

## CHANGING FACE OF INDIAN RETAIL – Issues and Prospects- Review Article

**Keshav Bhatia**

Professor with Bangalore School Of Business, Delhi

keshav.bhatia@bsb.edu.in

### **Abstract:**

Consumer plays a vital role in today's market scenario and due to competition every business firm wants to provide the best product service delivery to their consumers and take many convenient modes and channels of delivery into consideration. Retail Management is one out of them through which consumers behaviour and response is quick analysed and can handle in a flexible way so, Retail management is a subject that has recently garnered much attention. Changing purchase patterns, demographic profiles, easy availability of international brands and the increased purchasing power has led to the growth of the mall and hyper market culture in India. Marketers in this genre believe that companies can create a lot of new demand in the store. Shopper-marketers are attempting to influence brand choices that would enhance sales, as well as lead to the opening of new branches and outlets pan-India. The International trends and buying behavior is being replicated in the Indian scenario. An attempt has been made to see the movement of the Indian consumer from purchasing from a KIRANA (Grocery) merchant to an outlet located in a swanky mall.

### **Purpose:**

Purpose of this paper is to explain current scenario of Indian retail sector and identify the role of retail management. Purpose of this paper is to convey a path to policy formulator and researchers towards importance and role of retail industry in today's business world.

### **Keywords:**

Retail Management, Indian Retail, International Retail.

### **Methodology:**

This research paper is prepared by reviewing related literature produced in the area of retail in many decades yet. I have also incorporated views of policy formulators and customers related to this industry. Research paper is based on secondary data and provides only descriptive information and no statistics are used.

### **Introduction**

The Indian 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 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.

The total concept and idea of shopping has undergone an attention drawing change in terms of format and consumer buying behavior, ushering in a revolution in shopping in India. Modern retailing has entered into the Retail market in India as is observed in the form of bustling shopping centers, multi-storied malls and the huge complexes that offer shopping, entertainment and food all under one roof.

A large young working population, families in urban areas, along with increasing working women and emerging opportunities in the service sectors are the key factors in the growth of organized Retail sector in India. The growth pattern in organized retailing and in the consumption made by the Indian population is poised to grow at a spectacular pace in the times to come with the government policies becoming more favorable and the emerging technologies facilitating operations.

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 hub. The Mobile phone Retail Industry in India is already a US\$ 16.7 billion business, growing at over 20 per cent per year.

#### **THE INDIAN RETAIL SCENARIO**

India is the country having the most unorganized retail market. Traditionally it is a family's livelihood, with their shop in the front and house at the back, while they run the retail business. Global retail consultants KSA Technopak have estimated that organized retailing in India is expected to touch Rs 35,000 Crore in the year 2005-06. The Indian retail sector is estimated at around Rs 900,000 Crore, of which the organized sector accounts for a mere 2 per cent indicating a huge potential market opportunity that is lying in the waiting for the consumer-savvy organized retailer.

Purchasing power of Indian urban consumer is growing and branded merchandise in categories like Apparels, Cosmetics, Shoes, Watches, Beverages, Food and even Jewellery, are slowly becoming lifestyle products that are widely accepted by the urban Indian consumer. Indian retailers are ready to take advantage of this growth, diversify and introduce new formats and are emphasizing on the brand building process. In their preparation to face fierce competitive pressure, Indian retailers must come to recognize the value of building their own stores as brands to reinforce their marketing positioning, to communicate quality as well as value for money. Sustainable competitive advantage will be dependent on translating core values combining products, image and reputation into a coherent retail brand strategy.

A number of large corporate houses Tata's, Raheja's, Piramals, Goenka have already made their foray into this arena, with beauty and health stores, supermarkets, self-service music stores, new age book stores, every-day-low-price stores, computers and peripherals stores, office equipment stores and

home/building construction stores. Today the organized players have attacked every retail category. The Indian retail scene has witnessed too many players in too short a time, crowding several categories without looking at their core competencies, or having a well thought out branding strategy.

## **INTERNATIONAL RETAIL**

Creating a powerful emerging-market strategy has moved to the top of the growth agendas of many multinational companies, and for good reason: in 15 years' time, 57 percent of the nearly one billion households with earnings greater than \$20,000 a year will live in the developing world. Seven emerging economies—China, India, Brazil, Mexico, Russia, Turkey, and Indonesia—are expected to contribute about 45 percent of global GDP growth in the coming decade. Emerging markets will represent an even larger share of the growth in product categories, such as automobiles, that are highly mature in developed economies. Even China, forecast to create over half of all GDP growth in those seven developing economies, remains a relatively small market for most multinational corporations—5 to 10 percent of global sales; often less in profits.

