



## **CHALLENGES AND OPPORTUNITES IN RETAIL SECTOR –AN OVERVIEW**

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### **ABSTRACT**

*Indian retail industry is ranked among the ten largest retail markets in the world. Retailing is one of the pillars of the economy in India and counts for 35% GDP. The retail industry, the organized and un organized sectors have over 13 million outlets operate in the country and only 5% of them being larger than 500 sqft in size. The paper theme is to analyses finer strategic perspective for the retail sector in India and suggests measures so that the corporate strategists could incorporate the same both qualitatively and quantitatively. Based upon the qualitative judgment, a retail unit may be given an overall understanding about the expected performance that can further be corroborated by quantitative analysis. Emergence of a strong retail sector can contribute immensely to the economic development of any country. With a dominant retail sector, the farmers and other suppliers can sell their products directly to the major retail companies and can ensure stable profit*

*Key words: Retail sector, GDP, Reliance. Vishal mega mart.*

### **INTRODUCTION**

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. Modern retail in India could be worth US\$ 175-200 billion by 2016. The Food Retail Industry in India dominates the shopping basket. The Mobile phone Retail Industry

In India is already a US\$ 16.7 billion business, growing at over 20 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. The word retail is derived from the French word retailer, means to cut off a piece or to break bulk. Therefore, a retailer is a dealer or trader who sells goods in small quantities. Retailing is the final step in the distribution of products, for consumption by the end consumers. It consists of all activities involved in the marketing of goods and services directly to the consumers, for their



personal, family or household use. This excludes direct interface between the manufacturer and institutional buyers such as government and other bulk customers. Retail is India's largest industry. The 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, increase in the number of international brands available in the Indian market, 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.

### **EVOLUTION OF THE INDIAN RETAIL MARKET**

Retailing goes back to centuries; it started as a very primitive business but today has grown tremendously. First people were doing businesses with their neighbors. Goods were exchanged between them. Gradually people began to collect themselves to a given neighborhood, which provides a geographical place to do the exchange. This not only increases the exposure of a given good but also helps a lot towards the development of a more formalized system. Gradually, a few more start to get together to a place that in turn creates a need for a common place. Later this common place was called a fair. With the passing of time the number of people doing businesses in a given fair increased, issues

like security, transportation becomes a matter of concern. This semi-formalized system then gave birth to small-scale groceries, where people start to provide more combinations in their own neighborhoods. Then came the issue of choice in given grocery, the choices the customer had was limited, this was the beginning of the concept of "Everything under one roof". As time passes, joint family changes into nuclear family. There too both members

Started earning which resulted into a new way of lifestyle. From then instead of mom-and-pop type of stores organized retail stores came into existence. Based on the ICICI Research, the Indian Retail Market evolution can be traced in the following way:

### **THE OBJECTIVES OF THE PAPER IS:**

To study about the various strategies, trends and opportunities

1. in retailing. To study the growth of retail sector in India.
2. to study about the major and emerging formats of retailing.
3. Article is to study the recent trends in Indian retail industry and its Challenges & opportunities



## **METHOD OF ANALYSIS**

The study is based on different literatures and analysis of organized retail market. Retail has become largest source of employment and has deep penetration into rural India. Retailing contributes to 10% of GDP and around 8% of the employment. Retail sector is one of India's fastest growing sectors with a 5% compounded annual growth rate. It is expected that retail in India could be worth US\$ 175- 200 billion by 2016. The organized retail industry in India had not evolved till the early 1990s. Until then the industry was dominated by the unorganized sector. It was a seller's market with a limited number of brands and little choice available to customers. Lack of trained manpower, tax laws and government regulations, consumer awareness and restrictions over entry of foreign player delayed the growth of organized retailing. Organized retail chains comprise only 3% of the Indian market. Rest 97% market is comprised of mom- and pop type shops. Now the number of organized retail stores is gradually increasing. According to ETIG (Economic Times Intelligence Group), the size of the organized retail industry was about Rs. 160 billion in 2001-02. In 2005 budget Government has allowed 26% Foreign Direct Investment (FDI) in the retail sector. Organized retailing is on continuous increase of its market share from the past. Retailing can be categorized as of different sectors like food and groceries, clothing and textiles, consumer durables, footwear, furniture and furnishing, catering services, jewellery and watches, books, music and gifts, mobile handsets and others.

## **RECENT TRENDS IN RETAIL SECTOR**

Retailing in India is witnessing a huge revamping exercise

1. As can be seen in the graph. India is rated the fifth most attractive emerging retail market:
2. A potential goldmine. Estimated to be US\$ 200 billion, of which organized retailing
3. (I.e. modern trade) makes up 3 percent or US\$ 6.4 billion As per a report by KPMG the annual growth of department
4. Stores are estimated at 24% Ranked second in a Global Retail Development Index of 30 developing countries drawn up by AT Kearney. Multiple drivers leading to a consumption boom:
5. Favorable demographics;
  - Growth in income;
  - Increasing population of women;
  - Raising aspirations:



- Value added goods sales
  - Food and apparel retailing key drivers of growth
6. Organized retailing in India has been largely an urban
  7. Phenomenon with affluent classes and growing number of
  8. double-income households. More successful in cities in the south and west of India.
  9. Reasons range from differences in consumer buying behaviour to cost of real estate and taxation laws. Rural markets emerging as a huge opportunity for retailers
  10. Reflected in the share of the rural market across most categories of consumption Mahamaza is leveraging technology and network marketing
  11. Concepts to act as an aggregator and serve the rural markets. IT is a tool that has been used by retailers ranging from
  12. Amazon.com to eBay to radically change buying behaviour across the globe.

