

Scenario Of Retailing In The Present Era

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INTRODUCTION

Retailing is one of the largest sectors in the global economy. It is passing through a dramatic period of transportation in a climate where businesses are obliged to generate ever – increasing levels of differentiation just to maintain market share. New technologies and practices combined with the globalization of products and services have driven retailers to leverage every part of the business in strategic response. The retail industry has contributed to the economic growth of many countries and is undoubtedly one of the fastest changing and dynamic industries in the world.

The LPG reforms undertaken during 1990's forced the Indian government to open and liberalize its market for private as well as foreign players. Since then organized retailing has emerged as a revolution in retailing sector. In the initial years, such revolution in retailing was witnessed by food and FMCG sector only. Modern organized retail sector is inching its way towards becoming one of the major industries in India as it is spreading its wings to many other unconventional sectors too. In addition, the positive vibrations pointing to this revolution lie in

the fact that initially, a few big cities had experienced such revolution, but now small cities are also going through this change in retail formats. Consequently, this revolution in retailing has altogether changed the buying behavior of consumers.

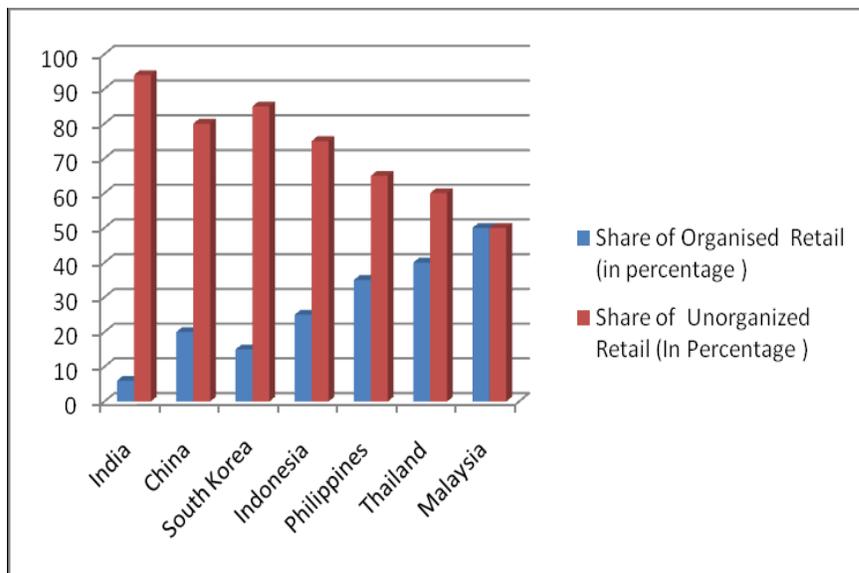
In India, the retail industry is the largest among all the industries accounting for over 10 per cent of the country's GDP and around 8 per cent of the employment. The Indian retail industry has steadily moved its way towards becoming the boom industry. The total concept and idea of shopping has undergone a sea change attracting attention drawing change in terms of format and consumer buying behaviour resulting in a revolution in shopping in India. Modern retailing is spurring ahead in India among various industries. In India, the vast middle class and its almost untapped retail industry are the key attractive forces for global retail giants wanting to enter in to newer markets, which in turn will help the Indian retail industry to grow faster.

RETAIL INDUSTRY IN GLOBAL SCENARIO

Retailing has played a major role in the global economy. In developed markets, retailing is one of the most prominent industries. Global retail sales were estimated to be around US\$ 12 trillion in 2007. However, the slowdown in the global economy, especially in the US, and credit crunch, decreased consumer spending. On a global level, the economy performed robustly till 2007, but the US crisis spread over to Europe in early 2008, and its impact was felt in the Asia-Pacific region by mid-2008. In developed economies, organized retail has a 75-80 per cent share in total retail as compared with developing economies, where un-organised retail has a dominant share.