To accelerate growth in China, India, Brazil, and other large emerging markets, it isn't enough, as many multinationals do, to develop a country-level strategy. Opportunities in these markets are also rapidly moving beyond the largest cities, often the focus of many of these companies. For sure, the top cities are important: by 2030, Mumbai's economy, for example, is expected to be larger than Malaysia's is today. Even so, Mumbai would in that year represent only 5 percent of India's economy and the country's 14 largest cities, 24 percent. China has roughly 150 cities with at least one million inhabitants. Their population and income characteristics are so different and changing so rapidly that our forecasts for their consumption of a given product category, over the next five to ten years, can range from a drop in sales to growth five times the national average.

Understanding such variability can help companies to invest more shrewdly of the competition. Brazil's São Paulo state, where the economy is larger than that of Argentina's, but the competitive intensity is high, and retail prices are lower than other states of that country. By contrast, in Brazil's northeast—the populous but historically poorest part of the country—the economy is growing much faster, competition is lighter, and prices are higher. It's only recently that they have started investing heavily there—trying to catch up with regional companies in what is often described as Brazil's “new growth frontier.”

The appropriate strategic approach will depend on the characteristics of a national market (including its stage of urbanization), as well as a company's size, position, and aspirations in it. In this article, we explore in detail a “city cluster” approach, which targets groups of relatively homogenous, fast-growing cities in China. In India, where widespread urbanization is still gaining steam, we briefly look at similar ways of gaining substantial market coverage in a cost-effective way. Finally, in Brazil we quickly describe how growth is becoming more geographically dispersed and what that means for growth strategies.

## STRATEGIES, TRENDS AND OPPORTUNITIES

Retailing in India is gradually inching its way toward becoming the next boom industry. The whole concept of shopping has altered in terms of format and consumer buying behavior, ushering in a revolution in shopping in India. Modern retail has entered India as seen in sprawling shopping centres, multi-storied malls and huge complexes offer shopping, entertainment and food all under one roof. 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 median age of 24 years, nuclear families in urban areas, along with increasing workingwomen population and emerging opportunities in the services sector are going to be the key growth drivers of the organized retail sector in India.

### RECENT TRENDS

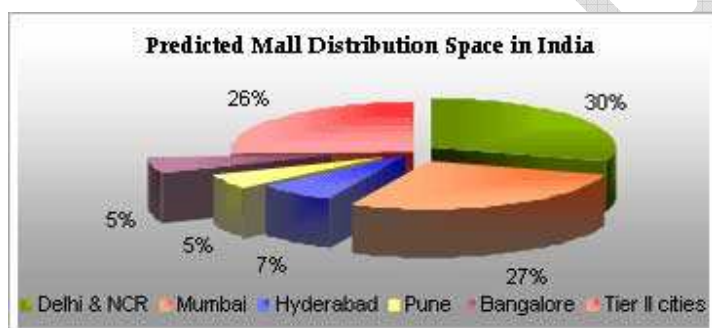
- Retailing in India is witnessing a huge revamping exercise as can be seen in the graph
- India is rated the fifth most attractive emerging retail market: a potential goldmine.
- Estimated to be US\$ 200 billion, of which organized retailing (i.e. modern trade) makes up 3 percent or US\$ 6.4 billion
- As per a report by KPMG the annual growth of department stores is 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:
  - Favorable demographics
  - Growth in income
  - Increasing population of women
  - Raising aspirations: Value added goods sales
- Food and apparel retailing key drivers of growth
- Organized retailing in India has been largely an urban
- Phenomenon with affluent classes and growing number of double-income households.
- More successful in cities in the south and west of India. Reasons range from differences in consumer buying behavior to cost of real estate and taxation laws.
- Rural markets emerging as a huge opportunity for retailers reflected in the share of the rural market across most categories of consumption
  - ITC is experimenting with retailing through its e-Choupal and Choupal Sagar rural supermarkets.
  - HLL is using its Project Shakti initiative leveraging women self-help groups to explore the rural market.
  - Mahamaza is leveraging technology and network marketing concepts to act as an aggregator and serve the rural markets.
- IT is a tool that has been used by retailers ranging from Amazon.com to eBay to radically change buying behavior across the globe.

