

Retailing Industry in India

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Abstract: Indian retail sector is one of the most dynamic and sunrise industries in India. With Indian economy poised to grow at around 6 to 8%, Indian retail industry is poised to grow at CAGR of around of 30%. The volume of Indian retail sector is expected to be around 490 bn USD. As compared to other countries of the world like China where penetration rate is as high as 100%, in India the penetration of retail sector is merely 4 to 6%. There is a huge prospect for both the Indian as well as the foreign players in retail sector. Indian demographics are very very strong. With majority of population between age group of 25 - 40 years of age trends are very very favourable for Indian retail sector. Around 50% of Indian population falls in this age group. Moreover, the Indian retailing landscape is very very dynamic with increasing liberalization. One of the major limitation of the Indian retail sector is that is mainly dominated by the unorganized players and is highly fragmented. Indian retail sector provides ample opportunity because there is a major chunk of Rural markets which provide opportunity for the retailers from all over the world. A huge spate of reforms has made Indian retailing industry a huge opportunity for players from all over the world. Indian retail sector is divided into various sectors on basis of quantum of spending. In Indian retailing sector around 70% of the retail sector comprises of the Food and Processing industry and around 30% of the industry comprises of the apparels, electronics, mobile and other equipments. Indian retail sector should aim at addressing the major challenges faced by the Indian industry such as increasing rentals, legal and regulatory complication, increasing competition and threat faced by the large unorganized sector from the organized sector. E - Commerce is the next best thing, as far as the Indian retail industry is concerned. With only 12% of internet penetration, there is a huge scope for the growth of the Indian retail sector. With changing legislations and increasing demand for private labels, increasing income and changing attitudes, there is a huge scope for growth and development of both Single and Multi Brand retail in India.

Keywords: Indian retail sector, growth and development.

I. INTRODUCTION

Indian retail sector is poised for a CAGR of around 40% and estimated to be around 490 bn USD. Indian retail sector is myriad with number of reforms, including FDI of around 51% in multi retail and 100% in single retail. Very very interesting trends are being witnessed in the Indian retail sector. With increasing costs, risks and changing attitudes, Indian retail sector is very very dynamic and Indian markets have huge potential for growth.

II. MARKET SIZE

Indian markets are poised for a CAGR of around 10% with a size of around 490 USD billion by 2015. Under the GATS framework India is not obliged to provide access to the Indian markets to the foreign retailers. By allowing around 51% FDI in multi brand retail and 100% FDI in single brand retail, India has provided a huge framework to the people from all over the world. Moreover, as on date, India is under no obligation to provide local access to the suppliers. One of the major characteristics of the Indian retail market is that share of the different sectors such as 70% of the Indian retail sector is dominated by the apparels and 30% is dominated by other sectors.

III. OBJECTIVES

1. To analyze strengths and opportunities of Retailing in India
2. To analyze growth avenues of Retailing in India

3. To study the best practices of Retailing in India and Abroad
4. To analyze upcoming trends in Retailing

IV. CHANNELS AND FORMATS

The markets of future retail markets will be based on a multi - channel formats. Beside, the brick - mortar, there will be emergence of e-Commerce portals as the channels of future. Beside, this there will be emergence of newer and more dynamic channels of payment, including Mobile wallet, Mobile Payment and Net Payment. Moreover the Marketing of future will be fraught with emergence of disruptive technologies and disintermediation. There will be emergence of social media marketing such as facebook, whats up.

Future of the Marketing will be mainly about disintermediation and emergence of purchase funnel. It would mean , linkages among various intermediaries. This would include both the horizontal and vertical integration. There will be increasing information sharing between the subsidiaries and intermediaries.

As far as decision making is concerned, an individual goes through number of steps and a number of players impact the purchase making decision. In future, large amount of resources will be devoted to the Marketing research and social media to influence decision making. With the advent of newer channels, that facilitate mapping and talk to the shoppers at the scale that was not possible before.

There have been tremendous changes in the environment including introduction of new channels such as drone delivery, e commerce portal, 3D printers, laser printers, computer aided programmes, open source hardware. At the same time emergence of newer ways of raising money such as Crowd funding have helped to create a healthy environment. Besides, this there is an increasing focus on customer service through the refund and customer loyalty policy.