Among the various countries, India has the highest number of retail outlets in the world at over 13 million retail outlets, and the average size of one store is 50-100 square feet. It also has the highest number of outlets (11,903) per million inhabitants. The per capita retail space in India is among the lowest in the world, though the per capita retail store is the highest and majority of these stores are located in rural areas. [The following chart shows the share of organized and un organized retail sector in various countries.](#)

Share of Organized and Unorganised Retail Sector in Various Countries



Source: www.thehindubusinessline.com

The share of organized retail in India in comparison to many of the countries is very less and to reach to the level of countries like Thailand and Malaysia, India have a lot to be done in the sector in coming future. The share of unorganized retail in India is the highest followed by south Korea and China.

RETAIL INDUSTRY IN INDIAN SCENARIO

Retailing is one of the important pillars of Indian economy and it accounts for 14 to 15 per cent of its GDP. India is one of the fastest growing retail markets in the world, with 1.2 billion people. The Retail Industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. It has become the largest source of employment and has a deep penetration into rural India. India's retail and logistics industry employs about 40 million Indians (3.3 per cent of Indian population). The Indian retail market is estimated to be US\$ 500 billion and one of the top five retail markets in the world by economic value.

Retail sector is one of the India's fastest growing sectors with 5 per cent compounded annual growth rate. 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 players delayed the growth of organized retailing. At present, the number of organized retail stores is gradually increasing.

The retail sector in India is reflected in sprawling shopping centers, multiplex- malls and huge complexes offer shopping, entertainment and food all under one roof. The concept of shopping has altered in terms of format and consumer buying behaviour, ushering in a revolution in shopping in India. This has also contributed to large-scale investments in the real estate sector with major national and global players investing in developing the infrastructure and construction of the retailing business. The trends that are driving the growth of the retail sector in India are low share of organized retailing, falling real estate prices, increase in disposable income and customer aspiration and increase in expenditure for luxury items.

It is expected that the overall Indian retail sector would grow 9 per cent in 2012-16 and the organized retail, which constitutes 8 per cent of the total retail market, will gain a higher share in the growing pie of the retail market in India. The future prospects pose a tremendous growth opportunity for retail players both domestic as well as foreign. The consumer behavior is also experiencing a transition due to upcoming western concepts like online shopping and direct selling.

Recently, many global players like Amazon are taking advantage of online retailing and hence are targeting Indian consumers by setting up relationship with supply chain companies to deliver products to end customer therefore bypassing the need to create physical retail stores. To attract Indian consumers to buy their products online, Crate and Barrel has launched India specific website. The identical efforts are expected by other leading global retailing giants leveraging on 3G and smart phone apps, spread on internet, and social networking. In 2010, larger format convenience stores and supermarkets accounted for about 4 per cent of the industry, and these were present only in large urban centers.

In November 2011, India's Central Government announced retail reforms for both multi-brand stores and single-brand stores. These market reforms paved the way for retail innovation and competition with multi-brand retailers such as Wal-Mart, Carrefour and Tesco, as well as single brand majors such as IKEA (Ingvar Kamprad Elmtaryd Agunnaryd), Nike, and Apple. In December 2011, under pressure from the opposition, Indian Government placed the retail reforms on hold till it reaches a consensus. In January 2012, India approved reforms for single-brand stores welcoming anyone in the world to innovate in Indian retail market with 100 per cent ownership, but imposed the requirement that the single brand retailer source 30 per cent of its goods from India. Indian Government continues the hold on retail reforms for multi-brand stores. Until 2011, Indian Central Government denied Foreign Direct Investment (FDI) in multi-brand retail, forbidding foreign groups from any ownership in supermarkets, convenience stores or any retail outlets. Even single-brand retail was limited to 51per cent ownership and a bureaucratic process.

In June 2012, IKEA invested \$1.9 billion in India and had set up 25 retail stores. On 14th September 2012, the Government of India announced the opening of FDI in multi-brand retail, subject to approvals by individual states. On 20th September 2012, the Government of India formally notified the FDI reforms for single and multi brand retail, thereby making it effective under Indian law. On 7th December 2012, the Federal Government of India allowed 51per cent FDI in multi-brand retail in India. India's retailing industry has become an essentially owner manned small shops since 2013.

Retailing in India is gradually inching its way towards becoming the boom industry. The Indian retailing sector is at an inflexion point where the growth of organized retailing and growth in the consumption by the Indian population is going to take a higher growth trajectory. The Indian population is witnessing a significant change in its demographics. A large young working population with the median age of 24 years, nuclear families in urban areas, along with increasing working-women population and emerging opportunities in the services sector are going to be the key growth drivers of the organized retail sector in India.