## GROWTH OF RETAIL SECTOR IN INDIA

Retail and real estate are the two booming sectors of India in the present times. And if industry experts are to be believed, the prospects of both the sectors are mutually dependent on each other. Retail, one of India's largest industries, has presently emerged as one of the most dynamic and fast paced industries of our times with several players entering the market. Accounting for over 10 per cent of the country's GDP and around eight per cent of the employment retailing in India is gradually inching its way toward becoming the next boom industry.

As the contemporary 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 behavior, 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
- Increase in expenditure for luxury items (CHART)



Another credible factor in the prospects of the retail sector in India is the increase in the young working population. In India, hefty pay packets, nuclear families in urban areas, along with increasing working-women population and emerging opportunities in the services sector. These key factors have been the growth drivers of the organized retail sector in India which now boast of retailing almost all the preferences of life - Apparel & Accessories, Appliances, Electronics, Cosmetics and Toiletries, Home & Office Products, Travel and Leisure and many more. With this the retail sector in India is witnessing rejuvenation as traditional markets make way for new formats such as departmental stores, hypermarkets, supermarkets and specialty stores.

The retailing configuration in India is fast developing as shopping malls are increasingly becoming familiar in large cities. When it comes to development of retail space specially the malls, the Tier II

cities are no longer behind in the race. If development plans till 2007 is studied it shows the projection of 220 shopping malls, with 139 malls in metros and the remaining 81 in the Tier II cities.

India is being seen as a potential goldmine for retail investors from over the world and latest research has rated India as the top destination for retailers for an attractive emerging retail market. India's vast middle class and its almost untapped retail industry are key attractions for global retail giants wanting to enter newer markets. Even though India has well over 5 million retail outlets, the country sorely lacks anything that can resemble a retailing industry in the modern sense of the term. This presents international retailing specialists with a great opportunity. The organized retail sector is expected to grow stronger than GDP growth in the next five years driven by changing lifestyles, burgeoning income and favorable demographic outline.

## **RETAILING FORMAT IN INDIA**

### **Malls:**

The largest form of organized retailing today. Located mainly in metro cities, in proximity to urban outskirts. Ranges from 60,000 sq ft to 7,00,000 sq ft and above. They lend an ideal shopping experience with an amalgamation of product, service and entertainment, all under a common roof. Examples include Shoppers Stop, Pyramid, and Pantaloon.

Specialty Stores.

Chains such as the Bangalore based Kids Kemp, the Mumbai books retailer Crossword, RPG's Music World and the Times Group's music chain Planet M, are focusing on specific market segments and have established themselves strongly in their sectors.

### **Discount Stores:**

As the name suggests, discount stores or factory outlets, offer discounts on the MRP through selling in bulk reaching economies of scale or excess stock left over at the season. The product category can range from a variety of perishable/ non-perishable goods.

### **Department Stores:**

Large stores ranging from 20000-50000 sq. ft, catering to a variety of consumer needs. Further classified into localized departments such as clothing, toys, home, groceries, etc.

Departmental Stores are expected to take over the apparel business from exclusive brand showrooms. Among these, the biggest success is K Raheja's Shoppers Stop, which started in Mumbai and now has more than seven large stores (over 30,000 sq. ft) across India and even has its own in store brand for clothes called Stop.

### **Hyper marts/Supermarkets:**

Large self-service outlets, catering to varied shopper needs are termed as Supermarkets. These are located in or near residential high streets. These stores today contribute to 30% of all food & grocery organized retail sales. Super Markets can further be classified in to mini supermarkets typically 1,000 sq ft to 2,000 sq ft and large supermarkets ranging from of 3,500 sq ft to 5,000 sq ft. having a strong focus on food & grocery and personal sales.

