

## GROWTH AND CHALLENGES OF RETAIL INDUSTRY IN INDIA

**K.S.RAJASHEKAR REDDY**

Assistant Professor

KGR Institute of Technology and Management

### ABSTRACT

*The Indian Retail Industry is the fifth most prominent on the planet. Counting framed and muddled bits, Indian retail industry is one of the speediest making endeavors in India, particularly over the range of the most recent couple of years. Despite the route that at first the retail business in India was for the most part crazy, however with the change of taste and inclinations of clients, the Industry is getting more obvious nowadays and getting sorted out besides. The Indian Retail Industry is required to make from US\$330 billion in 2007 to US\$650 billion by 2016. As indicated by the tenth Annual Global Retail Development Index (GRDI) of A.T. Kearney, India is having a particularly solid progression genuine base that is the reason it's the ideal time to go into Indian Retail Market. Indian Retail Market addresses 22% of nation's GDP and it adds to 8% of the aggregate work. The aggregate retail spending is assessed to twofold in the going with five years. Of this, sorted out retail –currently making at a CAGR of 22%– is surveyed to be 21% of aggregate usage. The untidy retail part is relied on to make at around 10% for every annum with plans expected that would ascend from \$309 billion in 2006-07 to \$621 billion in 2015-16. This paper concentrated on changing face of Retail Industry, sorted out or tangled retail industry, certified players in retail industry also highlights the inconveniences went up against by the business in not too difficult to reach future.*

**KEYWORDS:** Retail, Industry, Organized and unorganized sector.

### INTRODUCTION

#### Indian Retail Industry

India's Retailing Boom has gotten dynamism and vivacity with worldwide players testing in the Indian business segment and the country's present beasts figuring out how to fascinate the buyer. Meanwhile, the early members are reexamining the philosophies to stay centered and suit the new market scene.

The accompanying couple of years are seizing the opportunity to witness snappy advancement in the sorted out retailing division with a couple driving all inclusive players developing their proximity in India by changing their courses of action to suit neighborhood tastes and acquiring conduct while regional players have wandered up their watchmen and are trying to get edge over overall players by using their understanding into adjacent markets. Doubtlessly the accompanying surge of the retail impact is in the wake of US Retailing is one of the pillars of the economy in India.

Over the span of late years, the retail bargain in India is floating around 33-35% of GDP as appear differently in relation to 20% in the US. The Indian retail industry is the fifth greatest on the planet. Counting created and jumbled parts, Indian retail industry is one of the snappiest creating wanders in India, especially over the span of the latest couple of years. Regardless of the way that at to start with, the retail business in India was generally disordered, however with the tastes and slants of the purchasers, the industry is getting more pervasive these days and getting sorted out moreover. In the blink of an eye with creating business area ask for, the industry is depended upon to create at pace of 25-30% consistently.

The Indian retail industry is starting now creating at an unbelievable pace and is required to go up to US \$ 833 billion by the year 2013. In the latest four years buyer spending in India has rose to 75%. In India be that as it may, created retail speaks to application. 5-6% of total retail salaries, in any case, with a young masses, growing additional money, changing lifestyles and a solid economy India is set to ascend as one of the snappiest creating sorted out retail promotes in the world. Organized retailing suggests trading practices grasped by approved retailers, i.e. the people who are enrolled for arrangements charge, compensation charge, etc. These join the corporate maintained hypermarkets and retail chains moreover the restrictive large retail associations. Messy retailing, on the hand, implies the standard courses of action of insignificant

exertion retailing, for example, the close-by kirana shops, proprietor watched out for general stores, settlement stores, handcar and black-top traders etc.

## OBJECTIVE

Innovatively organized without adjustments and advancements in Retailing plans in retail part in India are getting the opportunity to be standard now a day. This is the fragment which shows the most amazing potential yet to be researched in light of the fact that, still 90-91% of total retail industry lies with messy part. The private retail market is depended upon to create from \$330 billion in 2009 to \$640 billion by 2017. It infers yet family unit and what's more overall sorted out retailers have the unexplored potential in Indian economy. However present day retailing is encountering move in India, cutting-edge propelled associations need to face a to a great degree extreme contention from standard courses of action. People are not set up to surrender inclinations and mindset for routine mother and me shop. Additionally, on the other hand, a frequently going variety of foundations, constantly hammered by an exceedingly fluid environment drives the tumultuous fragment to be brutally engaged and working style of little kirana stores their nearness will be at the stake. This kind of theory in the overall population is moreover persuading 'kirana stores' to change their association and be fairly made at their level. Keeping in context this the paper focuses on the going with targets:

1. To fathom the improvement of retail division in India
2. To study the standard retail formats
3. To study the Growth of retail industry
4. To study the future prospects of formed retail region in India.

