

ORGANISED RETAIL SECTOR: CHALLENGES AND OPPORTUNITIES A THEORETICAL OVERVIEW

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Abstract: *The journey of the retail sector in India has started long time ago through the Kirana stores. Indian retailing sector considered as one of the largest private sector in the economy, it is second to agriculture in terms of the market and employment. Indian retail industry accounting approximately 14 to 15 % of GDP and provides 8 % employment more than 40 million people. with 1.2 billion people, India is one of the fastest growing retail market in the world and prime mover of an Indian economy. India is fifth largest retail destination. From the past decade, Indian retail market dramatically transformed, Boston consulting group in 2012 estimated that the sales from retail were US\$ 471 billion, with 7 percent share of organised retail sector (US\$ 34 billion) in 2011. In the year 2020, the organised sector may increase their market share around US\$ 260 billion with penetration of 21 percent of the market. The purpose of this paper is to provide the information about the retail in India and organised retail sector, and depth study of retailing in India and major retail formats in current situation, this also consist the challenges faced by the organised sector and opportunities for the organised sector in the modern era of retailing.*

Keyword: *Organised Retail Sector, Retail Growth, Challenges and Opportunities, Indian Retail Industry*

I. INTRODUCTION

Retailing is not the only concept of economic structure but very much a part of our lives. Although trading of goods have been in existence since the olden days, it is the only in the past recent times that buying and selling of goods have become more of a formal and a brand dominated activity. In fact today the retailing has evolving into a global high-tech business. 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). Retailing refers as any business that directs its marketing efforts towards satisfying the final consumer based upon the organization of selling goods and services as a means of distribution. Retailing is carried out by retailers who try to satisfy consumers needs by providing link between them and the wholesalers.

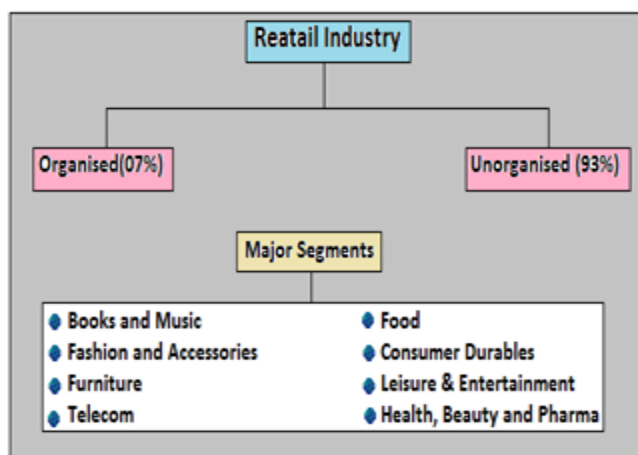
They help the manufacturers to sell their merchandise is available at the right market available at right price and at the right place to satisfy the needs of the consumers. Indian retailing sector considered as one of the largest private sector in the economy, it is second to agriculture in terms of the market and employment. Indian retail industry accounting approximately 14 to 15 % of GDP and provides 8 %

employment more than 40 million people. With 1.2 billion people, India is one of the fastest growing retail market in the world and prime mover of an Indian economy.

McKinsey & Co., have also suggested that the Organised retail market in India is expected to grow to 14-18% by 2015 of the total retail market in India from 8% in 2008. Its value is estimated to be around US\$450 billion by 2015. In the latest global retail development index (GRDI), AT Kearney of US-based global management consulting firm has placed India as the most attractive nation for retail investment among 30 emerging markets, His report further revealed that revealed that luxury brands market in India grew at a healthy 20 per cent during 2010 reaching a size of US\$ 5.8 billion. It further stated that the Indian luxury market stood at a value of US\$ 4.76 billion in 2009 and is anticipated to be worth US\$ 14.7 billion by 2015. His further estimates suggest that India's Organised retail had a 31% share in clothing and apparel, while the home supplies retail was growing between 20% to 30 % per year. In 2011 Food accounted for 70% of Indian retail, but was under-represented by Organised retail.

