

Organized Retail in Jharkhand - Drivers Facilitator and SWOT Analysis

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Abstract: The Jharkhand retail sector is witnessing tremendous growth with the changing demographics and an increase in the quality of life of urban people. Retail Sector is the most booming sector in the Jharkhand economy. With a growing economy, improving income dynamics, rising awareness and a youth-heavy customer base. Jharkhand is well on its way to become one of the most prospective markets for the domestic as well as global retailers. The main objective of this paper is to strategically analyze the Jharkhand's retail Industry. The present paper identify the drivers which affect the growth of the Jharkhand retail market, looks at the major factors affecting the retail business and to carry out the SWOT analysis of organized retail in Jharkhand. The results of the study depict that infrastructure, economic growth and changing demographics of consumers are the major driver of organized retail in Jharkhand. The location of the retail store, management style and adequate salaries to personnel enhance the effectiveness of retail business and are important factors for retailers' success.

Keywords: Retail, Economy, Demographics, Infrastructure, Urbanization, Drivers, SWOT.

1. INTRODUCTION

The recent time has been observed as growth of Jharkhand organized retail market with many folds. Numerous business groups are attracted in the past few years, including some renowned business groups like Bharti, Future, Reliance and Aditya Birla to establish hold, showing the future growth in times to come. Retailing is one of the largest industry in India and one of the biggest sources of employment in the country. The retail industry in Jharkhand is largely unorganized and predominantly consists of small, independent, owner-managed shops. However, the retail sector in Jharkhand is witnessing a huge revamping exercise as the traditional retailers are making way for new formats. These modern retail formats provide wide variety to customers and offer an ideal shopping experience with an amalgamation of product, entertainment and service, all under a single roof. The Malls, convenience stores, department stores, hyper/supermarkets, discount stores and specialty stores are the emerging retail formats that provide different shopping experience to consumers, (Sinha and Kar, 2007, Kotler, 2006).

The Jharkhand consumer is seeking more value in terms of improved availability and quality, pleasant shopping environment, financing option, trial rooms for clothing products, return and exchange policies and competitive prices. This has created a rapid growing opportunity for organized, modern retail formats to emerge in recent years and grow at a fast pace. According to Swar (2007), several demographic indicators show favorable trends for the growth of organized trade in Jharkhand and these become the important drivers for retail industry in Jharkhand. These are:

- i) Rapid income growth: Consumers have a greater ability to spend.
- ii) Increasing Urbanization: Larger urban population that value convenience, coupled with the higher propensity of the urban consumers to spend,
- iii) Growing young population: Growth of the post-liberalization maturing population, with the attitude and willingness to spend.

iv) Spend now vs. save earlier: Consumers are willing to borrow for present consumption, which has resulted in the emergence of big retail chains in most of the towns.

Product, place, price, promotion, people and process play important role in retailing. On the other hand, physical evidence is one aspect that does not need any emphasis at all due to changing consumers' mindset. As per the study, there are number of elements that characterize the retail industry in Jharkhand and these are as follows:

- It is a people-centric industry.
- A highly service-oriented sector.
- Demand drivers are more location specific.
- When there is a holiday or festival for the general public it is peak time for retailers.

With such sweeping changes in the Jharkhand retail arena, interesting times lie ahead. Proper marketing strategies hold the key.

2. REVIEW OF LITERATURE

The review of literature has been broadly categorized into two headings, namely:

- Overall Retail Scenario.
- Drivers of Retailing.

