

GROWTH OF RETAIL INDUSTRY IN INDIA

Sudhakar S*

Introduction

An increasing number of people in India are turning to the services sector for employment due to the relative low compensation offered by the traditional agriculture and manufacturing sectors. The organized retail market is growing at 3.5 percent annually while growth of unorganized retail sector is pegged at 6 percent. The Retail Business in India is currently at the point of inflection. Rapid change with investments to the tune of US \$ 25 billion is being planned by several Indian and multinational companies in the next 5 years. It is a huge industry in terms of size and according to management consulting firm Techno Park Advisors Pvt. Ltd., it is valued at about US \$ 350 billion. Organized retail is expected to garner about 16-18 percent of the total retail market (US \$ 65-75 billion) in the next 5 years.

According to the tenth report of GRDI of AT Kearney, India is having a very favorable retail environment and it is placed at 4th spot in the GRDI. The main reasons behind that is the 9% real GDP growth in 2010, forecasted yearly growth of 8.7% through 2016, high saving and investment rate and increased consumer spending. According to report, organized retail accounts for 7% of India's roughly \$435 billion retail market and is expected to reach 20% by 2020. Food accounts for 70% of Indian retail, but it remains under penetrated by organized retail. Organized retail has a 31% share in clothing and apparel and continues to see growth in this sector. A report by Boston Consulting Group has revealed that the country's organized retail is estimated at US \$ 28 billion with around 7% penetration. It is projected to become a US \$ 260 billion business over the next decade with around 21% penetration. The analysts believe that the sector is likely to show significant growth of over 9% over the next ten years and also see rapid development in organized retail format with proportion likely to reach more respectable 25% by 2018. 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 organized retail infrastructure as major factors behind the forecast growth. According to department of Industry Policy and Promotion Cumulative, FDI inflows in single brand retail trading stood at US\$

44.45 million during April 2000 to September 2011. Indian retail sector is wearing new clothes and with a three year compounded annual growth rate of 46-64%, retail is the fastest growing sector in the Indian economy. The sector is the second largest employer after agriculture, employing more than 35 million people with wholesale trade generating an additional employment to 5.5 million crore.

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 "India Organized 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 organized retail real estate will be grown from existing 41 million square feet to 95 million square feet. The total no. of shopping mall is expected to expand at CAGR of 18.9% by 2015. Hypermarket, currently accounting for 14% of mall space is expected to witness high growth. Industry experts predict that the next phase of growth in the retail sector will emerge from the rural market. By 2012, the rural retail market is projected to have a total of more than 50% market share. India's retail market is expected to be worth about US\$ 410 billion, with 5 per cent of sales through organised retail, meaning that the opportunity in India remains immense. Retail should continue to grow rapidly-up to US\$ 535 billion in 2013, with 10 per cent coming from organised retail, reflecting a fast-growing middle class, demanding higher quality shopping environments and stronger brands, according to the report 'Expanding Opportunities for Global Retailers', released by A T Kearney.

TABLE - I

Share of Retail Trade in Gross Domestic Product (G.D.P.)	
Year	% age share of Retail Sector
2007	8%
2009	12%
2011	22%
2013	32%
Source : At Keamey	

*Research Scholar, Sunrise University, Alwar, Rajasthan

TABLE Praveen E - II
Share of Organised Retail Sector in Total Retail Trade

year	% age share of Organized Retail Sector	Source
2005	3.5%	AT Kearney
2008	5%	MC-Kinsey & Company
2010	8%	AT Kenney
2013	10%	AT Kearney

Data shown in Table - I and II is collected from secondary source. Therefore, these are in approximate figures.

Challenges in Retail Sector

- Retail productivity in India is very low comparison to international. Total retail employment in India from organized and unorganized is 3.3% of Indian labor work force out of which mostly related to the unorganised retail sector.
- Indian retailing is still dominated by the unorganized sector in comparison of organized sector. There is still a lack of efficient supply chain management in retail sector.
- Most of the retail outlets in India are having less than 500 square feet in size.
- Many political parties in India have opposed FDI in retail sector. A political change in state and central governments can puts a lot of political risk on investment in retail sector.
- Trained manpower is a challenge for the organized retail sector in India. The Indian retailers have difficulty to finding the trained manpower and also have to pay more to retain them.
- The lack of proper infrastructure and distribution channels in the country results in inefficient processes in retailing. This is a major problem for retailers as a non-efficient distribution channel is very difficult to handle and can result in huge losses for them.
- Different structure of sales tax in different states. Taxation laws that does not favor small retailers.

Growth Trends in Indian Retail Industry

- Retail industry has been on a growth trend over the past few years. With the growth of economy back on track, retailers are making their expansion plans. The retail industry is expected to grow at a rate of 12% per annum for the next 5 years.
- The Indian retail industry has growth of 10.6% between 2010 and 2012 and is expected to increase to US\$ 750-850 billion by 2015.