## **RESULT AND DISCUSSION**

Kishore Biyani of Pantaloon Retail India Limited (PRIL) laid foundations for organized retail in India. Following Pantaloon's successful venture many Indian business giants such as Reliance, Bharti, Birla and others entered into this sector, which are operating all across the major cities of India. Major players in retail Industry:

## **CHALLENGES TO RETAIL DEVELOPMENT IN INDIA**

Organized 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: -

### **1. The Kiranas Continue**

The very first challenge facing the organized retail industry in India is competition from the unorganized sector. Traditionally retailing has established in India for centuries. It is a low cost structure, mostly owner operated, has negligible real estate and labour costs and little or no taxes to pay. Consumer familiarity that runs from generation to generation is one big advantage for the traditional retailing sector. On the other hand, organized sector have big expenses to meet and yet have to keep prices low enough to compete with the traditional sector.



## **2. Retail Not Being Recognized As An Industry In India**

Lack of recognition as an industry hampers the availability of finance to the existing and new players. This affects growth and expansion plans.

## **3. The High Costs of Real Estate**

Real estate prices in some cities in India are amongst the highest in the world. The lease or rent of property is one of the major areas of expenditure; a high lease rental reduces the profitability of a project.

## **4. High Stamp Duties**

In addition to the high cost of real estate the sector also faces very high stamp duties on transfer of property, which varies from state to state (12.5% in Gujarat and 8% in Delhi). The problem is compounded by problems of clear titles to ownership, while at the same time land use conversion is time consuming and complex as is the legal process for settling of property disputes.

## **5. Lack of Adequate Infrastructure**

Poor roads and the lack of a cold chain infrastructure hampers the development of food and grocery retail in India. The existing supermarkets and foods retailers have to invest a substantial amount of money and time in building a cold chain network.

## **6. Multiple And Complex Taxation System**

The sales tax rates vary from state to state, while organized players have to face a multiple point control and system there is considerable sales tax evasion by small stores. In many locations, retailers have to face a multi point octroi with the introduction of value Added Tax (VAT) in 2005, certain anomalies in the existing sales tax system causing disruption in the supply chain are likely to get corrected over a period of time. There is price war between different retail organizations. Each and every one is saying to provide goods at low cost and offers various promotional schemes. In such a case it is difficult to keep one's customers with oneself.

## **7. Opportunities**

Retail marketing gets various opportunities to grow up in the Indian market. Not only retailing but Manufacturers as well as suppliers, and buyers have various opportunities, some of which are mentioned below-



### **8. What Is in Store**

Organized retail provides brands much needed visibility and platform for customer interaction. It also helps in launching of new product or product variant and in market penetration. It has wider product range and more frequent, speedier deliveries.

### **Urbanization**

Increased urbanization has shifted consumers to one place and thus a single retail can catch more customers.

### **9. Nuclear Family**

As the time passed away joint families came in a new form i.e. nuclear family. Again the income level of these nuclear families increases because both members started earning. This results into increased power of purchase and lack of time. Now they want everything under one roof. This brought the concept of organized retailing.

### **10. Plastic Revolution**

Increased use of credit cards is in favour of retail marketing. It creates requirement even when it is not necessary.

### **11. Jo Dikhta Hai Woh Bikta Hai**

Organized retail stores put stress on proper infrastructure like well maintained building, air conditioning, trained employees, electronic machine, parking facilities and proper display of goods category wise. Here customers feel comfort, joy and entertainment. Purchasing becomes joy for him. Self-selection saves time and gives more opportunities and satisfaction. Fix cost removes the threat of misleading. They avail various discounts and promotional schemes presented by the manufacturers. They also get product of different varieties and of proper quality.

### **12. Employment**

Retail marketing is one of the largest employments generating industry. It provides employment to skilled, semi-skilled as well as to unskilled persons. Thus it helps in the socio- economic development of the society.

### **13. Price War**



Increase in the no of retail outlets increases competition among these retailers. To attract customers they give various promotional schemes as various discounts, buy one get one free, another product with any particular product, festival special, etc.

#### **14. Contract Farming**

The retail marketers directly purchase from farmers and reducing middlemen, thus provide roper cost to farmers and also set proper price for consumers. They also make contract with farmers to get proper amount of crops and vegetables.

#### **15. Reduces Supply Chain Management**

The big players of retail marketing and the manufacturing companies directly come in contact thus reducing many intermediary chains. Manufacturers also give many promotional schemes for their product that is beneficial for consumers.

### **CONCLUSION**

There is very huge potential for the growth of organized Retailing in India. By following some of the strategies it can rise tremendously and can reach each and every nock and corner. Open communication should be established between functional departments. A balance should be maintained between brand building and promotion. Non-marketing factors like gas prices, weather etc. should be avoided and new schemes should always be launched. 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.

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