2.1 Overall Retail Scenario

Agarwal (2007) Highlights the emergence of organized retailing in India and views the Catalytic effects of retail on Indian Economy. Employment generation, Growth of real estate, Increase in disposable income and Development of retail ancillary market are the various catalytic effects on Indian economy. Tusharinani (2007) noted the transformation of traditional formats into new formats, viz., departmental stores, hypermarkets, supermarkets, specialty stores and malls taking the lead in attracting consumers in the metro cities. Hino (2010) shared his observation about the emergence and expansion of supermarkets that gradually decreased the market share of the traditional formats by displacing them and the factors that helped supermarkets in gaining consumers favors over the traditional stores are the 'consumers economic ability' and the 'format output'. The consumer has multiple options to choose- ranging from the shopkeeper to the most sophisticated supermarkets, departmental stores, plazas and malls which provide the latest and better quality products and it made India the top spot among the favored retail destination as observed by Gupta (2004), Jasola (2007) and India Retail Report (2009). Goyal and Aggarwal (2009) opinion that in India, a consuming class is emerging as a result of increasing income levels and dual career families with high disposable incomes. With retailers eyeing their presence in the market, it is important to identify the target shoppers as well as the prime factors of enjoyment in shopping. The results reveal that a majority of the consumers are pro-shoppers, feeling enjoyment while shopping. Their key interests include getting product ideas or meeting friends. They also view shopping from emerging retail formats as a means of diversion to alleviate depression or break the monotony of daily routine. In addition to this, they also go shopping to have fun or just browse through the outlets. The study by Mishra (2008) expose that mall space, demography, rising young population, availability of brands, rising retail finance, changing lifestyle, modern retail formats and foreign direct investment are the strengths and opportunities for modern retail model. On the other hand, real estate cost, improperly developed mall, lack of skilled personnel, underdeveloped supply chain and taxation hurdles are the weaknesses and threats for modern retail formats. Shukla (2007) and Goyal et al (2009) described that Food and Grocery; Health and Beauty; Apparel; Jewellery and Consumer durables are the fastest growing categories of organized retail and fashion sector in India commands lion's share in the organized retail pie. The most appropriate retail formats for various items are: Food and grocery-Supermarket; Health and beauty care services-Supermarket; Clothing and Apparels'- Mall; Entertainment-Mall; Watches-Hypermarket; Pharmaceuticals-Hypermarket; Mobile, accessories & Services-Hypermarket; Foot wares-Departmental store. The study by Satish and Raju (2010) throws light on the major Indian retailers which highly contribute to the retail sector in India. Pantaloon, Tata Group, RPG Group, Reliance Group and A V Birla group are some of the major Indian retailers. According to Halepete (2008), India is expanding internationally due to saturation of markets and challenges faced by international retailers. Partnership between Bharti and Wal-Mart is one of the successful expansions of international retail in India.

2.2. Drivers of Retailing

Arshad et al (2007) and Ghosh et al (2010) stated that 47% of India's population is under the age of 20 and this will increase to 55% by 2015 and this young population will immensely contribute to the growth of the retail sector in the country. While the study by Ali and Kapoor (2010) indicate that a higher income and educational level of consumers influences their decisions on product and market attributes while gender and age seems to have no significant impact. The young consumer seeks more and more information about the new products available and retailers need to communicate them more effectively is emphasized by Kaur et. al. (2007), Rajagopal (2008), Thang et. al. (2003) and Srivastava (2008) supported that consumers choice of shopping malls over traditional market stores is influenced by various factors like ambience, assortment, sales promotion schemes and in-store services. The facility of one stop-shop had a positive response from the consumers, who found it more convenient, time saving and satisfactory. The changing retail structure has provided the consumers with more options in the form of formats and services such as less travel time, large variety of products and quality products etc, as observed by Popkowski et. al. (2001). Lather et. al. (2006) and Gupta (2007) study uncovered six main indicators: viz., price, sales personnel, quality of merchandise, assortment of merchandise, advertising services and convenience services that play key role for retailers in choosing the type of retail formats that may help them to cope up with the changing preferences of consumers. Aggarwal (2007) and Bhardwaj et. al. (2007) indicated that organized retail industry will mean thousands of new jobs, increasing income level, standard of living, better products, better shopping experience etc. The study by Dash et. al. (2009) and CII (2008) depict that growing middle class, large number of earning youth customers, increase in spending, and improvement in infrastructure, Liberalization of Indian economy and India's booming economy are the various opportunities for organized retailing in India. On the other hand, complexity of taxes, lack of proper infrastructure and high cost of real estate are the hurdles which need to remove for retail success in India. Enjoyable pleasant and attractive in store shopping environment increases the chances of impulsive buying among consumers, Crispen et. al. (2009). According to Jain and Bagdare (2009) Layout, ambience, display, self-service, value added services, technology based operations and many more dimensions with modern outlook and practices are the major determinants of modern retail formats. Robinson (1998) and Herper et. al. (2000) mentioned in study that there is a need for consumer orientation rather than product orientation for future developments in retailing.

