Glimpse of Retail Market in India

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Abstract: The retail market in India is expected to cross 1.3 trillion USD by 2020 from the current market size of 500 billion USD. Various reports have shown that 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. The research paper here tries to understand the prevailing retail scenario in India in context with the north east. It also attempts to identify certain key issues that are acting as boosting agents along with few other deterrents that might have negative impact upon the industry. The retailers big to bigger ones are exercising all kinds of marketing tactics like promoting private labels, offering discounts during wee hours of morning or late till midnight to remain relevant and convenient. The Indian retail sector has contributed over 20% of the country’s gross domestic product (GDP) and contributes 8% to employment. The current Indian demography where 500 under the age of twenty five have access to more money and this has resulted in demanding independence and lifestyle of their own. It is worthwhile to mention that retailers are able to estimate the trading area that can be tapped from country’s rural population of 700 million. The growth in Indian economy and the advantage of disposable income has given enough confidence to consumers to inflate consumption and bring marked changes in consumer behaviour.

Keywords: Retail, organized, consumption, rural, challenges

I. INTRODUCTION

Indian market is going through a transition where organized retail is on the fast track but at the same time unorganized retailing is also prevailing. This is possible because of the diversity present in Indian economy and certain elements of Indian culture. This gets indicated from the annual fairs, street carts, pavement shops, weekly ‘haats’ and unbelievably even prevalence of barter system in certain local fairs of north eastern tribes. At the same time we also have kirana stores, public distribution system and upcoming malls and supermarkets. Up till the year two thousand there were speculations that retailing will be an emerging sector in India but within a decade it has not only earned the status of industry, it will also boom in the recent years. A report by KPMG have also mentioned that India has managed to become one of the emerging nation in the world. The CAGR expected for retail, in value terms, is 13% which would be worth INR 55 trillion from 2013 to 2019. According to a report prepared by McKinsey & Co. and the Confederation of Indian Industry (CII), India’s retailing industry has the potential to generate 300 billion per yearly 2010. The population census has already shown that in India still 70% lives in the remote or rural areas. Out of this only 40% accounts for consumptions indicating the expected boom in recent years. Big international retailers like Carrefour, Wal Mart etc are always ahead in letting their presence felt especially in the emerging markets, as they could sense the growth potential in the coming years. The objectives of retailers from their modus operandi can be said that they want to harness optimum opportunities available estimating both risk and investment looking into the life cycle of retail phase and the profiles of consumer. The graph below (Figure 1) displays a comparative penetration of organized retail format with reference to India.

![Organized retail penetration percentage](http://indusedu.org)

**Figure 1: Organized retail penetration percentage**

Source: Crisil Research estimates-2014

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Post 1991 economic liberalization in India and its impact in the changes in consumer demographics have made India an attractive retail destination. The unorganized retail formats also have contributed to the nation’s economy. Around ninety two percent of the retail business in India comes from them. According to Crisil Research Estimates, 2014, revenue generated from organized retail was INR 0.9 trillion in 2009, 2.4 trillion in 2012 and is expected to continue growing at an impressive rate to a projected INR 5.5 trillion by the year 2019. Records highlight that India has been a nation of shops and shopkeepers. This can be said because India does have the highest density of shop in the world. It has been documented that out of every thousand persons there are eleven shops. It needs mentioning that only about four percent of retail outlets are in the organized sector – retail chains and big showrooms. Figure 2 just gives a glimpse of the same.

![Figure 2: View of organized sector in retail](image)

Source: Rocsearch

The depth of density is higher in cities. KPMG Research (2005) study showshare spending by rural and urban household in the Table 1 below:

**Table 1: Share spending (rural and urban)**

<table>
<thead>
<tr>
<th></th>
<th>Rural</th>
<th>Urban</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entertainment</td>
<td>33%</td>
<td>67%</td>
</tr>
<tr>
<td>Consumer services</td>
<td>44%</td>
<td>56%</td>
</tr>
<tr>
<td>Durables</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td></td>
<td></td>
</tr>
<tr>
<td>consumer goods</td>
<td>57%</td>
<td>43%</td>
</tr>
<tr>
<td>Clothing and footwear</td>
<td>61%</td>
<td>39%</td>
</tr>
<tr>
<td>Food</td>
<td>64%</td>
<td>36%</td>
</tr>
</tbody>
</table>

