to grab the share of the unorganized sector by focusing on rural India which forms 2/3 of the unorganized sector. Capturing the rural customer base can exceptionally spike the organized sector share. Retailing in many developed countries is having more business and better than in India.

### **Unorganized Retailing**

In India most of the retail sector is unorganized. The organized sector accounts for 6% share, whereas 94% share is contributed by the unorganized sector. The main challenge facing by

organized sector is the competition from unorganized sector. Unorganized retailing has been there in India from many centuries, these are named as mom-pop stores.

### **Forecast or future of Retailing**

Traditionally retail has not been a structurally organized industry. Currently there are near about 51, 30,000 retail centers selling about 4390 billion worth of products. Indian retail market grows due to the following strategic factors. The factors responsible for the development of retail sector can be broadly summarized as-

- The availability of credit and the reduction in rate of interest has lead to a boom in real estate making a way for establishment of new shopping malls.
- Improving standard of living and constant economic growth with good jobs and handsome packages. The ultimate credit goes to the BPO industry which provides jobs for young graduates and part time jobs for undergraduates. Their favorite places to spend salaries are the shopping malls.
- Working women to a great extent has contributed to increasing standard of living by using credit cards of banks.
- Shift in consumer demands to foreign brands like McDonalds, Sony, and Panasonic etc.
- Reduction in import duties offering more global sourcing options.
- Rising incomes and improvements in infrastructure are enlarging consumer markets.
- Liberalization of the Indian Economy which has leded to start up the markets for consumers.
- The intern ate revolution is making Indian consumers more accessible to the growing influence domestic and foreign retail chains. Reaching of satellite TV channels is helping in reaching global products for local markets.
- About 47% of India's population is under the age group of 20, which will immensely contribute to the growth of retail sector.
- Availability of quality real estate and Mall Management Practices.
- Foreign companies attraction to India as the billion-plus population.

### **Challenges before Retailing in India**

In India the Retailing industry has a long way to go, and to become a truly flourishing industry, needs to cross the following hurdles.

- The first challenge facing by the organized retail sector is the competition from unorganized sector.
- Automatic approval is not allowed for foreign investment in retail.
- Regulations restricting real estate purchases and cumbersome local laws.
- Absence of developed supply chain and integrated IT management.
- Low skill level for retailing management.
- Intrinsic complexity of retailing- rapid price changes, threat of product obsolescence.
- Lack of technical know-how.
- Absence of retailer friendly law.
- Lack of trained work force.

- Limited space& fewer infrastructures.

### **Remedies on Retailing**

To face the above challenges following mantras / remedies are suggested.

- Focus on consumer needs.
- Think that customer is always right.
- Develop private label brand.
- Make customer feel proud while company your Brand.
- Well managed leisure experience must give to customer.
- Target at all members of the family.
- Compromising of shopping, dining and entertainment all less than one roof.
- Offer wider range of products and services.
- Use effective visual communication for customers.
- Retailer must use door-to-door advertisement campaign to attract customers.

### **Conclusions**

In India the retail sector is the second largest employer after agriculture, although it is highly fragmented and predominantly consists of small, independent owner- managed shops. There are over 12 million retail outlets in India, and organized retail trade is worth of Rs. 12, 90,000 core (September, 2003). The country is witnessing a period of boom in retail trade, mainly on account of a gradual increase in the disposable incomes of the middle and upper-middle class households. More and more corporate houses including large real estate companies are coming into the retail business, directly or indirectly in the form of mall and shopping center builders and managers. New formats like super markets and large discounted departmental stores have started influencing the traditional looks of book stores furnishing stores and chemist shops.

The retail revolution, apart from bringing in sweeping, positive changes in the quality of life in the metros and cities is seen today. For the retail sector to achieve further growth, the spread of organized retailing has to become a national phenomenon. According to KSA Techno Park, a leading consulting firm, the organized sector will grow to almost Rs. 30,000 cores by 2008, representing 6% of the total retail market. The top 6 cities will account for 66% of total organized retailing. Although many international retailers and brands still realize India is too difficult, they would welcome the opportunity to create appropriate joint ventures, if they felt India was changing. The growth of the organized retail industry in the country will mean thousands of new jobs, increasing income levels and living standards.

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