3. OBJECTIVES OF THE STUDY

- To identify the major drivers of organized retail sector in Jharkhand.
- To identify the mixture of factors affecting the organized retail sector in Jharkhand.
- To conduct the SWOT analysis of organized retail sector in Jharkhand.

4. RESEARCH METHODOLOGY

The data has been collected from 50 retailers from major cities of Jharkhand viz. Ranchi, Jamshedpur, Bokaro, Dhanbad and Ramgarh through a self-structured questionnaire. Stratified random sampling has been used. The overall reliability of the questionnaire as depicted by Cronbach alpha is 0.936. The study has used the descriptive statistics i.e. mean and standard deviation for analyzing the major drivers of retailing.

4.1 Results and Discussions

Table 1: Major Drivers of Organized Retail in Jharkhand

SN	Drivers	Mean	Std. Deviation	Rank
1.	Increase in FDI's	3.80	1.13	4
2.	Development of Retail Ancillary	3.61	0.98	9
3.	Growth of real-estate	3.76	0.99	5
4.	Increase in Disposable Income	3.63	0.77	8
5.	Urbanization	3.71	0.90	7
6.	Growing consciousness	3.76	1.16	6
7.	Infrastructure	3.94	0.97	1
8.	Changing Demographics	3.82	1.14	3
9.	International brands	3.10	1.08	10
10.	Economic growth	3.90	1.14	2

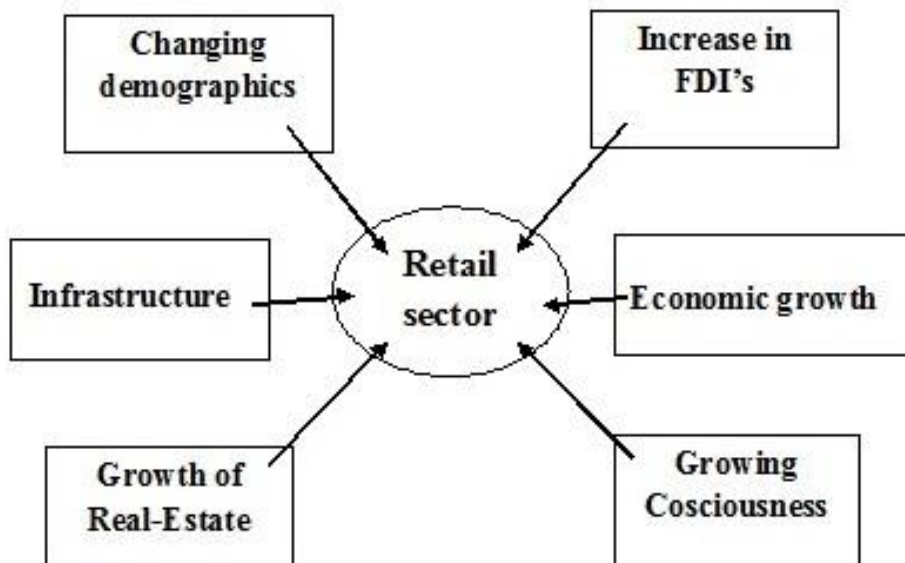


Figure 01: Drivers of organized retailing in Jharkhand

The above table and figure 01 depict the major drivers effecting the growth of organized retail in Jharkhand. The data has been collected from retailers of Jharkhand cities. From the literature review, it has been ascertain that share of organized retail is increasing in Jharkhand as consumers are accepting the new trends of retailing. So, this paper tries to find out the major drivers of retail in Jharkhand. As per retailers' point of view, infrastructure, economic growth and changing demographics are the most important drivers of retail followed by increase in FDI's and growth of real estate. On the other hand, retailers' give least priority to development of retail ancillary markets and availability of international brands as a retail driver.

