

Indian retail business: A growing panorama

¹ Usha Devi, ² Dr. Vipul Jain

¹ Research Scholar, Department of Commerce, Singhania University, Pachheri Bari, Jhunjhunu, Rajasthan, India

² Professor, Department of Management, Roorkee Engg. & Management Technology Institute, Shamli, Uttar Pradesh, India

Abstract

Retail sector in India is reflected in sprawling shopping center. Multiplex- malls and huge complexes offer shopping, entertainment and food all under one roof, the concept of shopping has altered in terms of format and consumer buying behavior, ushering in a revolution in shopping in India. This has also contributed to large-scale investments in the real estate sector with major national and global players investing in developing the infrastructure and construction of the retailing business. The purpose of the paper is to discuss about the retail business, which is a growing prospect in India.

Keywords: Indian retail business, reflected, sprawling, shopping

1. Introduction

The India Retail Industry is the largest among all the industries, accounting for over 10 per cent of the country's GDP and around 8 per cent of the employment. The Retail Industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. But all of them have not yet tasted success because of the heavy initial investments that are required to break even with other companies and compete with them. The India Retail Industry is gradually inching its way towards becoming the next boom industry. The total concept and idea of shopping has undergone an attention drawing change in terms of format and consumer buying behavior, ushering in a revolution in shopping in India. Modern retailing has entered into the Retail market in India as is observed in the form of bustling shopping centers, multi-storied malls and the huge complexes that offer shopping, entertainment and food all under one roof.

A large young working population with median age of 24 years, nuclear families in urban areas, along with increasing workingwomen population and emerging opportunities in the services sector are going to be the key factors in the growth of the organized Retail sector in India. The growth pattern in organized retailing and in the consumption made by the Indian population will follow a rising graph helping the newer businessmen to enter the India Retail Industry. In India the vast middle class and its almost untapped retail industry are the key attractive forces for global retail giants wanting to enter into newer markets, which in turn will help the India Retail Industry to grow faster. Indian retail is expected to grow 25 per cent annually. The Food Retail Industry in India dominates the shopping basket. The Mobile phone Retail Industry in India is growing at over 26 per cent per year. The future of the India Retail Industry looks promising with the growing of the market, with the government policies becoming more favorable and the emerging technologies facilitating operations.

1.1 The Indian retail vista

India's retail market is expected to cross USD 1 trillion by 2020 from USD 620 billion in 2016. In the developed Countries, the

organized retail industry accounts for almost 80% of the total retail trade. While in India this form of retail accounts for a painfully low 8 % of the retail industry, but is growing at a healthy rate of 35 per cent. Organized retail remained a dormant sector largely due to the lack of infrastructure for large-scale retail, absence of product variety and a conservative Indian consumer.

At present the Retail industry in India is accelerating. Purchasing power of Indian urban consumer is growing and branded merchandise in categories like Apparels, Cosmetics, Shoes, Watches, Beverages, Food and even Jewellery, are slowly becoming lifestyle products that are widely accepted by the urban Indian consumer. Indian retailers need to advantage of this growth and aiming to grow, diversify and introduce new formats have to pay more attention to the brand building process. The emphasis here is on retail as a brand rather than retailers selling brands. The focus should be on branding the retail business itself. In their preparation to face fierce competitive pressure, Indian retailers must come to recognize the value of building their own stores as brands to reinforce their marketing positioning, to communicate quality as well as value for money. Sustainable competitive advantage will be dependent on translating core values combining products, image and reputation into a coherent retail brand strategy.

There is no doubt that the Indian retail scene is booming. A number of large corporate houses like Tata's, Birlas', Raheja's, Piramals's, Goenka's etc have already made their foray into this arena, with beauty and health stores, supermarkets, self-service music stores, new age book stores, every-day-low-price stores, computers and peripherals stores, office equipment stores and home/building construction stores. Today the organized players have attacked every retail category. The Indian retail scene has witnessed too many players in too short a time, crowding several categories without looking at their core competencies, or having a well thought out branding strategy.

1.2 Growth factoras in organized retail sector in India

India retail industry is the fastest growing industry in India and it accounts for 10% of the country's GDP. In 2006, the

organized retail sector in India amounted to US\$ 6.4 billion. By 2020, the Indian organized retail sector is expected to rise to US\$ 175-200 billion. At present, nearly 710 operational malls are providing nearly 296 million sq. ft. of mall space. Organized retailing is a recent development. It is the outcome of socioeconomic factors. India is standing on the threshold of retail revolution.