Over the past decade, the retail market emerges with the tremendous growth and profound change. In comparison with the last decade the growth in the retail market is more than 21 percent and the per capita increase three times better from \$ 525 to \$1090 as well as global retail jumped from 32% in 2000 to 51% in 2015. See figure the emerging market outpaced the developed market and the retail sales grew 11.4 CAGR compared with the developed market with 5-7 % considered that the developed market decreased their 1% of the market.

Modern retail sector is at the crossroads where the growth of Organised retailing and growth in the consumption by the Indian population is going to take a higher growth trajectory. It is undergoing a major transformation as entry of global players and watchful expansion by major Indian retailers has opened new vistas of joint ventures, tie-ups and franchise offering new formats, services, private labels, locations and recently to diverge from metros to smaller towns, Arvind Singhal Chairman Technopak Advisors has rightly said that, “A lot of international retailers and brands are most likely to look at India, as global markets have stabilized and the Indian economy has proved to be better than most other countries.



II. ORGANISED RETAILING IN INDIA

Organised retailing has emerged in a big way since 2000 onwards and with it we are witnessing the emergence of new forms of retailing. The retail market can be segmented on the basis of retail formats to concentrate or focus on the needs of particular consumer group. Organised retailing refers to trading activities undertaken by licensed retailers, 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. In other words, it is a network of similarly branded stores with an element of self-service. Organised retail in India today holds only a fraction of the market share potential in India. Organised retail trade in India was worth more than Rs 11,000 billion in 2001. It has risen from 0 to 6 percent in a very short amount of time, the organised sector growing tremendously and it was expected to grow CAGR 40 percent in 2013. Associated Chambers of Commerce and Industry (ASSOCHAM) has reported that, the organised retail is growing phenomenally and it will revolutionize the retail sector in next 3 to 4 years. As per the estimation of ASSOCHAM, the growth value of total retail market will be 30 percent and the organised retail expected grow analyzed 50 percent value growth in coming years.

Table:1.1 The Organised Retail Industry

Year	Increase in size (in crores)
2008	965
2010	1728
2015	5610
2022	17368

(Source:www.nscindia.org/pdf/organised-retail.pdf)

The phenomenal growth of retail in India is reflected in the rapid increase in number of super markets, departmental stores and hyper markets in the country. However, this unpredicted growth trend has been challenged by the shadow of the current economic slowdown, which has raised a fair of dip in consumption and slow down of growth for Indian Organised retailers

OBJECTIVE OF THE STUDY

- To study the growth and development of organised retail sector in India.
- To find out the major players and retail formats in retail sector.
- To study the challenges faced by organised retail sector.
- To find out the opportunities for organised retail sector in India.

III. RETAILING IN INDIA

The face of Indian retailing has witnessed a rapid transformation over the last decade. It was rated the second most attractive emerging retail market after c and ranked second in a Global Retail Development Index of 30 developing countries drawn up by AT Kearney.

This is evident from the fact that shopping mall activity which was earlier only a part of the big cities has started percolating down to smaller cities and towns. According to CAGR in 2020 Indian retailing industry will grow more than 7.45 percent due to the new retailer coming to the Indian market and lots of employment opportunity in the market. The size of Indian retail market is expected to double in 2020 worth US\$ 1 trillion from US\$ 600 billion in 2015 as well as E-commerce market, B2B market is expected to reach US\$700 billion in 2020, whereas the business to consumer (B2C) market is expected to grow US\$ 102 billion in 2020 and online retailer is going to expand their business with physical store in next 5 years.

Table: 1.2 Global Retail Development Index 2016

2016 Rank	Country	Market attractiveness (25%)	Time Pressure (25%)	GRDI Score
1	China	100	92.5	72.5
2	India	53.7	100	71
3	Malaysia	81.2	50.4	59.6
4	Kazakhstan	56.4	70.2	56.5
5	Indonesia	64.3	68.9	55.6
6	Turkey	85.9	53.1	54.3
7	UAE	95.2	18	53.6

Source : AT Kearney Analysis

GRDI Indian retail market compete and get 2nd place with score of 71 percent in comparison in 2012 it was only 60.8. The growth of GDP increase the speed of doing business and reforms In FDI policy puts India on 2nd place. Retailing in India is receiving global recognition and attention and this emerging market is witnessing a significant change in its growth and investment pattern. Some of the

highlights of the Indian Retail sector are: The Indian retail industry accounts for 10% of GDP and 8% of employment. The total retail (Organised and unOrganised) industry in India is estimated to be Rs 20 lakh crore in 2010. This is expected to reach Rs 27 lakh crore by 2015. Organised retail, which is estimated to be Rs 1.0 lakh crore (5% share) in 2010, is projected to reach Rs 3.0 lakh crore (11% share) by 2015. This means a tripling of the current size and scale of Organised retail in the next five years, i.e. 2010-2015. Organised retail will grow at a fast pace.