## RESEARCH METHODOLOGY

Information has been aggregated from various sources like books, journals, government appropriations, every day papers thus on and examination is clear in nature. The wellspring of data is simply discretionary data.

## EVOLUTION OF INDIAN RETAIL

Retailing is one of the best portions and it is seeing vexed in India. The new member in retailing in India implies the beginning of retail change. India's retail market is depended upon to wind up tremendously in next couple of years. According to AT Kearney, The Windows of Opportunity exhibits that Retailing in India was at opening stage in 1995 and now it is in garnish stage in 2006. The origin of retailing in India can be taken after back to the improvement of Kirana stores and mother and-pop stores. These stores used to check the close-by people.

Over the long haul the governing body reinforced the rural retail and various indigenous foundations hoards up with the help of Khadi and Village Industries Commission. The economy began to open up in the 1980s realizing the change of retailing. The underlying couple of associations to consider retail chains were in material fragment, for occasion, Bombay Dyeing, S Kumar's, Raymond's, et cetera.

Later Titan dispatched retail showrooms in the formed retail region. With the movement of time new members continued ahead from amassing to flawless retailing. Retail outlets, for instance, Food world in FMCG, Planet M and Music world in Music, Crossword in books entered the business area before 1995. Strip malls ascended in the urban zones giving a world-class experience to the customers. Over the long haul hypermarkets and supermarkets created. The progression of the portion joins the interminable change in the store system organization, assignment channels, advancement, back-end operations, thus on this would finally provoke a more noteworthy measure of union, mergers and acquisitions and epic theories. India's retail market is depended upon to end up gigantically in next couple of years. India demonstrates US\$330 billion retail showcase that is required to grow 10% a year, with current retailing essentially beginning. In



India, most of the retail range is dislocated. The central test going up against the sorted out section is the resistance from confused portion. Messy retailing has been there in India for an extensive time span. The standard preferred standpoint in messy retailing is client nature that continues running from time to time. It is a simplicity structure; they are generally worked by proprietors, have marsh and work costs and have low obligations to pay. Formed retail business in India is little however enormous degree has.

### **RETAIL FORMATS IN INDIA**

Hyper shops/supermarkets: enormous self-redesigning outlets offering things from a variety of classes. Mother and-pop stores: they are family guaranteed business checking little territories; they are only dealt with retail outlets and have an individual touch. Departmental stores: are general retail merchandisers offering quality things and organizations.

Solace stores: are arranged in neighborhood areas with fairly higher costs stock due to the settlement publicized.

Strip malls: the best kind of retail in India, shopping plazas offers customers a mix of an extensive variety of things and organizations including incitement and sustenance under a singular housetop.

E-trailers: are retailers giving web acquiring and offering of things and organizations. Markdown stores: these are creation line outlets that give discount on the MRP.

Dispersing: it is a tolerably new section, in the retail fragment. Here beverages, snacks and other easily overlooked details can be bought by method for confection machine.

Arrangement killers: little specialty stores that offer a variety of classes. They are alluded to as class killers as they focus on specific orders, for instance, equipment and shaking items. This is generally called Multi Brand Outlets or MBO's.

Specialty stores: are retail chains overseeing specifically classes and give significant assortment. Mumbai's Crossword Book Store and RPG's Music World are a few cases.

### **GROWTH OF RETAIL INDUSTRY IN INDIA**

A more number of people in India are swinging to the organizations section for occupation as a result of the relative low compensation offered by the standard agribusiness and collecting ranges. The formed retail market is creating at 3.5 percent yearly while improvement of messy retail section is pegged at 6 percent. The Retail Business in India is starting now at the motivation behind articulation. Quick change with theories to the tune of US \$ 25 billion is being masterminded by a couple of Indian and multinational associations in the accompanying 5 years. It is a gigantic industry to the extent size and according to organization guiding firm Techno park Advisors Pvt. Ltd., it is regarded at about US \$ 350 billion. Sorted out retail is depended upon to collect around 16-18 percent of the total retail promote (US \$ 65-75 billion) in the accompanying 5 years.

