

## INDIAN ORGANIZED RETAIL SECTOR: IMPEDIMENTS AND OPPORTUNITIES

**Dr. Dharmendra Mehta, Reader**

Pt. JNIBM, Vikram University, Ujjain

**Dr. Naveen K. Mehta, Reader**

MIT, Ujjain

**Dr. Jitendra Sharma, Associate Professor**

AFMR, Indore

**Abstract:** *The winds of globalization have yielded rich dividends to the social and economic growth of India. The boom in Indian market has widened the horizons for the customers to be selective while purchasing any product. On the other hand, the sellers are more proactive in facilitating their customers' quality services and cater to their growing demands. There is a paradigm shift in the customer's perception and purchasing tendencies. The traditional shops and shopkeepers are now being slowly but gradually replaced by big/mini retail stores (shopping malls) and retailers (top corporate houses). Indian consumers are evolving and accepting modern retail formats. In the context of Indian retail sectors, Big Bazaar, More, Pantaloon Retail India Ltd, ITC's e-choupal Reliance Retail Ltd, Vishal Mega Mart, Titan Industries, Archies, Bata India Ltd etc. are dominating the scene and have a wide spread network to execute their operation. The present paper is an attempt to study impediment and opportunities related to organized retailing in India.*

**Keywords:** Retail, Organized, Unorganized, Mall, consumers.

## Introduction

Over the years Indian retail sector has observed rapid transformation in diversified activities of business. India's retail market is 5th largest retail destination globally. It is estimated to grow by \$637 billion in 2015. Indian Retail Industry comprising of organized and unorganized sector. India is emerging as one of the most dynamic organized retail markets across the globe. The booming sector of the Indian economy is expected to touch US \$ 175-200 billion by 2016. Now companies are focusing on burgeoning market that is sprawling in fast developing states like Madhya Pradesh. It is expected that in short span of time approximately 700 malls coming up across India, 40 per cent are expected to be in small towns like- Ujjain, Dewas, Sagar, Ratlam, Shajapur, Neemuch etc. Consumers of these towns are getting more aware about the concept of organized retail, so retailers are moving fast towards these markets to tap middle class consumer who are more willing to spend. The consumers are showing greater interest in purchasing quality and branded products along with an environment of trust and honesty.

According to survey conducted by AT Kearney , an overwhelming proportion of the Rs. 4,00,000 Crore retail market is unorganized , in fact only 20,000 crore segment of the market is organized. Organized retailing in India is reaching out to encompass smaller towns. Whether it is multi-brand stores, hypermarkets, food chains or fashion stores, retailers are moving fast towards these markets to tap the middle class consumer who's more than willing to spend, given the chance and choice.

According to a McKinsey & Company report titled 'The Great Indian Bazaar: Organised Retail Comes of Age in India' (2010), organised retail in India is expected to increase from 5 per cent of the total market in

2008 to 14 - 18 per cent of the total retail market and reach US\$ 450 billion by 2015. Between 2010 and 2012, the organised retail real estate stock will grow from the existing 41 million sq ft to 95 million sq ft. Driven by the growth of organised retail coupled with changing consumer habits, food retail sector in India is set to be more than double to US\$ 150 billion by 2025, according to a report by KPMG. BMI India Retail Report for the first-quarter of 2011 forecasts that total retail sales will grow from US\$ 392.63 billion in 2011 to US\$ 674.37 billion by 2014.

## **Review of Literature**

Farina and Nunez (2005) stated that "the number of independent supermarkets (as opposed to large chains) and traditional retailers has grown, and their share in food sales has increased" in recent years. D. Tschirley (2007) discussed through Coca-Cola that "emerging consumers infrequently shop -if at all -at large supermarkets" in Brazil, despite the heavy market penetration of such outlets in that country. They refer to "the myth (that) it's just a matter of money & time until emerging consumers flock to large supermarkets", and conclude in general for Latin America that "small retailers have a sustainable business model".

Shukla (2007) and Goyal et al (2009) highlighted that Food and Grocery; Health and Beauty; Apparel; Jewellery and Consumer durables are the fastest growing categories of organized retail and fashion sector in India commands lion's share in the organized retail pie. Mishra (2008) reveals that mall space, demography, rising young population, availability of brands, rising retail finance, changing lifestyle, modern retail formats and foreign direct investment are the strengths and opportunities for modern retail model.

Satish and Raju (2010) describe that the major Indian retailers which highly contribute to the retail sector in India. Pantaloon, Tata Group, RPG Group, Reliance Group and A V Birla group are some of the

major Indian retailers of increasing income levels and dual career families with high disposable incomes. Jhamb and Kiran (2011) identify the drivers which affect the growth of the Indian retail market, looks at the major factors affecting the retail business and to carry out the SWOT analysis of organized retail in India .