Retail Industry, one of the fastest changing and vibrant industries, has contributed to the economic growth of our country. Within a very short span of time, Indian retail industry has become the most attractive, emerging retail market in the world.

Healthy economic growth, changing demographic profile, increasing disposable incomes, changing consumer tastes and preferences are some of the key factors that are driving growth in the organised retail market in India.

Some of the factors responsible for the growth of organised retailing are as under:

1. Growth of middle class consumers
2. Increase in the number of working women
3. Value for money
4. Emerging rural market
5. Entry of corporate sector
6. Entry of foreign retailers
7. Technological impact
8. Media explosion
9. Rise of consumerism

1.3 Malls in retail industry

India is a late starter in the development of shopping malls. The first Indian shopping mall (Spencer Plaza, Chennai) was built in 1990; however, the real impetus came in 1999, when two more malls (Ansal Plaza in Delhi and Crossroads in Mumbai) became operational. During the last decade, there has been a sudden increase in the availability of mall space in India. From just three malls in 1999, the country at present has nearly 710 operational malls providing nearly 296 million square feet of mall space.

Although the concept of shopping malls originated in Western countries, malls located in other countries around the world cannot merely reflect a foreign business system. These malls have to be very specific in their appeal by developing a tenant mix that reflects the needs of target customers, local real estate demand and quality of competition. For instance, Indian malls are not exact replicas of Western malls, as they are customized for specific cultures and localities. They are smaller than their American counterparts, with commercial space for offices as well. Indian malls are located within high-density urban areas, in contrast to the peripheral locations of US malls. Hence, Indian malls are more 'vertical'.

1.4 Global malls format

There are a number of formats in modern retail which emerged over the last century and have now become the standard the world over. They today rule the roost and have captured the bulk of the market share around the globe.

Following are the different types of malls.

- Regional Malls
- Super Regional Malls
- Outlet Malls
- Vertical Malls
- Life Style Malls

- Dead Malls
- Strip Malls
- Luxury Malls

The trend towards differentiation and segmentation will continue to add new terminology as the industry matures.

1.5 What is mall management?

Positioning & profiling of the Mall plays an important role for the success of any Mall. A very well designed Mall constructed with lot of aesthetics can be a failure if the positioning and profiling is not done in a professional way. With positioning activities we can carry out a demographic survey for our clients so that positioning of a Mall can be decided. After positioning, Zoning & Profiling of the Mall is a very critical aspect. It requires lot of planning and understanding the psyche of the buyers. After positioning of Mall, experts do the proper zoning & profiling of your Mall so that more and more buyers are attracted. Right mix of the brands and products with right zoning & profiling is a key to success of the Mall.

Globally mall management broadly includes:

1. Positioning a mall
2. Zoning-formulating the right tenant mix and its placement in a mall.
3. Promotion and Marketing
4. Facility management - Infrastructure, Traffic and Ambience Management.
5. Financial Management

1.6 Positioning a mall

Positioning a mall refer to defining the category of services offered based on demographic, psychographics, income levels, competition in neighboring areas and extensive market research. For example: if the market research indicates that the average number of households living in a particular area belongs to upper middle class. Then a high-end retail mall would suit the location where, positioning also refers to the location of the shopping mall. A good location defined in terms of factors like ease of access via roads, good visibility etc is considered as one of the prime pre-requisites for a mall. Although other activities such as trade or tenant mix are considered as one of the prime requisites for a mall.

1.7 Zoning-formulating the right tenant mix and its placement in a mall

Tenant mix refers to the combination of retail shops occupying space in a mall. A right tenant mix would form an assemblage that produces optimum sales, rents, service to the community and financial feasibility of the tenant in the mall. A mall is dependent on the success of its tenant in the mall. Generally there are two types of consumers visiting malls- focused and impulse buyers. The time spent by focused buyers in malls is relatively lower as compared with impulse buyers who also enjoy window shopping. There is a little that retailers can do to attract focused buyers as they usually know what they require and from where. However, right tenant mix and optimum retailer's placement after a diligent zoning exercise can help retailers attract both types of consumers, especially the impulse buyers. Formulating the right tenant mix based on zoning not only helps to attract and retain shoppers by offering them multiple choices and satisfying multiple needs. But also facilitates the smooth movement of shoppers within the mall, avoiding clusters and competitions. This helps influence the

shopper's mall preference and frequency of visits within the mall. It also helps in building a distinct image in the minds of shoppers, which is critical considering the robust upcoming supply of malls.