V. EXISTING FORMATS OF RETAILING IN INDIA

- 1. Supermarkets:** Supermarkets is large form of the grocery stores. This stores basically offer groceries and a personal products. This format offers generally occupies a larger area of floor space. Supermarkets offer various products under EDLP (Every Day Low Pricing). Example of the Supermarket is **Godrej Nature Basket, Reliance Fresh, Big Apple, Food Bazar, Safal, Food World**
- 2. Hypermarkets:** Hypermarkets are large stores offering varieties of products like food, apparels, electronics,leisure spread over 2000 sq ft to 23000 sqft. These formats provide a number of services to customer such as single check out.
- 3. Department Stores:** Department stores offer large variety of products under one roof. They offer wide range of products and brands. These stories have an area ranging from 20000 to 30000 sq ft. They offer a wide range of products ranging from groceries, personal product, electronics and accessories.
- 4. Discount Shops:** Discount shops refer to the market formats in which commodities are offered at a price lower the typical market value. Discount store comprises of different types of stores including category killers and specialty store. Major example of the discount shops is Walmart, Target store, Kmart and Roses. These formats provide efficiencies at each stage.
- 5. Convenience stores:** Convenience stores are the stores that are located near to the residential areas. Prices in convenience stores are generally higher than the other formats.
- 6. Mom and Pop stores:** Mom and Pop stores refer to the family owned businesses, catering to the smaller section of the society
- 7. Vending machines:** Vending machines refer to the channel through which several products such as snacks, biscuits and beverages are provided through the automatic vending machine. For example: Mother Dairy
- 8. Retail Chain:** Such type of stores comprise of single or multiple stores under one roof. Each store offer the same kind of product and hence they attract all kind of customers.
- 9. Consumer Cooperative Store:** These kind of stores provide the essential products at the most reasonable price. It aims at providing better deals to the customers and that is why they generally run into losses. These groups comprise of members of lower and middle income group.

10. Franchise: Franchise refers to the agreement between two parties. There are two parties, one party is called franchiser and the other party is called franchisee. The products may include trademark, tag and symbol and franchisee pays the percentage of profits and turnover to the franchiser.

11. Limited service retailers: These kind of formats provide limited range of services to the customers to help them in selection of the products. Example of the limited service retailers is Macy, Sears,

12. Warehouse Club Projects: These stores refer to the retail formats, which aim at selling the products to the bulk buyers. Some of the example of the Warehouse Club Projects are Drug Emporium

13. Exclusive Brand Outlets (EBO): Exclusive brand outlets are exclusive outlets that house the products of specific brands. These retailers provides deep discounts, territory rebates and marketing support. Example of EBOs is W and Kouton

14. Private Label: Private Labels are products or services that are produced by one company for offer under another company's brand.

15. Multi Brand Outlets: These stores offer a wide range of brands across a single products.

VI. FUNCTIONS OF RETAILING IN INDIA

1. Place Utility: Retailing sector creates Place Utility for the customers. Customers can provide the provide at the right place. Example of Place Utility: Stores such as Big Bazaar, Big Apple, and Sears help to provide the products at the right place to the customers

2. Right SKUs: Retailing sector helps in creating product utility by providing product in right SKUs

3. Time Utility: Retail sector helps in creating time utility by providing the right product at the right time.

4. Retailing sector acts as the customer agent

5. Retailing helps in reducing the supply chain by providing more linkages between the intermediaries and sub intermediaries. Example of the reduced supply chain: Kishor Biyani owned Big Bazaar is able to provide the products at a very very heavy discount because of the economies of the scale generated by disintermediation. Other major reason for the retail sector is its ability to see through the purchase funnel. By providing an effective purchase funnel.

VII. INDIAN REGULATORY ENVIRONMENT

Indian retail industry is governed by the RAI (Retailer Association of India) which is association of Modern and Retail trade, launched by the modern and organized retailers. For the first time, research has been conducted by the major research firms such as AT&T, Ernst n Young, Pricewaterhousecoopers, Technopak etc.

VIII. MARKET ANALYSIS

Retailing industry started in developed world. In United States America share of retailing is closer to 85%, it was closer to 66% in Japan, in United Kingdom it was closer to 80% while India it is 6%, China 20% and Russia 33%. Indian retail industry has started making inroads into Tier I and Tier II cities.

Major cost drivers in today's retailing environment are customer service, retention of customers, logistics and online retailing.

IX. MICHAEL PORTER MODEL

Suppliers: In Indian context, the SCM (Supply Chain) for the retailers is quite large. There is need for disintermediation through roping in of the suppliers. Larger retail formats like Shopper's Stop, Westside, Big Bazaar are increasing tying up with the intermediaries to facilitate passing on the discounts and economies of scale through Horizontal and Vertical integration.

Buyers: Indian retailing industry to poised to grow to 490 USD Billion. The demand for real estate is increasing rapidly and reached 43 Billion square feet. Moreover penetration is higher in Tier I and Tier II cities.

Barriers to Entry: Indian retailing industry has large bottlenecks in terms of regulatory and legal environment. However, with easing of FDI norms, and allowing 100% FDI in single brand and 51% FDI in Multibrand retail, barriers to entry have been eased.

Barriers to Competitors: Intensity of competition in Indian retailing industry is very very high. The level of competition is becoming very very intense with entry of new players and coming up of new formats of retailing. With the advent of newer technologies and customer interface the intensity of competition is increasing tremendously

Threat of substitute product: In Indian retailing industry, the threat of substitute products is very very high. With large number of competitors and alternatives, customer have a huge choice. They have number of products and lines to choose from.