Table 02: Factors affecting the organized retail business

SN	Factors	Mean	Std. Deviation	Rank
1.	Location of retail business	4.70	0.505	1
2.	Management style	4.18	0.873	2
3.	Reputation	3.48	1.165	8
4.	Sound retail policy	3.02	1.220	10
5.	Training in retailing	3.90	0.707	4
6.	Incentives for achievement	3.70	0.789	6
7.	Teamwork	3.86	0.756	5
8.	Opportunity in career	2.86	0.756	11
9.	Independence in working	2.00	0.700	15
10.	Conveyance facility	2.28	0.497	14
11.	Job security	2.70	0.863	12
12.	Safety at work place	2.52	1.111	13
13.	Working hours	3.30	0.463	9
14.	Adequate salary	3.94	0.767	3
15.	Hygienic work environment	3.52	1.129	7

The table 02 depict that location of retail business is most important factor for effective retail business. Management style and adequate salary are rank 2nd and 3rd by retailers. Incentives for achievement, Hygienic work environment and reputation of business are also moderately affect retail business in Jharkhand.

Table 03: SWOT analysis of organized retail in Jharkhand

<p>Strengths:</p> <ul style="list-style-type: none"> • Emerging retail formats like malls, supermarkets and specialty stores which provide product, service and entertainment at one place. • Jharkhand consumers have high disposable incomes, which translates into high consumption levels. • Large number of earning young population. • Growth of real-estate and Improvement in infrastructure. • Huge agricultural sector offering an abundance of raw materials.
<p>Weaknesses :</p> <ul style="list-style-type: none"> • Demographic differences between the regions require a regionally adjusted approach to business. • Presence of a significant number of strong and well-established players in the sector limits market entry potential. • Relatively small domestic market limits growth opportunities.
<p>Opportunities :</p> <ul style="list-style-type: none"> • Increasing awareness of consumers about products and services. • Changing consumers' requirements and lifestyles. • Innovation for new product development. • Private label sector has been boosted by economic downturn.
<p>Threats :</p> <ul style="list-style-type: none"> • Economic slowdown is having an adverse effect on consumer spending. • Rigid government policies and regulations restrict the entry of new players. • Price competition among retailers puts downwards pressure on margins. • Entry of International players in Indian markets consumes the share of Jharkhand retailers.

5. CONCLUSION

Retailing is one of the largest industry in Jharkhand and one of the biggest sources of employment in the State. Numerous business groups are attracted in the past few years, including some renowned business groups like Bharti, Future, Reliance, and Aditya Birla to establish hold, showing the future growth in times to come. In addition, organized retail sector has also grabbed the attention of foreign companies, showing their interest to enter Jharkhand. After looking up these facts, the paper strategically analyzed the Jharkhand retail Industry. The results of the study depict that infrastructure, economic growth and changing demographics of consumers are the major driver of organized retail in Jharkhand. The location of the retail store, management style and adequate salaries to personnel enhance the effectiveness of retail business and are important factors for retailers' success. The study further reveals that younger generation, emerging retail formats, increasing awareness and innovation in new products are the strengths and opportunities of organized retail in Jharkhand. On the other hand, Demographic changes, shrinking of markets, high real-estate cost and increasing price competition among retailers are some of the threats and weaknesses of Jharkhand retail Industry. Hence, there is an urgent need to overcome the threats and weaknesses and grab the opportunities by retailers for the success of retail sector in Jharkhand.

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