Source: KPMG

The current trend of Indian retail addresses it as most dynamic and fast-paced industries which is supported by the entry of several new players. Damien Veilleroy, Head – Asia, Metro AG, has rightly remarked “India is now becoming a very important market and in terms of investment, it will be one of the countries where we will invest the most in the future.” A study conducted by the Indian Council for Research on International Economic Relations titled “Impact of big retail on neighbourhood stores,” says that the farmers are benefiting significantly from direct sales to organized retailers. “Profit realization for farmers selling directly to organized retailers is about 60 per cent higher than that received from selling in the mandi,” it adds. India, whose backbone of the economy is agriculture and if farmers are being benefitted by organized retail it is time to increase percentage of organized share. The need of the study is that when India is expected to become the world’s fastest growing e-commerce market than it is only an organized sector that would be able to ensure reachable-reliable telecom networks, faster without link failure availability of online services, better variety with quality as well as convenience. So identification of constraints and means to overcome these are discussed through this paper.
Context

India is posing itself as a destination for upcoming retail trends because of availability of certain opportunities. As has already been mentioned that only forty percent of rural consumers account for consumption, hence there is enough trading area still unoccupied. Several national and international fast moving consumer goods retailers are planning to avail the opportunities of these untapped markets. Indian census, 2011 also reports that these retailers are localizing their products for this market with regard to price points, packaging, stock keeping units’ size, promotions etc.

The current Indian demography poses to be another added advantage. As per census 2011 more than fifty percent of India’s population falls under the age group of fifteen to fifty four years and this age group is the largest spender on retail. The report also reveals the significant influence wielded by this segment on consumer spending.

The various formats of retail that have come up ensures that consumers who come to purchase gets taste of the demands or trends of food and beverages, fashion, accessories, mobile phones, personal care etc. Retailers are providing what consumers are asking for as young Indians have access to more money than before, driving independence, aspirations and demand for products. It needs mentioning here that over the years, the disposable income of middle class Indian consumers has increased significantly which is leading to a substantial change in their spending habits.

![Figure 3: India’s personal disposable income growth comparison with other emerging markets.](image)

Source: Euromonitor Estimates

Indian economy on one side presents a dismal picture of slum areas and turmoil of people living in below poverty line. Simultaneously it also has millionaires who can claim all luxuries of life they can think of. World Wealth Report, 2014 the total number of millionaires in India (with investible assets, excluding main residence and consumer durables of more than USD 1 million) grew by 51% , the second fastest in the Asia Pacific region.

![Figure 4: Indian luxury market size growth(USD million).](image)

Source: ASSOCHAM estimates
II. OBJECTIVE AND METHODOLOGY

The objective of the research paper is to identify the reasons for letting India become a retail destination. Together, the paper seeks to mark out the challenges whose minimization will lead to further growth.

The study is based on secondary data.

Discussion

Apart from these apparent factors that are accelerating the growth of organized retail in India, there happens to be other boosting elements like availability of areas even state wise. Even though, retail in an organized manner is picking up in India but not with uniformity in context of geographical distribution. KPMG in India Analysis, has rightly remarked that eastern states have the lowest presence of organized retailers. Observation also leads to certain analysis that these areas can develop into planned business areas where requirement of investment will not be skyrocketed like those already in saturated business areas. Consumers will also be benefitted from development of such areas in terms of more of parking area and updated use of technologies. If reports are to be followed then another picture emerges which indicates the concentrations of key retailers are established more towards north, west and south of India.Key players in the Indian retail market are as shown in Figure5:

<table>
<thead>
<tr>
<th>Retailer</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pantaloon Retail Ltd (Future Group venture)</td>
<td>Over 2 million sq ft of retail space spread over 35 cities with 65 stores and 21 factory outlets</td>
</tr>
<tr>
<td>Shoppers Stop (K Raheja Group venture)</td>
<td>Over 3.21 million sq ft of retail space spread over 23 cities with 51 stores</td>
</tr>
<tr>
<td>Spencers Retail (part of RP-SG Group)</td>
<td>Retail footage of close to 1 million sq ft across 45 cities with 200 stores</td>
</tr>
<tr>
<td>Lifestyle Retail (Landmark Group venture)</td>
<td>Approximately 15 lifestyle and eight Home Centre stores</td>
</tr>
<tr>
<td>Bharti Retail</td>
<td>74 Easyday stores with plans to invest about 2.5 billion USD over the next five years to add about 10 million sq ft of retail space in the country</td>
</tr>
<tr>
<td>Reliance Retail</td>
<td>700 stores with a revenue of 7,600 crore INR</td>
</tr>
<tr>
<td>Aditya Birla ‘More’</td>
<td>575 stores with approximate revenue of 2,000 crore INR. Recently; purchased stake in Pantaloon Retail</td>
</tr>
<tr>
<td>Tata Trent</td>
<td>59 Westside stores, 13 Starbazaar hypermarkets and 26 Landmark bookstores</td>
</tr>
</tbody>
</table>

Figure5: Key players in the Indian retail market

Source: Media Reports, company websites

The Foreign Direct Investment Policy 2016 give us a clear intention and objective of the Government of India that is to attract and promote foreign direct investment in order to supplement domestic capital, technology and skills, for accelerated economic growth. This policy has created ample opportunity for international retail chains. None the less, it has to be acknowledged on its contribution in developing an extraordinary and growing role in global business.

The changing mindset of Indian consumers is another added advantage for upcoming organized retailers. This has enabled the retailers to go for creation of private labels even in India. The adoption of one’s own label s has resulted in the retail buyer becoming more and more involved in product development, sales forecasting and market analysis

Fast changes in technology have given a dictum to retailers to remain tipped from every angle. The rise of e-commerce as a retail channel is one of the outcome. Retailers have to be innovative to give a shopping experience to consumers. This is not enough only with the physical stores but mind their online presence as well. A 2011 global online survey byNielsen suggests that about 875 million consumers across the world prefer toshop online.Japanese, German and UK consumers rank second while Indian shoppers rank third.Customers have risen above price and availability. Hence retailers have to offer quality and also ensure customer satisfaction. Economic activities in emerging economies have provided with the taste of numerous options and high expectations. Retailers are bound to alignithemselves with the buying tendencies ofthe growing middle-class customers inthe emerging markets.

Online shopping or e-commerce is gearing up because of the convenience and other bonus points for consumers like variety of products, home delivery, pricing ranges and the most luring factor is that customer just has to wish for shopping anywhere anytime and it gets done just with a touch or click. However, the retailers with physical formats are also surviving and doing good business. This is also the time to adopt and move into multichannel retail. In other words retailers either virtual or physical cannot afford to have skill shortages. They have to be very fast learners of skills and technologies. To be competitive is the need of the hour for the retailers.It is mostly about getting better andmore responsive in marketingand merchandising, so that thelanding
The concept of direct marketing is another necessity for organized retail also. Direct marketing emphasizes traceable, measurable responses. It also emphasizes maximizing response rates by testing while minimizing advertising expenses when engaging prospective customers, regardless of the medium used. Yet it is seldom applied in the north east. If retailers put into practice the use of multichannel it would definitely ensure that there are effective and efficient means to give services leading to maximization of value for every customer.

The luxury market in India is also marching ahead. It is indicating a major change in the lifestyle and consumer profile of Indian consumers. Luxury brands like Porche, Jimmy Choo, Ducati etc are making their presence felt in airports, luxury malls and high streets. The driving factors behind its growth is attributed to growing number of High Net worth Individual’s (HNI) and increase in working women leading to high disposable income.

In spite of favourable conditions for investment in India, yet there are retail players owing to regulatory issues, challenges meted out by laws and approvals go for offering franchising. In a report analysis of ‘Franchising Opportunity Attractiveness’ emphasizes that among all segments, the overall opportunity for franchising will likely be relatively high in consumer services, food service, education and health and wellness sector.

India is going through a retail boom. Both national and international players are utilizing various tactics to generate more of traffic. Still challenges are faced by these organized. The existence of unorganized retailer itself poses as a competitor. The kiran practices customer relationship management diligently. The shopkeeper knows the customer’s families, their purchase history and their needs. Another significant point of unorganized retailing is that its low cost structure, most of them is operated by the owner and family members. Regarding tax too they either pay very little or not at all. The convenience they provide to customers like by remaining open till late evening, home delivery even on credit also happen to be some sort of challenges for the organized retailers.