## **Research Methodology**

Organized retailing is the success mantra of India. Everything has now taken the shape of organized form and the biggest beneficiary is customer.

This was a study conducted on the basis of secondary data available from various sources along with literature review. In literature review, research papers from 2005 to 2011 were studied and significant results were taken from these studies.

The secondary data was collected from magazine, books, internet, industry journals etc. Literature review has shown prior research work done in this area. Significant inputs were found in the subject matter with reference to organized retailing.

## **Limitations**

It was a study based on secondary data. More studies can be done based on primary data especially with respect to comparison between organized and unorganized retail business in India.

Studies can also be done based on demographic variables based on customers' age, income, education, occupation and their response to organized retailing.

## Organized Retail V/s Unorganized Retail

<b>Factors</b>	<b>Traditional</b>	<b>Contemporary Organized</b>
Money flow	Fixed operating cost and overheads.	Low operating cost & overhead
Competitive edge	Proximity to consumer	Range & variety of goods
Reliability	Long operating – hours strong relation with customer convenience & hygiene	Long operating – hours quality assurance (Brand related , durability)
Display	Close display, Placing of product according to seller convenience.	Open display ,Systematically arranged , Placing of product according to customers convenience. Pick & Parcel facility
Price	Discounts based on relations, Difficult to compare value of money	Customer free to compare value of money

Source: Developed on the basis of Review of literature

### **Impediments and Opportunities**

There are various issues in this market which enforce the retailer to move towards these markets are detailed below.

### **Rising consumption expenditure & disposal income of middle class**

Retailers are now moving towards large consumer base with focus shifted from upper income consumer to middle class. Lower income and middle income segment is being targeted by a different value proposition of product, prices and services such as deep discount.

## **Potential untapped market**

Most of the retailers are rapidly moving into smaller towns & even rural India, because metros have already leading to:

- Cost escalation - real estate , services ,people
- Margin dilution – due to Competition , market share wars
- Over saturation of certain locations

## **Abundant availability of skilled labor& Low cost of operation**

In India there is vast resources based talent and skilled labour. A lot of talent labour present in India towns which offer cost advantage in terms of low cost labour and that why many leading players are attracted towards towns of India

## **Growing Use of Debit and Credit Cards**

With the use of debit and credit card the payment is going to be very easy and also increase the spending on shopping & eating out. With the acceptance of & the increase in the no. of electronic data converter machine installed in retails outlet, plastic money will provide growth to organized retail.

## **Change in consumer needs, attitudes and behavioral patterns**

Rising income levels, education & global exposure have contributed to evolution of the Indian middle class.

Increase disposal income and consumption expenditure results in

more shopping and purchasing habits.

### **Growing awareness**

The television, news paper and internet are the most important and effective way of communication. As the result of the increasing literacy level in towns and villages the people changing there preference& attract towards different skims of modern retail.

### **Issues & Challenges**

Improper transportation facilities and non-availability of infrastructure obstructs the growth of retail business especially in rural Indian sector. The lack of refrigerated transportation is a big cause of wastage. It requires reasonable sum of money and time in building a logical distribution network.

The organized retail sector has to face a very high rate of stamp duties on transfer of property that varies from state to state. Different type of levies and taxes are also becoming heavy burden on retailers. VAT (Value Added Tax) charged on FMCGS has affected retailer's margin resulted from long sales and distribution channels. For the retailers the lease or rent of the property is one of the main areas of expenditures that reduce profitability of a project.

The organized retail sector is having vast employment opportunities for skilled and qualified professionals but there will be pressure on existing players as new entrants look for trained manpower at various levels. Opening up of FDI in retail could see the entry of international majors which will put further pressure on the manpower of existing retailers. FDI will also hit the future prospects of small store retailers. FDI could promote only skilled professionals not of semi-literate who are in a very

large number in India.

## Conclusions

The organized retail sector in Indian towns is at growing stage of development. This sector is totally untapped and because of increase in disposal income and changing pattern the retailer are attract towards this segment. While there are lots of obstacles and challenges but still Government can support this sector not only by strengthen the Indian companies but also allow international players. It offers an opportunity for a large player to build a Rs. 40,000 Cr retail business spanning multiple categories by 2015. India has the scale and the potential to transform itself into a retail powerhouse. It has been rated as the 5th most powerful and most attractive emerging market for retail globally. It will change India's cities, its people, and its households. The future of the India Retail Industry looks promising with the growing of the market, with the government policies becoming more favourable and the emerging technologies oriented operations combating the moves of global retailers.

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