- The current sign of Government to initiate Foreign Direct Investment (FDI) in various sectors is bringing a new interest to the investment climate in India and more and more foreign marketers attracting towards Indian retail market.
- Higher incomes motivating the purchase of essential and nonessential products which contributing in the growth of the retail sector.
- Consumption patterns of Indian customers are changing.
- Increase in easy access to credit and consumer awareness.
- New technology and lifestyle trends creating replacement demand.
- Increase in rural income as well as urbanization of the population.

Conclusion

Retailing in India is at a nascent stage of its evolution, but within a small period of time certain trends are clearly emerging which are in line with the global experiences. Retail sector has witnessed an immense growth in the last few years. The key factors responsible for the retail boom have been the change in consumer profile and demographics, change in life style, increase in double income families, economic implications of the government, increasing urbanization, credit availability, improvement in the infrastructure, increasing investments in technology and real estate building a world class shopping environment for the consumers. The Government allows 100 per cent foreign direct investment (FDI) in cash and carry through the automatic route and 51 per cent in single brand outlets. Besides, the franchise route is available for big operators. Further, the Government Plans to open FDI into retail after convincing its stakeholders that they are not at threat from large players. If the ban on foreign players holding a controlling stake is lifted, the sector could see drastic movements.

From the SWOT analysis done in the paper, it is evident that for an international investor, the retail industry is an important market for investment as it has lot of potential to WOW.

The retail sector has played a phenomenal role throughout the world in increasing productivity of consumer goods and services. It is also the second largest industry in US in terms of numbers of employees and establishments. There is no denying the fact that most of the developed economies are very much relying on their retail sector as a locomotive of growth. 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.

India at the crossroads with regard to the retail sector. Several emerging market economies have gone ahead and reaped the benefits of modern retail. Politics is an unfortunate reality that has been coming in the way of success of organized sector and ultimately the overall retail sector. The hue and cry created by unorganized sector against Reliance Fresh, Wal-Mart especially in U.P., Jharkhand etc. is not appreciable, it is the major hindrance in the growth of retail sector. There is need of balanced approach to retail & govt. has to play a very vital role in shaping the future course. Though tradition retail has been performing a vital function in the economy, but it has to shed off its shortcomings and inefficiencies and this is actually happening. Thus, the organized sector is not only impacting the other sectors positively but also it has benefited its own competition i.e. unorganized sector. So, organized sector becomes the growth mantra of Retail sector.

Retailing provides an important link between producer and consumer in modern economy. Retail in India is most dynamic industry and represents a huge opportunity for domestic and international retailers. Modern retailing is not a problem to traditional stores as most of the consumers said that they never stopped visiting kirana stores. They strongly agreed on coexistence of both is required. Their frequency of going to kirana store is reduced. Modern retailing has miles to go in India. The growth of modern formats has been much slower in India as compared to other countries and the development of this sector is depends on the presence of regulatory and structural constraints. Government has to take care about the existence of organized retail stores in India and they have to take measures to overcome the challenges. Then the fast growth of organized retailing can be possible in India. The retail sector has played a phenomenal role throughout the world in increasing productivity of consumer goods and services. It is also the second largest industry in US in terms of numbers of employees and establishments. There is no denying the fact that most of the developed economies are very much relying on their retail sector as a locomotive of growth. The India Retail

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In India, while organised retail has yet not been provided the status of an industry it is facing a large number of formats emerging in the market at a very fast speed. Indian organised retail is moving with a fast growth rate that no other sector has witnessed. Lot of Opportunities are present as 94% of the Indian retail is still in unorganized sector. However, Indian retail sector can learn a lesson from the mistakes committed by their global retail chains and may result in the tremendous growth of Indian organised retail sector. At present, making the big commercial buildings with top class retailers is not the key to future success. Retail chains with a bouquet of value propositions like time value for money, value for quality; value for experience, value for time is boosting Indian retail sector in becoming a shining star of world retail map. Retailers need to think about small shoppers not just about a format as Understanding the shoppers' dynamics also holds the key to retail business. Retailers must understand what customer is looking for and how they can deliver that desired value proposition to the customer. However, generally retailers should look for what they are offering and how customers can (It into retailer's schemes & offerings. In the long run such strategies may not be feasible. It is the value offering to customers which makes Tesco so popular and profitable in their business. Similarly Pantaloon Retail runs several formats and for value retailing such as Big Bazaar is receiving good response from the consumers. Retailing in India is on separate path as compared to the western countries & even from Asian retail stores. Studies reveal that upgraded & modernized Kiryana stores are growing at the same rate or even faster than organized retailers. Finally, it is not the business model that provides business sustainability rather it is one of the media to deliver the value to the ultimate consumer. Indian consumers mainly consist of small families. Shopping, eating & entertainment out are looked at as value propositions by family i.e. customers of retail stores. Since these decisions are generally taken as a group, therefore a retailer has to address family requirements more rigorously with ultimate aim to satisfy their needs.

Indian consumers are more sensitive to service status, value for money & qualitative Customer in general ready to pay reasonable value, provided their needs are matched with their requirement. In short, 'Jo Dikhta Hal Woh Hi Bikta Hal'. In few cases, Kiryana/grocery store owners find no competition with retail markets as they understand requirement of customers. So, ultimately it can be concluded that it is very difficult for a retailer to understand the changing desire & demand of the customers.

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