INDIAN RETAIL FORMATS/CHANNELS

The Indian retail industry has been categorised into different retail formats on the basis of the retail operation. The formats are basically defined on the basis of the size of the outlet, the pricing strategy followed, the type of merchandise sold, and also the location. The formats include:

Hypermarkets

Hypermarkets are big-box formats with an average size that ranges between 60,000 and 1, 20,000 square feet, and they stock multiple lines of products such as food and grocery, general merchandise, sports goods, and apparels. Hypermarkets are mammoth outlets that are fewer in number but cater to a larger area (3-5 kilometers). Hyper CITY, Big Bazaar, RPG Spencer's and Shoprite Hyper are some of the major players in this format.

Supermarkets

The average size of supermarkets ranges from 10,000 to 30,000 square feet. They are a smaller version of hypermarkets that holds multiple lines of merchandise. Supermarkets spread across the city, are greater in number, but cater to a smaller area (1-2 kilometers). Food world, Food Bazaar and Spinach are some of the major players in this format.

Convenience stores

Convenience stores offer easy purchase experience through quickly accessible store locations. The stores are basically small in size with 500 to 3,000 square feet, which allows

quick shopping and fast checkouts. Subhiksha and Reliance Fresh are some of the major players in this format.

Cash-and-carry outlets

Cash-and-carry outlet is strictly not a retail format, but considering the business dynamics it follows; it can qualify for a retail format. In a retail business usually a consumer has to purchase one or more products but under this format, the consumers have to buy a minimum volume of products or value specified by the cash-and-carry retailer. In this format the buyers are basically small retailers or catering service providers who purchase in bulk quantities. The size of cash and carry outlets ranges from 100,000 to 300,000 square feet. At present, Metro is a major player that falls under this format. Wal-mart's alliance with Bharti and Tesco's with Trent also comes under the cash-and-carry format.

Discount stores

The focus of these stores is to offer merchandise at a price that is lower than the market price, and to gain profit from volumes. These stores keep merchandise mainly on the basis of its sales. Usually these are no-frill stores with simple surroundings and less service. The stores are basically in size with 1000 to 25,000 square feet, Big Bazaar and Subhiksha are some of the prominent examples.

Specialty stores

These stores usually 'specialise' in one line/category of merchandise. As these stores are concerned with only one type of merchandise, they are able to offer a wider range of products at a lower price. The size of the specialty stores ranges from 500 to 5,000 square feet. For example the Mobile store comes under this format.

Department stores

These stores are typically lifestyle stores where most of the merchandise constitutes apparels and products other than food and grocery. These stores offer high quality service to the consumers. These stores stock lesser merchandise than other formats since the merchandise is

stored in a presentable manner. The stores are basically in size with 20,000 to 1, 00,000 square feet and notable examples are Shoppers Stop, Westside, Trent, and Globus.

Category killers

Many major retail chains have adapted small specialty store concepts and have expanded themselves to create large specialty stores. These expanded, large speciality stores are known as ‘category killers’. The size of the category killers ranges from 30,000 to 1, 00,000 square feet. Ezone and staples which specialises in electronics and office stationery respectively are examples of category killers.

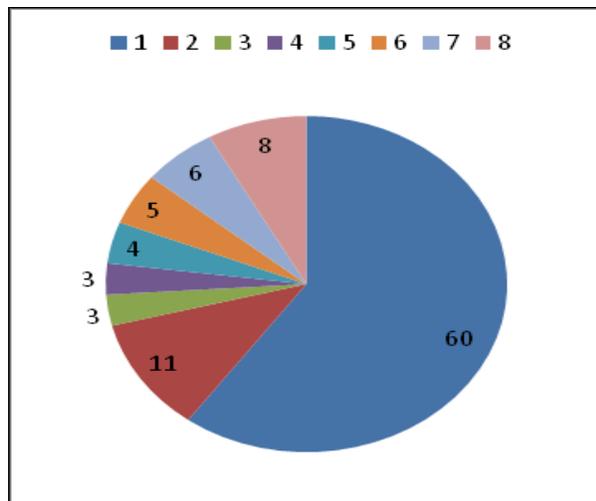
MAJOR RETAIL SEGMENTS IN INDIA

Retailing can be categorized as different sectors like food and groceries, clothing and textiles, mobile and telecom, food service, jewellery, consumer electronics, pharmacy and others. The Table showing the share of retail segments in total retail sector.