IV. RETAIL FORMATS IN INDIA

Convenience Stores: Ideally located close to residential area to enable target customers have easy accessibility and select convenient merchandise. For example like in&Out, Safal, 6ten

Chain of stores: A single retailer establishes a chain of stores with its exclusive-store design, synergetic merchandise plan, promotion and services. For example: Raymond chain of stores, khazana Jewellery etc.

Departmental stores: This format provides greatest selection of merchandise and main store in the shopping malls or shopping centers, this store typically having such as personal care, clothing, cosmetics, books and stationary. For example: life style, shoppers' stop, Pantaloon, Westside etc.

Hypermarkets: Hypermarkets are very large in size, these stores are biggest crowd pullers. Hypermarket not only provide extensive shopping experience, but multiple brand choice under one roof, and they create superior value for money to the shoppers, weather food, hardware, appliance, apparel furniture, sports, toys, clothing etc. for example: Trents, Spencer, Big Bazaar etc.

Supermarkets: Supermarket are the smaller version of the hypermarket, They largely concentrate on selling the food related item and smaller in size. These stores focus on the affordability and convenience to their shoppers. For example: Food Bazaar

Discounters: The discount store retail abroad variety of merchandize, offers limited service at lowest price on MRP. These store focus on product with the basis of sale ability. Big bazaar and Subhiksha are some famous example in India.

Category Killer : Category Killer is a kind of discount specialty store that offers less variety but deep assortment of merchandize. By offering a deep assortment in a category at comparative low prices, category specialist can be able to "kill" that specific category of merchandize for other retailers.

Shopping Malls: the biggest form of retail in India, malls offers customers a mix of all types of products and services including entertainment and food under a single roof.

Specialty Stores: are retail chains dealing in specific categories and provide deep assortment. Mumbai's Crossword Book Store and RPG's Music World is a couple of examples.

Cash-and-carry outlets: under this format, the consumers have to buy a minimum volume of products or value specified by the cash-and-carry retailer. In this format the buyers are basically small retailers or catering service

providers who purchase in bulk quantities.

Specialty stores: These stores usually 'specialise' in one line/category of merchandise. As these stores are concerned with only one type of merchandise, they are able to offer a wider range of products at a lower price. Examples: Next and Vijay Sales.

Shopping plaza: Shopping plaza will be configuration of many tenants using space of 1000 sq. ft or so putting up the stores within a single building. For instance modi arade plazr, bangluru and fountain plaza in chennai.

Kiosk: These store are often placed in the shopping mall centers, bus station, air port, railways stations etc. it is free standing pavilion open on one or more sides. E.g. book stores.

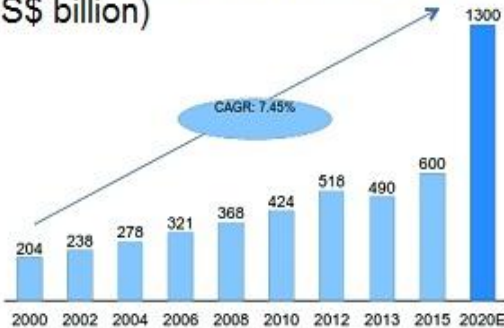
E-trailers: are retailers providing online buying and selling of products and services

