

TRANSPOSITION OF INDIAN RETAIL INDUSTRY

Mr. SURESH NEELAM

Assistant Professor

CSI Institute of PG Studies, Secunderabad

E-Mail: neelam.suresh8@gmail.com

ABSTRACT

The retail industry has become more complex and changing at an increasing speed. Retail market in India is undergoing radical reconstruction. Shifting demographics, regulatory, competitive changes, new channel formats—among other trends and the industry quickly requires to adjust and modify existent models, approaches and processes to satisfy the needs of future customers in order to be successful and profitable. Retailers are all set to make predictions and strategies about the new trends the market may come up with. To keep themselves informed of the new unforeseen changes, they are all making necessary amendments by modifying their business strategies and by introducing new formats. The important thing is that it is not only the retailer who is changing; the consumer is changing as well in the changing retail environment. The future of retail is all about using technology to strengthen customer relationships and improve the customer experience, while making the day-to-day operations easier.

Keywords: Traditional Retailing, Modern Retailing, Retail Environment

INTRODUCTION

Retail industry is one of the fast changing and vibrant industries in the world that has contributed to the economic growth of many countries. The Indian retail industry has emerged as one of the most dynamic and fast-paced industries due to the entry of several new players. It accounts for over 10 per cent of the country's Gross Domestic Product (GDP) and around 8 per cent of the employment. India is the world's fifth-largest global destination in the retail space, a US Based global management consulting firm has ranked India as the fourth most attractive nation for retail investment among 30 flourishing markets. Major domestic players have stepped into the retail arena with long term, ambitious plans to expand their business across verticals, cities and formats.

Companies like Tata, Reliance, Adani Enterprise and Bharti have been investing considerably in the booming Indian Retail market. Along with these giant retailers, a number of transnational brands have also entered into the market to set up retail chains in close association with bigger Indian companies. Online retail is expected to be at par with the physical stores in the next five years. India's retail market is expected to nearly double to US\$ 1 trillion by 2020 from US\$ 600 billion in 2016, driven by income growth, urbanization and attitudinal shifts. High consumer spending over the years by the young population (more than 31% of the country is below 14 years) and sharp rise in disposable income are driving the Indian organized retail sector's growth. The Indian retail sector is highly fragmented and the unorganized sector has around 13 million retail outlets that account for around 95-96% of the total Indian retail industry. However, going forward, the organized sector's growth potential is expected to increase due to globalization, high economic growth, and improved lifestyle. Even Tier I & Tier II cities and towns are witnessing a major shift in consumer preferences and lifestyles, the result of which, they have emerged as attractive markets for retailers to expand their presence.

1.1 NEED OF THE STUDY

Incorporation of technology in the organized retail segment has been something to reckon with in the past few years. Use of computers for merchandised planning and management, control of inventory costs and supplies and replenishment of goods done electronically, internal store billing, etc has changed the face of product retailing. Traditional retailers should consider this development seriously and initiate proper action to think and device the ways how internet can be useful. The present study is aimed at describing the transposition of Indian retailing from mere passing of goods and services to effective utilization of supply chain management systems which had transformed the phase of Indian retailing industry.

1.2 OBJECTIVES OF THE STUDY

- To study the differences between traditional and modern retailing.
- To access the areas which require improvement for a better retailing
- To know the key drivers of Indian Retailing Industry
- To understand the challenges faced by Indian Retailing Industry.

1.3 DATA COLLECTION

Present study is based on secondary data which has been collected from books, newspapers, magazines, journals & various internet sources.

2. REVIEW OF LITERATURE

The Indian Retail sector has come off age and has gone through major transformation over the last decade with a noticeable shift towards organized retailing. A T Kearney India's direct selling industry is expected to reach a size of Rs 23,654 crore (US\$ 3.51 billion) by FY2019-20, as per a joint report by India Direct Selling Association (IDSA) and PHD. The retail market is expected to reach a whopping Rs. 47 lakh crore by 2016-17, as it expands at a compounded annual growth rate of 15 per cent, accordingly to the 'Yes Bank - Assocham' study. "Favorable demographics, increasing urbanization, nuclearisation of families, rising affluence amid consumers, growing preference for branded products and higher aspirations are other factors which will drive retail consumption in India," said DS Rawat, Assocham Secretary General. According to panel members at the seventh Food and Grocery Forum India, the opportunities in food and grocery retail in India are immense, given that it constitutes about 69 per cent of India's total retail market. The Indian retail market, currently estimated at \$490 billion, is project to grow at a compounded annual growth rate of 6 per cent to reach \$865 billion by 2023. Modern retail with a penetration of only 5% is expected to grow about six times from the current 27 billion USD to 220 billion USD, across all categories and segments. "Today, customers have more power and choices than ever before," says Matthew Healey, market analyst at Technology Business Research (TBR). What's more, "Customers are becoming more and more spoiled, expecting the ultimate user experience in both online shops and local retailers," says Kai Hudetz, managing director of the German Center for Research in Retailing (IFH) in Cologne. A recent study by Deloitte, called "Global Powers of Retailing 2013 – Retail Beyond," even sees the retail industry "in the midst of a customer revolution."