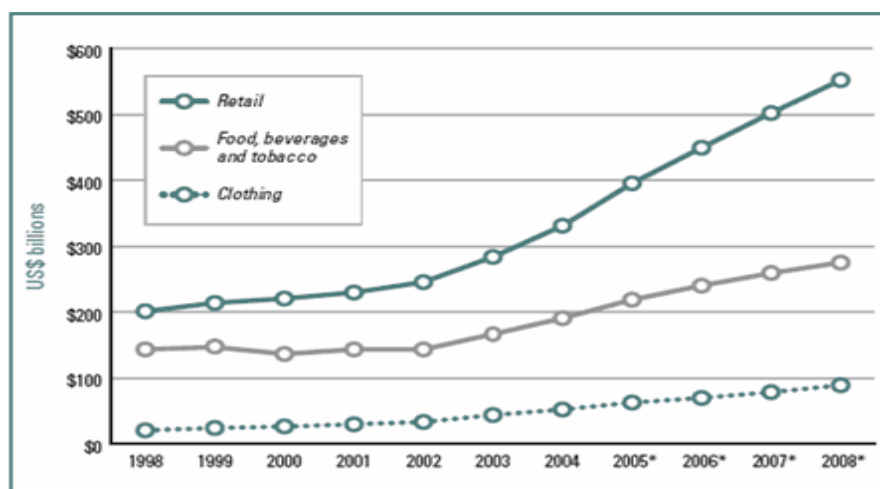


**Convenience Stores:**

These are relatively small stores 400-2,000 sq. feet located near residential areas. They stock a limited range of high-turnover convenience products and are usually open for extended periods during the day, seven days a week. Prices are slightly higher due to the convenience premium

**MBOS:**

Multi Brand outlets, also known as Category Killers, offer several brands across a single product category. These usually do well in busy market places and Metros.

**RETAIL SALES IN INDIA**

Sources: Economist Intelligence Unit and A.T. Kearney analysis

\*Data for 2005-2008 is based on estimates

**CHALLENGES&OPPORTUNITIES**

Retailing has seen such a transformation over the past decade that its very definition has undergone a sea change. No longer can a manufacturer rely on sales to take place by ensuring mere availability of his product. Today, retailing is about so much more than mere merchandising. Its about casting customers in a story, reflecting their desires and aspirations, and forging long-lasting relationships. As the Indian consumer evolves they expect more and more at each and every time when they steps into a store. Retail today has changed from selling a product or a service to selling a hope, an aspiration and above all an experience that a consumer would like to repeat.

For manufacturers and service providers the emerging opportunities in urban markets seem to lie in capturing and delivering better value to the customers through retail. For instance, in Chennai CavinKare's, LimeLite, Marico's, Kaya Skin Clinic and Apollo Hospitals Apollo Pharmacies are examples, to name a few, where manufacturers/service providers combine their own manufactured products and services with those of others to generate value hitherto unknown. The last mile connect seems to be increasingly lively and experiential. Also, manufacturers and service providers face an exploding rural market yet only marginally tapped due to difficulties in rural retailing. Only innovative concepts and models may survive the test of time and investments.

However, manufacturers and service providers will also increasingly face a host of specialist retailers, who are characterized by use of modern management techniques, backed with seemingly unlimited financial resources. Organized retail appears inevitable.

Retailing in India is currently estimated to be a US\$ 200 billion industry, of which organized retailing makes up a paltry 3 percent or US\$ 6.4 billion. By 2010, organized retail is projected to reach US\$ 23 billion. For retail industry in India, things have never looked better and brighter. Challenges to the manufacturers and service providers would abound when market power shifts to organized retail.

**Many global retailers have given thumbs up to trade with India.** The future ahead Industry experts see the rise of the rural sector in the coming years. Currently, rural market comprises nearly half of the domestic retail market of India, i.e., US\$ 300 billion. The per capital income of the rural India has reportedly grown by 50 percent over the last 10 years, mainly because of the rising commodity prices and better productivity. According to E&Y India, basic infrastructure, generation of employment guarantee schemes, better information services and access to funding are ushering in good times for the rural households.

- As per the new market research report by RNCOS, organized retail market is expected to reach US\$ 50 billion by 2011
- The boom in the retail market will fuel the growth of the logistic market. It is estimated the market will reach around US\$20 billion by 2011.
- Retailing of mobile handset and accessories is estimated to reach close to US\$990 million by 2010.
- Rural market is estimated to lead the Indian retail industry landscape in the future.
- Shopping malls are expected to increase at a CAGR of more than 18.9 per cent from 2007 to 2015.

#### INDIAN RETAIL LANDSCAPE

Raising income and increase consumers are fueling retail growth.