Share of Retail Segments in Total Retail Sector

S.No.	Segments	Percentage of share
1.	Food and grocery	60%
2.	Apparels	11%
3.	Mobile and telecom	3%
4.	Food service	3%
5.	Jewellery	4%
6.	Consumer Electronics	5%
7.	Pharmacy	6%
8.	Others	8%

Graph Showing the Share of Retail Segments in Total Retail Sector



The retail segments ratio in India where the main expenses done by Indians are on clothes and food consumption which are falling under the main operations category of retail sector. In Indian retail segments, the Textile Industry is one of the leading industries. Though it was a predominantly unorganized industry, the scenario started changing after the economic liberalization of Indian economy in 1991. The opening up of economy gave the much-needed thrust to the Indian textile industry, which has now successfully become one of the largest in the world. It also plays a major role in the economy of the country. India earns about 27 per cent of its total foreign exchange through textile exports. Further, the textile industry of India also contributes nearly 14 per cent of the total industrial production of the country. It also contributes around 3 per cent to the GDP of the country. Indian textile industry is also the largest in the country in terms of employment generation. It not only generates jobs in its own industry, but

also opens up scope for the other ancillary sectors. Indian textile industry generates direct employment to over 35 million people.

Indian textile industry can be divided into several segments, some of which can be listed as below:

- Cotton Textiles
- Silk Textiles
- Woolen Textiles
- Readymade Garments / Apparels
- Hand-crafted Textiles
- Jute and Coir

In these segments, the readymade garment/ apparels occupies a unique and important place in India. Its predominant presence in the Indian economy is manifested in terms of its significant contribution to the industrial production, employment generation and foreign exchange earnings. India, as categorized in the list of developing countries is growing every day in terms of economy and business expansion. New businesses are opening each day in every possible sector ranging from agriculture to sophisticated information-communication technology (ICT) industry. At present out of all the businesses running in India, the readymade garments sector of the textile industry has taken the lead in earning maximum foreign currency and employing an enormous figure of populations. In the recent times, India showed significant improvement in various business sectors, readymade garments business being the prime one.

Indian sub continent is the second largest manufacturer of garments after China being the global leader in garment production. The readymade garments/apparel retail industry consists of all men's wear, women's wear and children's wear. India is known for its high quality garments for men and most of the garment manufacturers are in the small and medium scale industry. Indian men's clothing industry has been growing steadily over the past few years. This has been possible owing to the Indian male becoming more fashion conscious, and hence there is more consumption which has increased global demand of men's garments by the rest of the world.

Indian Garment Industry has an advantage as it produces and exports stylish garments for men at economical prices due to cheap labour rates. Today, by the way of technological advancement and use of sophisticated machinery it has enabled the manufacturers to achieve better quality and well designed garments. India's Garment Industry has been rapidly growing in last few years. Exports have been rising as there is an increase in orders from global buyers accompanied by a rise of investments in the garment sector of the country. It is estimated and analyzed that one out of every six households in the country depends on this sector either indirectly or directly for its livelihood. From all over the world, the retailers also increasingly come to India attracted by low production costs. Thus, the Garment Industry is of major importance to the Indian economy as it contributes substantially to India's export earnings.

CONCLUSION

The impact of Globalization on Indian Retail Sector has proved to be positive as well as negative. The consumers have started shifting from traditional retail to branded retail outlets because of the variety and what they perceive as better quality and attractive discounts offered by branded retail outlets. The majority of the customers are visiting branded retail outlets like Wills Lifestyle, Big Bazaar, and McDonalds etc. Apart from various obstacles, there are clear opportunities in modern retailing in India. In such a scenario, the Indian retailers have to prepare themselves in terms of having appropriate formats, scalable processes, suitable technology and relevant organization capability.