3. DIFFERENCES BETWEEN TRADITIONAL AND MODERN RETAILING

The Indian Retail Scenario has undergone a major transition in terms of modern retail activities picking up quite noticeably. Right from the ancient times when barter was the only form of trade, as there was no money to make profit; trade has gone through a number of changes, both monetarily and technologically. If we include barter in traditional forms of trade and compare it with modern forms of trade such as buying and selling products on the internet, we find a host of differences between the two. Not getting to see the face of the shop owner, choosing product on one's own and getting it billed electronically is another important difference between traditional and modern trades. Let us take a closer look at the situation. This is an attempt to differentiate between Traditional Retail channel and Non-Traditional or Modern Retail.

TRADITIONAL CHANNEL - The retail activities in this country had started centuries back even when the barter system was in place. Right from that time the activity had grown with momentum and spread across the rural, urban and metro areas. The way this activity has been happening clearly indicates both areas of strength and weakness. More than half of the world's population of 7 billion lives on a paltry \$2 per day (or less) and comes from developing (read poor) countries. This segment still buys and sells through traditional means of trading, which has been stagnant for quite a few decades now. This populace still buys items in retail stores, which are far smaller and much less sophisticated than the glitter and technology of modern retailing. The word traditional trade is collective representation of these small, simple stores.

Traditional trade also includes roadside vendors and food stalls on highways, cities and villages in all parts of the world. All markets in cities having single shops also come within the purview of traditional trade. Traditional trade requires the presence of the customer in the shop and the display of all items on sale. In traditional markets, the shop owners are actually no more than gate keepers though they get to keep profit involved in transactions.

MODERN CHANNEL - Non-Traditional or Modern Retail Channel refers to all other formats of retail stores like Hyper markets, Department Stores, Discount Stores, Electric Multiple stores, Cash and Carry Stores, Specialty Stores, Online, Direct selling, there is virtually no owner to be seen by customers in modern trade such as multi-brand stores in big malls and electronic stores. All big retail chains in the form of hyper stores and malls coming up in middle class cities after they have saturated in metro cities of countries like India, China, Brazil, Indonesia, and of course the developed world represents modern trade around the world. This is considered to be one the latest and greatest developments in the Indian sub-continent next to the IT boom in the 90's. The big change to retail has come through multi-brand shops in malls and the way businesses are conducted; electronically on the net, with far less constraints of space and infrastructure. In the recent past the Urban India has witnessed huge, multi-storied retail structures coming up. The marketing and supplying these electronic stores and big malls is totally different from the demand and supply chain of the traditional markets. If at all the pace with which organized retail grows in the market, simultaneously the customer expectations for the best of retail experiences also grow at a faster rate. When the entire market is in front of a customer in the shape of a 2X2" mobile screen, it makes all the difference between the way people bought in traditional markets and the way they do today in the modern world. Modern trade can be conducted at any time anywhere in the world even when the consumer is flying over skies or inside a moving train.

4. THE AREAS OF CONCERN

The very nature of modern retailing revolves around the concerns of traditional retailers. Rather, the improvisation happened over these areas. The following is the list of some of these-

1. Absence of modernization in the operations
2. The lack of deeper variety
3. Attractive display of products
4. Insufficient space which restricts the possibilities of shopping experience
5. Necessity for price advantage
6. Special promotion offers.
7. Lack of capital for expansion and modernization activities.
8. The lack of professional affiliation to higher level trade associations.

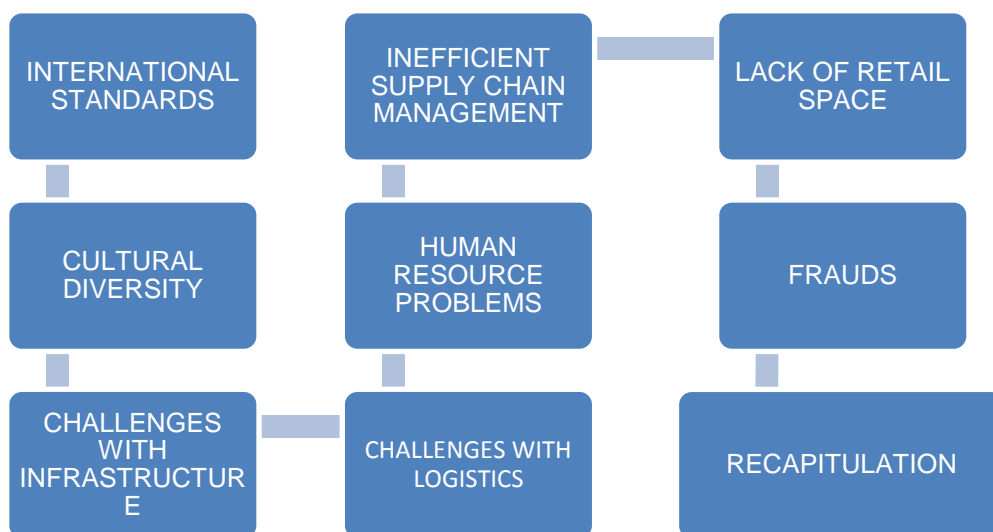
Though these concerns do ask for immediate correction, still in the long run they need to have a closer look at it and try to rectify. In fact this has to immediately happen in the urban areas where the modern retailers have strong footholds.

