

RETAIL IN DETAIL

An insight on the Changing Indian Retailing Environment

Mr. Lalit Jain¹

Retailing, one of the largest sectors in the global economy, is going through a transition phase in India. It is one of the most active and attractive sectors of the last decade. While the retailing industry itself has been present through history in our country, it is only the recent past that has witnessed so much dynamism. There has been a big quantitative expansion in retail outlets in India in the recent years. Retailing in India is thoroughly unorganized. The following table gives an idea about Indian Retail Environment.

Indian Retail Realities

- ✓ Unorganized market: Rs. 5,83,000 crore
- ✓ Organized market: Rs. 5000 crore
(Includes organized Food and Grocery Rs.600 crore)
- ✓ 5X growth in organized retailing between 2000-2005
- ✓ Over 4,000 new modern retail outlets in the last 3 years
- ✓ Over 5,000,000 sq. ft. of mall space under development
- ✓ The Top 3 modern retailers control over 750,000 sq. ft. of retail space
- ✓ Over 400,000 shoppers walk through their doors every week

In the recent years, retailing in India has been gaining a lot of sophistication. The sophistication is visible not only in the physical features of the retail stores, but also in the shopping experience and service provided by them. The emergence of organized retailing in India is a result of the increasing purchasing power of buyers, especially post-liberalization, increase in product variety, and the increasing economies of scale, with the aid of modern supply and distribution management solutions. The current retailing revolution has been provided an impetus from multiple sources. The 'revolutionaries' include many conventional stores upgrading themselves to modern retailing, companies in competitive environments entering the market directly to ensure exclusive visibility for their products and professional chain stores coming up to meet the need of the manufacturers who do not fall into either of the above categories. Besides increasing purchasing power, a variety of other factors also seem to fuel the retailing boom. They are as stated under:

- Increase in double-income households and working women has resulted in an increasing pressure on time with very little time being available for leisure. So consumers are seeking the convenience of one-stop shopping, whereby they could have better utility of time. They are also seeking speed and efficiency in processing, as a result.
- Being more aware, consumers are on the lookout for more information, better quality and hygiene as well as increased customer service.

However, the boom in organized retailing has been confined primarily to the urban markets in the country. Even there, large chunks are yet to feel the impact of organized retailing. There are two primary reasons for this. First, the modern retailer is yet to feel the saturation effect in the urban market and has, therefore, probably not looked at the other markets as seriously. Second, the modern retailing trend, despite its cost-effectiveness, has come to be identified with lifestyles.

In order to appeal to all classes of the society, retail stores would have to identify with different lifestyles. In a sense, this trend is already visible with the emergence of stores with an essentially 'value for money' image. The attractiveness of the other stores actually appeals to the existing affluent class as well as those who aspire for to be part of this class. Hence, one can assume that the retailing revolution is emerging along the lines of the economic evolution of society.

IMPORTANCE OF RETAILING

The attention enjoyed by retailing is because of the following reasons.

Reason 1: The impact that retailing has on economy.

Retailing is the pulse of the economy. It reflects how much consumers can buy. The impact of retailing is reflected in the following facts.

- ✓ Retail is one of India's largest sources of employment after agriculture.
- ✓ Retail generates more than 10% of India's GDP.

Reason 2: The role that retailing plays in distribution channel.

In a distribution channel, retailers play a crucial role as the intermediary between manufacturers, wholesalers and other suppliers and the final consumer. It is retailing that actually delivers value to the consumers.

Reason 3: Host of career opportunities in Retailing.

From students' point of view, the most important reason for studying retailing is the broad range of career opportunities available. There is a need for qualified and trained manpower in this industry. The need for specialized skills is increasingly felt in the areas of:

Strategic management	Strategizing, targeting and positioning, marketing and site selection, among others
Merchandise management	Vendor selection, inventory management, pricing and so on
Store management	Layout, display, customer relationship, inventory management, etc.
Administrative Management	Human resources, finance, marketing

With the need for specialized skill set, retailing has become a specialized area of knowledge and training. The RPG School of Retailing and the introduction of specialized retailing courses at various business schools, including the IIMs, are a proof of the same.

CHALLENGES FOR ORGANIZED RETAILING IN INDIA

Impediments to the growth of organized retailing in India are :

❑ The format doesn't suit rural India

Organized retailing is confined to urban areas. The scattered location of the consumers has been the main deterrent to the rapid spread of the idea in the rural areas. The preference of the consumers to buy from small, neighborhood stores, frequently and in small lots is another factor. And, the rural markets account for a sizable share of the total market in India.

❑ Purchasing patterns are not very conducive

The purchasing patterns in India pose another challenge for retailers. Indian consumers carry out their purchases by-and-large in the first week of the month. This is because of the pattern of payment of wages i.e., people are paid monthly in India. The difference is also because of the differences in eating habits. In India many food products have longer life cycles.

❑ Inadequate growth of brands

Inadequacy in the growth of brands has inhibited retailing through sophisticated chains. For over 45 years, from the time of independence, India's economy remained a regulated one and the consumers were denied access to international brands.

❑ Supply chain problems

Replenishment of stock poses problems for large chains, as suppliers are not properly organized in India. Source development also poses special problems, as the country is not yet organized for large-scale operations. The issue of timely deliveries is further compounded by infrastructure constraints.

❑ Other factors

- Investment constraints
- Multiple licensing requirements
- Inadequate retail talent.

WHAT'S



IN STORE ?

- India is on the threshold of witnessing emergence of very large retail business. Consider the report of Global consultants group A.T.Kearny, which predicts that by the end of this year, organized retail will be worth Rs.1, 60,000 crores.
- By almost 2007, India will see the coming to market of new, large shopping malls almost every week. This year alone is likely to have at least 50 new malls ready for opening, and 2006 will see opening of as many as 150 malls.
- The rentals are likely to settle down at a lower level making most retail businesses financially very viable. Scaling up will also be easy for the new entrants once they have got their initial business models right and resources (financial and human) put in place. The easier availability of space will therefore encourage retail start-ups in high potential categories such as food and grocery, consumer durables, furniture and furnishings, jewellery etc.
- Entrance of many leading international brands/retail businesses in India initially through the franchising route, and subsequently through direct retailing route when the FDI policy on retail gets liberalized. An FDI Confidence Index survey done by AT Kearney, retail industry is one of the most attractive sectors for FDI (foreign direct investment) in India.

SOME OF THE MAJOR PLAYERS IN THE INDIAN RETAIL ENVIRONMENT



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