1.8 Promotion and Marketing

Promotional activities and events in a mall form an integral part of mall management. Activities like food festivals, cultural events, handicraft exhibitions and celebrity visits increase foot traffic, attracting consumers and in turn sales volume. Such activities may also act as a differentiator for a mall. Developers can work on drafting marketing strategies for individual malls to meet the needs of local consumer base and the challenges of local and in some case regional competitors.

1.9 Facility Management

It refers to the integration of people, place, process and technology in a building. It means also optimal utilization of resources to meet organization needs. It broadly includes infrastructure management, ambience management and traffic management.

1.10 Aspects of mall management

Following are the major aspects of mall management:

- 1) Reliable & Robust Businesses processes & best practices.
- 2) An Integrated and Centralized Administration.
- 3) Total Control on Tenant & Lease Management.
- 4) Real Time Interaction of tenants with Management.

1.11 Systematic approach to mall management

- 1) Periodical notifications for users/tenants for expired options and upcoming critical dates.
- 2) Energy Conservation and Management.
- 3) Parking Arrangements to include ideal flow of traffic
- 4) Management quality elements such as engineering practices and processes
- 5) Security Threat Analysis & Security Solutions.
- 6) Mechanical Cleaning of Premises.
- 7) Horticulture & Pest Control.
- 8) Interior Decoration & Flower Arrangements.
- 9) Knowledge and data availability.
- 10) Information on system trends.
- 11) Organization and people issues.
- 12) Performance audit
- 13) Risk Assessment & Management.
- 14) Optimized life cycle analysis of equipment.
- 15) Planning for improvement and replacement.

1.12 Reasons for growth of malls in India

- Fast growing middle class with higher discretionary income.
- Emergence of youth as an independent shopper with a lot of disposal income.
- Habit of Indian shoppers for a new shopping experience.
- Ability of Mall developers to make shopping an enjoyable experience.
- Presence of factors like cost effectiveness, convenience wide variety of products with the fun element entertainment and good time pass plus shopping on weekends.

- Influence of media and marketing communication resulting in changing aspirations, lifestyle orientation and change in consumer perceptions about shopping.

1.13 The way-ahead

Until very recently, mall management was synonymous with facility management in the mind of most Indian developers. The realization, that they are different and that professional mall management will affect the long-term viability and that success of a mall is sinking in gradually, is being accepted across developers, landlords and retailers. The shortcomings pertaining to issues of mall management in India have been discussed in the previous section. To overcome these Shortcomings, developers must conduct professional mall management practices starting from rigorous feasibility exercise or market research to facilities, ambience and finance management of a mall. In most of the developed markets, mall management is an established independent service line. The retail sector in these developed economies is mature in terms of end-users demand, number of retailers and experienced developers emerging market having immense potential in terms of opportunities. A common practice in developed markets such as the United States and Europe is the use of the revenue share model in determining rent. Under this arrangement, the tenant will either pay a fixed monthly base rent as minimum guarantee and/or a 'percentage of sales' rent, whichever is higher. This is beneficial for both landlords and retailers as landlords are encouraged to organize promotional activities that would increase retailers' revenues because they may have a percentage share in it. When the market is weak, retailers are protected from rising rental costs. To ensure that a mall attracts retailer and consumers, professional mall management is a necessity. To lure retailers and consumers to its mall, a developer has to ensure that their property follows the best practices in the market especially in terms of mall management.

2. Conclusion

In India, while organized retail has yet not been accorded the status of an industry, it is witnessing a large number of formats emerging in the market at a very fast pace. Indian organized retail is moving with an exponential rate that no other sector has witnessed. Ample opportunities are present in the organized retail sector. Currently India constitutes only 8% of organized retail and remaining 92% is left unorganized, which may grow much faster than traditional retail. It is expected to gain a higher share in the growing pie of the retail market in India. Various estimates put the share of organized retail as 20% by 2020.

So far as, Shopping Malls in organized retail sector are concerned, India is still in the growth stage of Mall Lifecycle and mistakes committed during this phase taken as lessons and guiding principles for charting a future course of action, the future of shopping malls can indeed be bright. To accomplish this, a concerted effort is needed by developers as well as government. There is an urgent need to make the retail sector more transparent, accountable and customer-oriented. Only then the growth of shopping malls in India will be truly sustainable.

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