As demonstrated by the tenth report of GRDI of AT Kearney, India is having an amazingly awesome retail environment and it is set at fourth spot in the GRDI. The essential clarifications for that is the 9% certified GDP advancement in 2010, gauge yearly improvement of 8.7% through 2016, high saving and wander rate and extended client spending. As showed by report, sorted out retail speaks to 7% of India's for the most part \$435 billion retail promote and is required to accomplish 20% by 2020. Sustenance speaks to 70% of Indian retail, yet it stays under invaded by sorted out retail. Sorted out retail has a 31% offer in dress and attire and continues seeing improvement around there. A report by Boston Consulting Group has revealed that the

country's sorted out retail is evaluated at US \$ 28 billion with around 7% invasion. It is expected to wind up a US \$ 260 billion business over the home decade with around 21% passage.

The analysts assume that the region is at risk to demonstrate huge advancement of more than 9% all through the accompanying ten years besides see fast change in sorted out retail mastermind with degree subject to accomplish more respectable 25% by 2018. The BMI India Report for the principle quarter of 2012 released gages that total retail manages improvement from US \$ 422.09 billion in 2011 to US \$ 825.46 billion by 2015.

The report highlights solidly fundamental budgetary advancement, people expansion, extending additional money and snappy ascent of formed retail base as essential issue behind the guess growth. According to branch of Industry Policy and Promotion Cumulative, FDI inflows in single brand retail trading stayed at US\$ 44.45 million in the midst of April 2000 to September 2011. Indian retail fragment is wearing new dresses and with a three year exacerbated yearly advancement rate of 46-64%, retail is the speediest creating division in the Indian economy. The part is the second greatest chief after agribusiness, using more than 35 million people with wholesale trade delivering an additional occupation to 5.5 million crore. The colossal improvement of retail industry has made a huge enthusiasm for area. Property planners are making retail arrive at a commanding pace.

According to report titled "India Organized Retail Market 2010", appropriated by Knight Frank, in the midst of 2010-12, around 55 million square feet of retail space will be set up in Mumbai, NCR, Bangalore, Kolkata, Chennai, Hyderabad and Pune. Other than some place around 2010 and 2012 the sorted out retail land will be created from existing 41 million square feet to 95 million square feet. The total no. of mall is depended upon to develop at CAGR of 18.9% by 2015. Hypermarket, at this moment speaking to 14% of mall space is depended upon to witness high advancement. Industry experts foresee that the accompanying time of advancement in the retail portion will ascend out of the nation market. By 2012, the rural retail market is foreseen to have a total of more than half bit of the pie.

India's retail market is depended upon to be worth about US\$ 410 billion, with 5 for every penny of offers through sorted out retail, suggesting that the open entryway in India stays enormous. Retail should continue becoming rapidly—up to US\$ 535 billion in 2013, with 10 for each penny beginning from sorted out retail, reflecting a rapidly creating office class, asking for higher quality shopping circumstances and more grounded brands, according to the report 'Amplifying Opportunities for Global Retailers', released by A T Kearney

This loosening up in Foreign Investment benchmarks for single brand retailing would be at risk to taking after conditions:

Things should be sold under the same brand all around.

It would cover only those things which are set apart in the midst of gathering.

It would need to ensure required sourcing of no under 30% of the estimation of the thing sold, to be done from Indian little Industries/town and lodge Industries, Artisans and Craftsmen. Little Industry will be portrayed as Industry with the total enthusiasm for plant and mechanical assembly not surpassing \$1million. The loosening up in remote enthusiasm for single brand retail region comes as the can foresee the organization who has had the ability to arrive at a political concusses to open multi brand retail stores for outside money related masters.

Nonattendance of Retail space: Most of the retail outlets in India have outlets that are under 400 square feet in zone. This is little difference and International Standards.



Social Diversity: India's enormous size and socio social and money related arranged qualities infers there is no settled model all through the country. Makers and retailers should devise methods for different territories and parts which by it would challenge for them.

## **FUTURE PROSPECTS OF ORGANIZED RETAIL SECTOR IN INDIA**

Markets and availability of quality rough material at less costly cost is depended upon to make India overpower the world best retail economies by 2040. The region is required to see a India has been situated as the second most engaging nation for retail theory among 30 creating markets by the US-based overall organization advising firm. AT Kearney's study on Global Retailing Trends Found that India is the base centered and moreover smallest splashed of all major Global markets. This proposes there are on a very basic level low area limits for players endeavoring to setup base in India, with respect to centered scene. The report further communicated that Global Retailer, for instance, Wal-Mart, Carrefour, Tesco and Casino would misuse all the more great FDI concludes that are subject to be exhibited in India. A better than average capacity pool, limitless open entryways, tremendous n endeavor of over \$30 billion inside next 5 years and putting present day retail in the country to \$175-200 billion, as showed by Techno park gages.

