

A study on the future of retail sector in India

¹Dr. Sudheendra Rao LN, ²Venkatash Prasad BG

¹Associate Professor, Dayananda Sagar Institutions Bangalore University

²Asst. Professor -MBA Department Dayananda Sagar Academy of Technology & Management (Engineering College) Bangalore

Abstract

Meaning of Retail

- The word retail is derived from the French word retailer, meaning to cut a piece off or to break bulk.
- It consists of selling merchandise from a permanent location (a retail store) in small quantities directly to the consumers.
- The various processes which help the customers to procure the desired merchandise from the retail stores for their end use refer to retail management.
- Retailing is defined as the buying and selling of goods and services. It is defined as the timely delivery of goods and services demanded by consumers at prices that are competitive and affordable.

What is retailing?

- Most common form of doing business
- These consumers may be individual buyers or corporate.
- Retailer purchases goods or merchandise in bulk from manufacturers directly and then sells in small quantities
- Shops may be located in residential areas, colony streets, community centers or in modern shopping arcades/ malls.

The Supply chain

Manufacturers	Retailers	End User (Consumer)
	Wholesalers			

- **Manufacturers** - Manufacturers are the ones who are involved in production of goods with the help of machines, labour and raw materials.
- **Wholesaler** - The wholesaler is the one who purchases the goods from the manufacturers and sells to the retailers in large numbers but at a lower price. A wholesaler never sells goods directly to the end users.
- **Retailer** - A retailer comes at the end of the supply chain who sells the products in small quantities to the end users as per their requirement and need.

The end user goes to the retailer to buy the goods (products) in small quantities to satisfy his needs and demands. The complete process is also called as Shopping.

Keywords: Retail, Industry, Major Players.

Introduction

Objectives of the Study

1. To understand the evolution of retail sector in India
2. To study about modern retail formats
3. To study the growth trends of Indian retail sector
4. To study the factors influence growth of retail industry
5. To study the future prospects of organized retail sector in India.
6. To study reasons for objection of FDI in retail industry

Research Methodology

Information has gathered from sources like books, trade journals, government publications, newspapers etc. and research is descriptive in nature.

Evolution of Indian retail

1. Traditional

- Formats
- Itinerant Salesman
- Haats
- Melas
- Mandis etc.

2. Established formats

- Kirana shops
- Convenience/ department stores
- PDS/ fair price shops
- Pan/ Beedi shops

3. Emerging Formats

- Exclusive retail outlets
- Hypermarket
- Internal retail
- Malls / Specialty Malls
- Fast food outlets
- Service galleries

Important drivers for retail industry in India are as below:

1. Rapid income growth:
2. Increasing urbanization
3. Growing young population.
4. Spend now vs. Save earlier:

Modern Retail Formats in India

1. **Hyper marts/supermarkets:** large self-servicing outlets offering products from a variety of categories.
2. **Mom-and-pop stores:** Mom and pop stores are family owned business catering to small sections; they have personal touch and are independently handled retail outlets
3. **Departmental stores:** are general retail merchandisers they offer quality products and services.
4. **Convenience stores:** are located in residential areas with slightly higher prices goods.
5. **Shopping malls:** the biggest form of retail in India, malls offers customers a mix of all types products and services including entertainment and food under a single roof.
6. **E-trailers:** are retailers who provide online buying and selling of products and services. example - EBAY, Rediff Shopping, Amazon
7. **Discount stores:** these are factory outlets that give discount on the MRP.
8. **Vending.** Here beverages, snacks and other small items can be bought via vending machine.
9. **Category killers:** small specialty stores that offer a variety of categories. Category killers usually focus on specific categories, such as electronics and sporting goods.
10. **Specialty stores:** are retail chains dealing in specific categories and provide deep assortment

Some of the leading players in Retail Industry

1. Pantaloon Retail

The flagship company of Future Group, Pantaloons Retail operates over 16 million square feet of retail space, has over 1000 stores across 73 cities in India and employs over 30,000 people. It can boast of launching the first hypermarket Big Bazaar in India in 2001. The companies also operates in other retail segments such as - Food & grocery (*Big bazaar, Food bazaar*), Home solutions (*Hometown, furniture bazaar, collection-i*), consumer electronics (*e-zone*), shoes (*shoe factory*), Books: music & gifts (*Depot*), Health & Beauty care services (*Star, Sitara and Health village* in the pipeline), e-tailing (*Futurbazaar.com*), entertainment (*Bowling co.*) The turnover this year was 12500 crores.

2. K Raheja Group

They forayed into retail with Shopper's Stop, India's first departmental store in 2001. It is the only retailer from India to become a member of the prestigious Intercontinental Group of Departmental Stores (IGDS). They have signed a 50:50 joint venture with the Nuance Group for Airport Retailing. Shoppers Stop has a national presence, with over 2.05 million square feet area across 39 stores in 17 cities. It has also introduced new formats in the market viz Home Stop – the exclusive home furnishings, décor as well as furniture store and Hyper City– a premium shopping destination for Foods, Homeware, Home Entertainment, Hi-Tech Appliances, Furniture, Sports, Toys & Fashion. Other format of the company includes -- Crossword Book Store, Mothercare & Early Learning Centre (ELC), Estee Lauder group, Airport Retailing, Time Zone Entertainment. The turnover this year was 1570 crores.

3. Tata group

Established in 1998, Trent - one of the subsidiaries of Tata Group - operates Westside, a lifestyle retail chain and Star India Bazaar - a hypermarket with a large assortment of

products at the lowest prices. In 2005, it acquired Landmark, India's largest book and music retailer. Tata's has also formed a subsidiary named Infiniti retail which consists of Croma, a consumer electronics chain. Another subsidiary, Titan Industries, owns brands like "Titan", the watch of India and Tanishq, the jewellery brand. Sales turnover was 197.13 crore in December 2010.