X. STRENGTHS OF INDIAN RETAILING INDUSTRY

PESTL Analysis:

1. Political Factors: The presence of a stable Government has furthered the prospects of a shining Indian Retailing industry. Spate of reforms and legislations have thrown several avenues both for organized and unorganized Retailing sector in the economy.

2. Economic Factors: The Indian economy has allowed 51% FDI (Foreign Direct Investment) in Multi Brand retail and 100% FDI (Foreign Direct Investment) in Single retail. Indian economy is the third largest economy in the world in terms of PPP (Purchasing Power Parity). Moreover, with an annual rate of growth of 8% p.a and increase in spendings this another opportunity to grow.

3. Social Factors : Indian demographics are very very favourable. With more than 60% of population below 30 years of age and changing lifestyles and attitudes, there is an ample scope for Indian Retailing industry.

4. Technology Factors : With increasing use of technology and advent of plastic currency, there is a sudden increase in scope for Indian Retailing industry. There is an ample scope for growth and increase in volumes in Indian Retailing industry.

5. Legal Factors: Indian retailing industry has large bottlenecks in terms of regulatory and legal environment. However, with easing of FDI norms, and allowing 100% FDI in single brand and 51% FDI in Multibrand retail, barriers to entry have been eased. Moreover, there is lack of legal framework to bring unorganized sector in the ambit of Indian Retailing industry.

XI. CHALLENGES OF INDIAN RETAILING INDUSTRY

1. Large Unorganized Sector: Indian retail sector comprises of both organized as well as unorganized sector. The unorganized sector comprises about 80% of the total sector. This sector poses huge competition to the Retail sector.

2. Real Estate Management: Real Estate Management poses the biggest challenge to the Indian Retailing sector. With increasing land and real estate prices and pending Land Ceiling Act, the profitability of the Indian retailing sector is going down drastically.

3. Supply Chain Inefficiencies: Supply chain inefficiencies are the main challenge of the Indian Retailing Industry. Due to the long supply chain, the cost of the Indian Retailing industry is increasing drastically. There is a need to provide linkages between with the various intermediaries through disintermediation and disruption of technologies.

4. Human Resource shortage: Another major challenge is human resource shortage. As a result of this the cost of retailing in India are increasing drastically.

5. Margins and profitability pressure: Indian retailing industry is facing major profitability and margin pressures. Impact of decline in sales, there has been a decline in the margins and profitability.

6. Inventory Management : One of the major challenges facing the Indian Industry is inventory management. Indian retailers find it extremely hard to manage the inventory due to the ever changing SKUs.

7. Pricing: One of the major issue facing the Indian Retailing industry is pricing for the products.

XII. NEWER TRENDS IN RETAILING IN INDIA

A newer concept in the Retail Marketing is emergence of Experiential Marketing. Earlier the concept was Customer satisfaction, but now the concept is of Experiential Marketing is by creating Emotional attachment. This ability to sell the merchandise depends upon the ability of Marketing Mix elements and ability of the retailers to sell the product. The economy is making a transition from the service economy to Marketing of the experiences. Moreover, these days the concept is of customer retention to compared customer acquisition. Another major concept in Experiential Marketing is through differentiation of the product. Increasing use of technology and penetration of IT usage in terms of RFID (Radio Frequency Identification) and mobile applications including mobile and digital wallets. The retailers need to build an integrated network of internet by connecting customer to social media, connecting employees to decision support system and suppliers and business partners to the company website.

XIII. MOUS AND FTAS WITH FOREIGN GOVERNMENTS

Indian Government has entered into MoUs and FTA (Foreign Trade Agreements) with EU (European Union). FIPB (Foreign Investment Promotion Board) has approved more than 32 proposals. Indian Government has undertaken to roll out GST (Good Services Tax) by mid-2015.

XIV. CONCLUSION

Indian Retail Industry is at the cusp of growth. It is expected to grow at CAGR of 30% to 40 %, with highest FDI (Foreign Direct Investment) in organized retail. The organized retail is expected to rise to 23 Lakh Crore. With increase in newer channels and formats such as e- Commerce, online channels, mobile e Commerce, retailing is expected to increase by leaps and bounds. Due to the changing demographics, lifestyles and increasing penetration of the Indian Retail industry in Tier II city, this industry is expected to grow by leaps and bounds. With emergence of newer channels and disruptive technologies and increasing costs, there is a need for better management. One of the major challenges facing the Indian retails is Inventory Management and Supply Chain Management. Newer trends are emerging and retailers are investing increasingly in shortening the Supply Chain Management through the disintermediation. *Bailey Controls and Toyota* are few of the companies that are known for better inventory management and Supply Chain Management through application of Lean, Six Sigma and Kaizen.

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