5. KEY DRIVERS OF THE INDIAN RETAIL INDUSTRY

- Emergence of nuclear families
- An increase in the double-income households trend
- Large working population
- Reasonable real estate prices
- Increase in disposable income and customer aspiration
- Demand as well as increase in expenditure for luxury items
- Growing preference for branded products and higher aspirations
- Growing liberalization of the FDI policy in the past decade
- Increasing urbanization,
- Rising affluence amid consumers

6. BOTTLENECKS TO RETAILING

Fig I: Challenges Faced By Retailing



Even though India has over 5 million retail outlets of various sizes and styles, it has a long way to go¹ before it can truly have a retail industry at par with international standards. This is where Indian companies and international brands have a huge role to play. Indian retailing is still dominated by the unorganized sector and, there is still a lack of efficient supply chain management. India must concentrate on improving the supply chain management, which would in turn bring down inventory cost, which can be passed on to the consumer in the form of low pricing.

Most of the retail outlets in India have outlets that are less than 500 square feet in the area. This is very small by International Standards. India's huge size and socio economic and cultural diversity means there is no established model or consumption pattern throughout the country. Manufacturers and retailers will have to devise strategies for different sectors and segments which would be challenging. Trained manpower shortage is a challenge facing the organized retail sector in India. The Indian retailers have a difficulty in finding trained person and also have to pay more to retain them. This brings down the Indian retailers profit level. Frauds including vendor frauds, thefts and inaccuracy in supervision and administration are the challenges companies would have to face. As the size of the sector would increase, this would increase frauds in the system.

The lack of proper infrastructure and distribution channels in the country results in inefficient processes. This is a major hindrance for retailers as a non- efficient distribution channel is very difficult to handle and can result in huge losses. Infrastructure doesn't have a strong base in India. Urbanization, Globalization is compelling to develop infrastructure facilities. Due to this, retailers have to resort to multiple vendors for their requirements which are raising their costs and prices. Several emerging market economics 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. There is a need of balanced approach to retail and government has to play a very significant role in shaping the future.

CONCLUSION

Retailing in India is at crossroads of an intensive development spree. With the entry of large Indian houses and foreign players, the intensity of competition is becoming tough. The reason for such unprecedented growth can be largely attributed to the high economic growth that the country has been experiencing for the past decade. New and new retail destinations are emerging. There is no doubt that the growth of organized retailing in India has gained a rapid momentum. The future of the organized retail sector will depend typically on factors like administrative regulations and policies and real estate prices. Generations of employment and disposable income of the Indians are to be increased public private partnership is needed to utilize the prime locations. Infrastructure development is to be given utmost priority. Despite some uncertainties, everyone can expect the immense potential of the boom in the Indian retail sector.

REFERENCES

1. Davies, M. (2001) 'Adaptive AHP: a review of marketing applications with extensions', European Journal of Marketing, vol. 35, no. 7/8, pp. 872–94.v
2. 2nd edition, reprint 2012: Chetan Bajaj, Rajnish Tuli & Nidhi V.Srivastava, Retail Management.
3. 8th edition, reprint 2012: Michael Levy, Barton A.Weitz & Ajay Pandit, Retailing Management.
4. Leonard L. Berry and I.H. Wilson, "Retailing: The Next Ten Years", Journal of Retailing , Vol. 53, (Fall 1977), pp. 5-28; R.D. Michman, "Changing Patterns in Retailing", Business Horizons.
5. 1st Ed Pearson : Shah, J, "Supply Chain Management", 2009.
6. W.R. Davidson and A.L. Rodgers, "Changes and Challenges in Retailing", Business Horizons.
7. Journal of Retailing and Consumer Services: Volume 14, Issue 6, November 2007
8. <http://info.shine.com/industry/retail/7.html>
9. <https://www.ideals.illinois.edu/bitstream/handle/2142/28706/emergingtrendsfo978shet.pdf?sequence=1>
10. <http://www.fibre2fashion.com/industry-article/4895/retailing-concepts-introduction>
11. <https://parulsri.wordpress.com/2013/05/06/traditional-retail-versus-non-traditional-modern-retail/http://www.ibef.org/industry/retail-india.aspx>
12. <https://en.wikipedia.org/wiki/Retail>
13. <http://www.oxfordbusinessgroup.com/analysis/modern-versus-traditional-rapid-proliferation-new-outlets-reshaping-local-retail>