Year	\$ billion retail growth
1998	201
2000	204
2002	238
2004	278
2006*	321
2008*	368
2010*	421

*Sources: Retail in India-A CII-AT Kearney report*

According to NCEAR forecasts, the number of 'rich' households (the target market for modern retail stores) is expected to more than double from 57 million in 2002 to 107 million by 2010. The proportion of India's population, i.e. less than 25 years of age stands at more than 50 percent currently while more



than 80 percent of the population is below the age of 45 years. This 'young population' segment is driving the changes in consumption habits and spending patterns. An increasing proportion of the young population is joining the work force, and adding to overall spending, which should bode well for the growth of modern retail formats in India. Growing urbanization (malls are likely to be concentrated in urban areas) is also fuelling modern retail format growth.

#### **IMPACT IN INDIA:**

The Economic Times commissioned global market research agency Synovate to understand from Kirana-store-owners how organised retailing has impacted their business. A significant 59 per cent of kirana store owners at an overall level say mall culture has affected their livelihood. In some cities the impact is much more. Interestingly, Kochi is least impacted in comparison.

- Organised Retailing has affected the livelihood of most kirana shop-keepers.
- Mumbai, Bangalore, Hyderabad kirana shop-owners have their margins down, revenues down and also their relationship with large manufacturers seem to be on low ebb.
- In other cities, interestingly, there is no change in revenue. Big cities like Delhi with their deep pockets for instance while may order their groceries from the nukkad kirana store, they are at the same time not holding onto their purse-strings when it comes to experiential shopping.

#### **INNOVATION IN RETAIL.**

##### 1. New Strategies Have Shoppers Doing Double takes

Additional gifts, discounts, one-plus-one free, are all new strategies being adopted by marketers. These strategies collectively are known as merged channel. Although the concept is hardly new, Americans strolling through shopping malls have seen the first visible signs. All kinds of hooks into-and from-the Web, cell phones and call centers are also appearing through store aisles and checkout lanes.

##### 2. Mobile Marketing

Picture this: A photography lover is taking her latest acquisition-a black-and-white Ansel Adams landscape-to a gallery for framing. After negotiating the price, she remembers seeing a special offer for a 20 percent discount. She doesn't need to run home to find the flyer or print a copy of a coupon from her computer. She simply presents a digital version stored on her cell phone. The store clerk copies the unique identifying number to validate the coupon etc..

##### 3. Accelerating Checkouts

Retail payment technologies are undergoing radical change, as small fobs dangle off key chains to pay for everything from gas and tolls to books and coffee. Alternative online payments are soaring in popularity-especially among younger consumers-and cell phones across the world are being used in place of credit cards to pay for meals, bicycles and even automobiles.

#### 4. E-commerce's New Dimension

For the first few years e-commerce was taking hold, it was challenging for sites to get close to delivering the in-store experience online. If a Web site could deliver an experience 80 percent as good as in-store, the rest could be made up with the superior inventory, convenience and price savings that come naturally online.

#### FUTURE OF RETAIL

Shopper marketing is rapidly growing space in marketing. In shopper marketing we can create a brand image by focusing attention of shoppers at the point of sale. There is a big difference in India where a small fraction of total industry sales come from modern retail. The two major characteristics of market- first, modern retail will grow at a very great pace, & big companies like Wall Mart are eager to enter into the Indian market. Second, Modern retail has been successful in India & going forward it will not compete with the kirana stores but also creates an entirely new market.

#### CONCLUSION

The retail sector has played a phenomenal role throughout the world in increasing productivity of consumer goods and services. It is also the second largest industry in US in terms of numbers of employees and establishments. There is no denying the fact that most of the developed economies are relying on the retail sector as a locomotive of growth. The BRIC nations are being particularly targeted by marketers for their growing middle class, increased disposable income , desire for international brands & an insatiable appetite to 'shop till they drop'.

#### References :

1. Website: [http://en.wikipedia.org/wiki/Retailing\\_in\\_India](http://en.wikipedia.org/wiki/Retailing_in_India)
2. Website: <http://business.mapsofindia.com/india-retail-industry/>
3. Website: <http://www.fibre2fashion.com/industry-article/7/697/organized-retailing-in-india1.asp>
4. Website: <http://theviewpaper.net/growth-of-the-organized-retail-sector-in-india/>
5. Sinha, PK Uniyal DP: Managing Retail. Oxford Publications
6. Pradhan Swapan: Retailing Management, McGraw Hill
7. Bajaj Chetan, Tuli Rajnish, Srivastava Nidhi: Retail Management, Oxford Publications