4. RPG group

One of the first entrants into organised food & grocery retail with Foodworld stores in 1996 and then formed an alliance with Dairy farm International and launched health & glow (pharmacy & beauty care) outlets. Now the alliance has dissolved and RPG has Spencer's Hyper, Super, Daily and Express formats and Music World stores across the country.

5. Landmark group

Landmark Group was launched in 1998 in India; currently owning 100 stores across various retail formats. The retail ventures of Landmark Group includes - Home Centre, Centrepoint, Babyshop, Splash, Shoe Mart, Lifestyle, Max, Lifestyle Department Stores, SPAR hypermarkets, Foodmark, Fun City, Fitness First, Citymax India etc. It is a 3.8 billion dollar company.

6. Bharti-Walmart

Bharti have signed a 50:50 percent joint venture agreement with Walmart' in which Wal-Mart will be taking care of cash & carry and Bharti will do the front-end. Further they plan to invest US\$ 7 bn in creating retail network in the country including 100 hypermarkets and several hundred small stores.

7. Reliance

The company owns more than 560 Reliance Fresh stores and recently it has also launched Reliance Mart Hypermart. The company further plans to launch its hypermart in Delhi / NCR, Hyderabad, Vijaywada, Pune and Ludhiana region. The turnover was 4500 crore for this year.

8. AV Birla Group's brand portfolio includes brands such as Louis Phillipe, Van Heusen, Allen Solly, Peter England, Trouser town. Also, Madura garments is subsidiary of Aditya Birla Nuvo Ltd. The recently acquired food and grocery chain of south, Trineth, has further increased their number of store to 400 stores in the country. The company also own 'More' supermarkets and hypermarkets. Currently it runs 600 supermarket and nine hypermarkets across India. The turnover this year was 1700 crores.

9. Metro

Metro Cash & Carry, the first company to introduce cash and carry business, started its operations in India in 2003 with two Distribution Centres in Bangalore. Metro offers assortment of over 18000 articles across food and non food at the best wholesale prices. Currently Metro operates six cash and carry centres in Bangalore, Hyderabad, Kolkata and Mumbai.

10. Viveks Ltd

Vivek Limited is the largest consumer electronics and home appliances retail chain in India, with 44 stores in south, covering a retail space area of over 1, 75, 000 sq. ft and a turnover of over Rs. 400 crore. Its brand, Viveks, is now a

household name. The company plans to set up 50 more showrooms in South India.

Factors Influence Growth of Retail Industry

1. Increase in per capita income
2. Demographical changes
3. High standard of living:
- 4 Change in consumption pattern:
5. Availability of low-cost consumer credit
6. Improvements in infrastructure:
7. Entry to various sources of financing:

Trends in the Retail industry

- Emergence of organized retail:
- Spending capacity of youth of India
- Raising incomes and purchasing power:
- Changing mindset of customers
- Easy customer credit:
- FDI in retail industry

FDI in Retail Industry

FDI is direct investment into production in a country by a company located in some other country, either by buying a company in the target country or by expanding operations of an existing business in that country.

Advantages of FDI

- Inflow of equipment and technology
- Competitive advantages and innovation
- Employment generation
- Influence to export expansion
- Improved consumer welfare

FDI Boon in Retail

- Inflow of investments and funds
- Generates more employment
- Increased local sourcing
- Provide better value to consumers
- Development of infrastructure
- Cost reduction
- Improvement in supply chain and warehousing

Reasons for Objection of Fdi in Retail Industry

Disadvantages of FDI

- Crowding of local industry
- Conflict of laws
- Loss of control
- Effect on culture

FDI Bane in Retail

- Cutthroat competition
- Creating monopoly
- Increase in real estate prices

Challenges of Retail Industry

- International Standards:
- Inefficient supply chain management:
- Lack of Retail space:
- Cultural Diversity
- Human resource problems

- cumbersome local laws
- Taxation, which favours small retail businesses
- Absence of developed supply chain and integrated IT management
- Lack of trained work force
- Low skill level for retailing management
- Lack of Retailing Courses

Problems of Indian Retailing

- The organized retail industry in India is faced with stiff competition from the unorganized sector
- There is a scarcity of quality real estate and infrastructure requirements in our country.
- Greater Opposition to FDI from small traders affects retail industry.
- Very high stamp duties on transfer of property affect the industry.
- Shortage of retail space in central and downtown locations also hinders the growth of retail industry.
- For settling property disputes, it consumes lot of time.
- Rigid building laws makes procurement of retail space difficult.
- Nonresidents are not allowed to own property except they are of Indian origin
- Prohibition of Foreign investment in real estate business.
- Customs duties are levied on import of goods in India.
- Higher brand consciousness:

Conclusion

India at the intersection as to the retail segment. Several emerging market economics have gone ahead and procured the advantages of advanced retail. Politics is an disastrous reality that has been coming in the way of success of organized sector and eventually the overall retail sector. Government must support FDI Policy and encourage organized retail sectors. There is need of balanced approach to retail & govt. has to play a very important role in shaping the future course of retail industry. Though tradition retail has been performing a vital function in the economy, but it has to shed off its weakness and inefficiencies and this is actually happening.

Thus, the organized sector is not is not just affecting other sectors positively but also it has benefited its own competition i.e. unorganized sector. So, organized sector becomes the growth mantra of Retail industrial sector.

References

1. ICRIER Begins Survey of Indian Retail Sector. 19 March, 2007.
2. Retailing in India Unshackling the chain stores. The Economist. 29 May, 2008.
3. India again tops global retail index. 22 /6/ 2007.
4. Economic and financial indicators 3 July, 2008.
5. Indian Retail story from Myths to Mall. 11 August, 2007.