Overall retailers consider India to be the last retailing wild left as the Chinas retail division is getting the opportunity to be as inundated. Private players are particularly creating in India-conceding intense expansion masterminds, including stores sensibly and changing riggings to level 2 and 3 urban ranges. While India a troublesome business division to enter, the potential result is tremendous.

India's masses of very nearly 1.3 billion –forecast unavoidably to overpower China's –also is a charming target. Carrefour, the world's second-greatest retailer, has opened its first exchange and-do store India in New Delhi. Germany-based wholesale association Metro Cash and Carry (MCC) opened its second wholesale center at Uppal in Hyderabad, taking to its number to six in the country. Pearls retail store system Tanishq game plans to open 18 new retail stores in various parts of the country in the 2013-14 fiscal Mart Retail Ltd, a medium-sized hypermarket outline retail chain, is set to open 40 outlets all through the accompanying three years, starting with 13 stores in 2011, in Tier-II and Tier-III cities. Reliance Retail, the completely had helper of Mukesh Ambani's Reliance Industries, is set to open 150 stores before the end of Dec. 2011 and twofold the amount of stores the country over in all arrangements inside five years. Future Value Retail, a Future Group try, will take its hypermarket stay Big Bazaar to more diminutive urban ranges of Andhra Pradesh, with an endeavor of around US\$ 1.54 million to US\$ 4.41 million depending upon the size and setup. RPG-asserted Spencer's Retail needs to set up 25 Hyper Markets Through 2012 in the country. Battle Hypermarkets, the overall sustenance retailing chain of the Dubai-based Landmark Group, wants to start financing its India expansion past 2013 out of its close by profession stream out the country.

All things considered, the Landmark Group has put US\$ 51.31 million in setting up five hypermarkets and plans to pump in another US\$ 51.31 million into the accompanying time of improvement. Driving watchmaker Titan Industries Limited plans to contribute about US\$ 21.83 million for opening 50 premiums watch outlets Helios in next five years to accomplish a business center of US\$ 87.31 million. English more ethical route retailer, Marks and Spencer (M&S) game plans to basically construct its retail closeness in India, concentrating on 50 stores in the accompanying three years. Spain's Inditex, Europe's greatest attire retailer opened the essential store of its lead Zara brand in India in June 2010. It further plans to open an aggregate of five Zara outlets in India. Bharti Retail, proprietor of Easy Day store—supermarkets and hyper shops—plans to contribute about US\$ 2.5 billion all through the accompanying five years to incorporate around 10 million sq ft of retail space in the country by then, as demonstrated by an association spokes person.

India's retail industry is the second greatest section, after agribusiness, which gives work open entryways. According to Associated Chambers of Commerce and Industry of India (ASSOCHAM), the retail division will make 50,000 occupations in next few years. Retail associations are starting retail organization courses in association with organization foundations, limiting in capacity from various parts and making intensive calling improvement and resolve gets ready for existing delegates. Top players like Pantaloon Retail India Limited, Trent, Shopper's Stop, RPG Group and others are in every practical sense on their toes. Consider the courses of action of greatest player, The Pantaloon Retail India Ltd; the association has developed a sweeping method, where in it expects that in 2 years, it won't enroll any new chiefs from outside.

### CHALLENGES FACED BY RETAIL SECTOR IN INDIA

- The retail industry in India has to face many obstacles before becoming a truly flourishing Industry.
- Competition from unorganized sector. In retail sector, Automatic approval is not allowed for foreign investment.
- Taxation, which favors small retail businesses
- Developed supply chain and integrated IT management is absent in retail sector.
- Lack of trained work force.
- Low skill level for retailing management.
- Intrinsic complexity of retailing- rapid price changes, threat of product obsolescence and low margins.
- Organized retail sector has to pay huge taxes, which is negligible for small retail business.