There is less implementation of efficient consumer response (ECR) in north east region. Only in few selected large national retailers observe this method. This needs to be implemented in full effort so that supply of merchandise occurs in the required time and also there would be less necessity to stock huge amount of inventory. Once this is done uniformity in category management will also take place.

A major problem witnessed mostly by retailers of north east is wastage of stocked inventories or even return. The common reasons behind is lack of proper storage facilities and issues related to logistics. Retailers and consumers often have to receive products late or face out of stock notice. Organized retail also calls for organized supply chain too.

The Indian retail sector is also facing dearth of trained and skilled people for both handling of store as well as managing the unit. With organized players coming in, the expectation level of consumers towards staff has also risen. Consumers expect that the people in the store should be competent with right information on products and other formalities. In most cases dissatisfaction arises as skilled people are not available. If we go by report we also see that the attrition rate in the industry stands at 25 to 35 %. Understanding that there is lack of skilled people in the retail sector big retail players to bridge this gap organizes workshops and training programmes on contemporary issues. With change, the learning too has to be continuous. Premium management institutes either on their own or through collaborations with industries have designed courses on retail management.

Another cause of concern is retail pilferage or shrinkage. This leads to high cost to retailers. According to the Global Retail Theft Barometer (GRTB) 2011 covering 45 nations, the shrinkage in India stood at 2.38%, the highest in the world. Retailers are taking preventive steps like installing CCTV, surveillance cameras, RFID tags, etc. Global Retail Theft Barometer, CARE Research explains the key reasons for the retail shrinkages in Indiathat includes the following:

- a) Shoplifting (accounting for more than 50% of total shrinkage value)
- b) Internal administrative errors
- c) Employee theft
- d) Vendor frauds

Challenges are created for retailers by issues emerging from tax system also. Until the goods and service tax gets applied in India, the companies performing will have to face different state tax rates for the same products. It is expected that once the GST comes in the complexities of Indian tax system will be curtailed to a great length. Certain acts like the Agriculture Produce Marketing Committee (APMC) Act, need to be amended. This will enable retailers procure farm fresh products without much hassle from the farmers. To certain extent the role of middlemen will also get reduced, thereby allowing more benefits to the farmers also.

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III. CONCLUSION

Markets in emerging economies have changed drastically due to availability of options in products and services. The multi range of shopping formats, instant accessibility to information has created customers who want not only to shop amenities but also experience. Apart from competitive pricing and quality, consumers combined with economic factors have made retailers provide with specific layout and interiors, display of merchandise, store ambiance, service and brand promise. It has been very rightly observed by Sam Walton that, “There is only one boss: the customer. And he can fire everybody in the company from the chairman on down, simply by spending his money somewhere else.” In context of constant changing customer preferences, retailers are learning through survey, experiences and market reports to make themselves appropriate and convenient to adopt changes. The changes made in investments of multi brand outlets through foreign direct investment have made global players assess their position in India.

Limitations of the study

The limitation handled during the study was that it was during the study demonization hit the nation and as planned with authorities and retailers certain interviews and talks got cancelled. Hence the author had to rely more on secondary source of data.

Directions for future research

While studying on rural India’s disposable pattern it was observed that there is increase in the number of salaried households. This indicates that apart from agriculture citizens in rural India are finding opportunities of employment elsewhere too. At the same time we cannot ignore the fact that in spite of alternative sources of income and employment vast majority of Indian households still face irregularities or instabilities in income. This instability somewhere is affecting the market also. Here lies a gap for future research which if studied will be beneficial for both market and economy.

Sources of funding of the study

The study was self-financed by the author.

Implications of the findings

Adequate financial support often becomes the reason to bring changes with the trend especially for the unorganized retailers in India. Considering annual turnover categories of retailers should be assisted with policies to borrow money with guidelines provided by government and the Reserve Bank of India. Regulatory issues also need to loosen its rigidity depending upon the bracket of retailers. Unorganized retailing also serves the purpose of disguised employment. A general fear prevails that conversion to organized will prevent somebody from earning his or her livelihood. But opportunities are available. As early reports have mentioned that manufacturing sector has witnessed fall in employment. Along with the government local municipal body can aid such organizations turn around and absorb people for employment.

IV. REFERENCES

[9] Care Research – Indian Retail Industry