V. GROWTH OF ORGANISED RETAILING IN INDIA

India's retail sector is wearing new clothes and with a three-year compounded annual growth rate of 46.64 per cent, Retail is the fastest growing sector in the Indian economy. Traditional markets are making way for new formats such as departmental stores, hypermarkets, supermarkets and specialty stores. Western style malls have begun appearing in metros and second-rung cities alike, introducing the Indian consumer to an unparalleled shopping experience. In 2012, Boston Consulting Group (BCG), estimated that the retail sales were US\$ 471 billion with 7 percent share for the Organised retail US \$ 34 billion in 2011. It also shows that by 2020 the size of the Organised retail to be around \$ 260 billion with a penetration of 21 percent. Increasing middle class incomes and use of automobiles, refrigerators, credit cards and adoption of technology for supply chain is expected to shift the balance in favor of Organised retail in metros and small towns. Over the past decade, the retail market emerges with the tremendous growth and profound change. In comparison with the last decade the growth in the retail market is more than 21 percent and the per capita increase three times better from \$ 525 to \$1090 as well as global retail jumped from 32% in 2000 to 51% in 2015. See figure the emerging market outpaced the developed market and the retail sales grew 11.4 CAGR compared with the developed market with 5-7 % considered that the developed market decreased their 1% of the market. The BMI India report for the first quarter of 2012 released forecasts that total retail sales with growth from US \$ 422.09 billion in 2011 to US \$ 825.46 billion by 2015. The report highlights strongly underlying economic growth, population expansion, increasing disposable income and rapid emergence of Organised retail infrastructure as major factors behind the forecast growth. The enormous growth of retail industry has created a huge demand for real estate. Property developers are creating retail real estate at an aggressive pace. According to report titled "Indian Organised retail market 2010", published by Knight Frank, during 2010-12, around 55 million square feet of retail space will be ready in Mumbai, NCR, Bangalore, Kolkata, Chennai, Hyderabad and Pune. Besides between 2010 and 2012 the Organised

retail real estate will be grown from existing 41 million square feet to 95 million square feet. The total no. of shopping malls is expected to expand at CAGR of 18.9% by 2015.

Market size over the past few years (US\$ billion)



Source: BCG Retail 2020, Ernst & Young, Deloitte, indiaretailing.com, Economist Intelligence Unit, Euro monitor, TechSci Research
 Notes: CAGR - Compound Annual Growth Rate, E - Estimated

The Technopak Advisors have further estimated that the country's retail market is expected to touch 620 billion Euros (around Rs 37 lakh crore) by 2020 at a compounded annual growth rate (CAGR) of more than 25%. The Organised retail market is estimated at US\$ 26 Bn and accounts for ~6% of the overall retail market for 2011. The Organised retail market is projected to grow to US\$ 84 Bn by 2016, @CAGR of 26%.

Table: 1.3 Major players in Indian Organised Retailing

Name of Holding Company	Prime Banners
Pantaloon Retail	Pantaloons, Central, Brand Factory, Ezone, Hometown, Planet sports , Big bazaar, Food Bazaar, KB's Fair Price Shop
K Raheja Group	Shoppers stop, crossword, Inorbit, Hyper city
TATA Group	Croma, Landmark, Poltrona Frau Group Design Center, Start Bazar, Tashi, Westside
RPG Group	Spencer's Books and Beyond Music world
Landmark Group	Centerpoint, Babyshop, splash, shoe Mart, Lifestyle, Beautyday, Iconic, Q Home Décor, Candlelite, Max, Shoexpress, Emax, Lifestle Departmental Stores, SPAR Hypermarkets, Landmark International, Footwear Division
Parimal Group	Piramyd Megastore, Piramyd Supermarket, Jamin
Reliance	Reliance Fresh, Reliance Trends, Reliance FootPrint, Reliance Digital
AV Birla Group	More

VI. CHALLENGES TO ORGANISED RETAIL SECTOR IN INDIA

Organised retail in India is little over a decade old. It is largely an urban phenomenon and the pace of growth is still slow. Some of the reasons for this slow growth are:

Infrastructure and logistics: The lack of proper infrastructure and distribution channels in the country results in low progress. This is one of the major hurdle for organised retailers. Urbanization and globalization are compelling companies to develop infrastructure facilities. Transportation, including railway systems, has to be more efficient.