In contrast, players in the organized sector have big expenses to meet, and yet have to keep prices low enough to be able to compete with the traditional sector. High costs for the organized sector arise from: higher labor costs, social security to employees, high quality real state, much bigger premises, comfort facilities such as air conditioning, back-up power supply, taxes etc. Organized retailing also has to cope with the middle class psychology that the bigger and brighter sales outlet is, the more expensive it will be. DI in retailing will expedite the process of development of modern format India, bring in technical know-how, reduce inefficiency in the supply chain, increase productivity, help achieve international quality standards and improve the quality of employment and services offered to the consumers. Many reputed foreign retailers with deep pockets and deeper market knowledge are waiting in the wings to enter the country. Restriction on FDI may constrain the growth of organized retailing. Restriction of FDI in food retailing is due to the apprehension that entry of multinationals will displace millions of workers in the unorganized retailing which needs thorough examination. Mall Management has emerged as the single most differentiating factor in today's scenario. The need of malls to differentiate themselves is a sure way of emerging as a winner. Right from the tenant mix, ensuring of creation of right ambience, cleanliness that creates customer satisfaction, managing various income stream for developer, the role of mall-management is complex and dynamic. Shopping malls around the country have been experiencing difficulty in recent years. People are spending less time in malls due to changing preferences and new shopping alternatives. Some of the weaknesses of the malls are market opportunities for own towns and community business districts.

Consumers are finding it more difficult to shop at the regional shopping mall, instead, shoppers want to run out at lunch or make a quick shop on their way from work. Convenience was the most important reason why they choose to shop at a certain store. Consumers are growing interested in new, more convenient and less time consuming ways of shopping. Home shopping and electronic shopping address the time constraint problem facing the consumers. Safety has become a concern to shoppers and owners. With the advent of information and communication technology (ICTs), the Indian consumer is now more aware of what the

market place, both national and international, has to offer. India has steadily transitioned from a state managed economy to a market economy.

Economic growth and liberalization have increased the amount of disposable income. The growth of the urban middle class, which demands value for money, has led to lot of changes on the retail front. The past few years have also seen a large increase in the number of youth to earn early. Roughly, there has been 20 per cent increase in the number of people between 15 to 19 years age group who started earning, largely due to the expansion in opportunities for the urban youth in the business process outsourcing industry and the software sector. The 92 expenditure of Indian households on health services, education, domestic appliances and food has undergone a substantial change. The share of food in the total private consumption expenditure has fallen from 51.3 per cent in 1993-94 to 41 per cent in 2005-06. The Increase in the number of working women, especially in urban India, has fuelled the growth of retail format like supermarkets, convenience shops and products like ready to eat meals. While the spending power has increased, the demand is now for quality merchandise and a certain level of service. Increase in disposable income, changes in consumption pattern, coupled with knowledge of market has enabled the retail market in India to expand to both vertically and horizontally.

Dependency ratio a proportion of non-working population, is set to decline in the coming few years, and about 60 million people will be joining the ranks of the —the consuming age class of 15-64. To help the retail sector, there is also the ascent of urbanization (from 27.8 in 1998 to 42.7 in 2013). Furthermore; companies continue to invest more in direct mail, like catalogues, which also siphon off business from traditional malls.

## FINDINGS, CONCLUSION & SUGGESTIONS

Various workplaces have surveyed particularly about the allot of sorted retail promote in 2011. The one thing that is fundamental amongst these evaluations is that Indian sorted out retail market will be colossal in 2011. The status of the retail business will depend generally on external variables like Government rules and controls, approaches other than the activities of retailers and solicitations of the customers moreover show influence on retail industry. As the retail business focus changes shape and contention grows, the potential for improving retail gainfulness and cutting costs is obligated to reduce. Thus it is essential for retailers to secure a specific position in the business focus in perspective of characteristics associations or experience. Finally, observe that these methodology are not so much self-sufficient of each other; worth is limit of quality and organization and also be enhanced by personalization and offering a basic trial.

## REFERENCES

1. "Retail reality." 7 November 2007.
2. "ICRIER Begins Survey of Indian Retail Sector." 19 March 2007.
3. "Retailing in India Unshackling the chain stores". The Economist. 29 May 2007. "India again tops global retail index." 22 /6/ 2008.
4. "Economic and financial indicators" 3 July 2008.
5. "Indian Retail story from Myths to Mall." 11 August 2007.
6. "India Retail Forum 2008" "Business standard dec26,2010."
7. [www.articlebase.com/ retail industry in India](http://www.articlebase.com/retail%20industry%20in%20India), june04, 2007.
8. Bagavathi, Marketing management, New Delhi, sultan Chand & Sons, 1999. David Gilbert, Retail Marketing Management, Prentice Hall, Second Edition, 2003.
9. Amatul Baseer (2007), "Emerging Trends in India", Indian Journal of Marketing, Vol. XXXVII, No.11.
10. Hariharan.G. (2008), "Profile and perception of retail consumers", Indian Journal of Marketing, Vol .XXXVIII, No.2.
11. Laxmi Prabha.G. (2007), "The prospects and problems of Indian Retailing", Indian Journal of Marketing, Vol. XXXVII, No.10