Frauds in retail: currently the primary challenges for the retailers is to prevent the companies from frauds which includes vendor frauds ,thefts, shoplifting, lack of supervision and administration, these are the challenges that are difficult to handle. This is so even after the use of security techniques, such as CCTVs .As the size of the sector would increase; this would increase the number of thefts, frauds and discrepancies in the system.

Lack of Skilled Manpower: Front-Desk or retail assistant profiles in stores form a major proportion of the employment in the retail sector while store operations accounts for 60-80% of the total manpower employed in the Organised retail sector. But, there are very few qualified people in this industry so many graduates and post graduates' are hired from other streams also.

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.

Real Estate Price: the price of real estate in some cities is India is among highest on the world. Taking the space on lease or rent is higher expenditure. Al lease can reduce the profit margin and it is difficult to find the suitable properties in central location of retail,, primarily due to fragmented private holdings, infrequent auctioning of large government owned vacant lands and litigation disputes between owners.

Political risk: The largest opposition party in India has opposed FDI in retail and some of its leaders have indicated that they will scrap the policy if their party comes to power. A political change in state and central governments puts a lot of political risk on investment in retail.

The Domination of Unorganised Retail Sector: The very first challenge facing the Organised retail industry in India is competition from the unOrganised sector. Traditionally retailing has established in India for centuries. They dominated over 97% of retail market in India and 400,000 crore Rs retail worth.

Tax structure complexity: The sales tax rates vary from state

to state, while organised players have to face a multiple point control and system there is considerable sales tax evasion by small stores.

Inefficient supply chain management: Indian retailing is still dominated by the unorganised sector and there is still a lack of efficient supply chain management and distribution channel. Organised retail in India must concentrate on improving the supply chain management, which in turn would bring down inventory cost. This can be passed on to the consumer in the form of low pricing.

VII. OPPORTUNITIES FOR ORGANISED RETAIL SECTOR IN INDIA

Create transparency in the system: the intermediaries operating as per mandi norms do not have transparency in their pricing. According to some of the reports, an average Indian farmer realises only one-third of the Price, which the final consumer pays.

Improvement in Supply Chain- Improvement of supply chain/distribution efficiencies, coupled with capacity building and introduction of modern technology will help arrest wastages (in the present situation improper storage facilities and lack of investment in logistics have been creating inefficiencies in food supply chain, leading to significant wastages).

Improvement in Customer Satisfaction- Consumers in the Organised retail will have the opportunity to choose between a numbers of internationally famous brands with pleasant shopping environment, huge space for product display, maintenance of hygiene and better customer care. There is a large segment of the population which feels that there is a relationship in the quality of the products sold to foreign retailers and the same products -stoppage of different products. If the market is opened, then the pricing could also change and the monopoly of certain domestic Indian companies will be challenged.

Visual Communication: Retailer has to give more emphasis on display visual merchandising, lighting, signages and specialized props. The visual communication strategy might be planned and also be brand positioned. Theme or lifestyle displays using stylized mannequins and props, which are based on a season or an event, are used to promote collections and have to change to keep touch with the trend. The merchandise presentation ought to be very creative and displays are often on non-standard fixtures and forms to generate interest and add on attitude to the merchandise.

Changing the Perception: Retailers benefit only if consumers perceive their store brands to have consistent and comparable quality and availability in relation to branded products. Retailer has to provide more assortments for private level brands to compete with supplier's brand. New product development, aggressive retail mix as well as everyday low pricing strategy can be the strategy to get edge over supplier's brand.

Proper Tax Structure: The current multipoint taxation should be rationalized. The government should introduce a uniform taxation system across the country to relax the law that hinders interstate flows of goods.

Incentives for Investments: Tax holiday norms for cold

storage chains, infrastructure and investment in supply chain should be enacted.

VIII. CONCLUSION

The main purpose of the study is to understanding the concept of organised retail sector in India. From past many years, the customer preference, their behavior is rapidly changing because of the standard of living and rising in the quality of life. So many new organised retail giants have entered in the India retail market. Various challenges faced by organised retailers in India and now there are opportunities developing for them which can help them to overcome the threat from traditional market. Many retail formats have been developed but they are slow in progress as compared to other countries, government of India has to take some necessary action for developing the retail stores in India so they can overcome those challenges and fast growth of organised retailing in India.

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