

## INDIAN RETAIL INDUSTRY- An Overview

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### INTRODUCTION

Retail comes from French word “tailer” which means “to cut off, pare, divide” in the year 1365. Retail is the sale of goods and services from individual or business to the end users. Retailing can be done in either fixed location or online. A retailer purchases goods or products in large quantities from manufacturer or directly through a wholesaler and then sells smaller quantities to the consumer for a profit. Retailers are referred to as middleman or intermediaries because they occupy a middle position in the distribution channel.

Retailing involves identifying target markets(customers), interpreting needs of the targeted customers, developing good assortments of merchandise, presenting them in an effective manner so that consumer find it easy and attractive to buy. Retailing is a set of business activities that adds value to the product and services sold to customers for their personal or family use. Retailing includes all the activities involved in selling goods or services of the final consumers for personal, non-business use. A retailer or retail store is any business enterprise whose sale volume comes primarily from retailing.

Retailing is the most active and attractive sector of last decade. While the retailing industry itself has been present since ages in our country, it is only the recent past that it has witnessed so much dynamism. The emergence of retailing in India has more to do with the increased purchasing power of buyers, especially post-liberalization, increase in product variety, and increase in economies of scale, with the aid of modern supply and distributions solution.

### INDIAN SCENARIO:

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-storeyed 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 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. The Indian Retail Industry is the largest among all the industries, accounting for over 10% of the country’s GDP and around 8% 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.

The total idea of shopping has undergone an attention drawing change in terms of format and consumer buying behavior. India is the country having the most unorganized retail market. Traditionally the retail business is run by individuals having Shop in the front & house at the

back. More than 99% retailers function in less than 500Sq.Ft of area. All the merchandise was purchased as per the test & vim and fancies of the proprietor also the pricing was done on ad hock basis or by seeing at the face of customer. Generally the accounts of trading & home are not maintained separately. Profits were accumulated in slow moving & non-moving stocks which were to become redundant or consumed in-house. Thus profits were vanished without their knowledge. The Manufactures were to distribute goods through C & F agents to Distributors & Wholesalers. Retailers happen to source the merchandise from Wholesalers & reach to end-users. The merchandise price used to get inflated to a great extent till it reaches from Manufacturer to End-user. Selling prices were largely not controlled by Manufacturers. Branding was not an issue for majority of customers. More than 99% customers are price sensitive & not quality or Brand Sensitive at the same time they are Brand conscious also. Weekly Bazaar in many small towns was held & almost all the commodities were on the scene including livestock. Bargaining was the unwritten law of market. Educational qualification level of these retailers was always low. Hence market was controlled by handful of distributors &/or Wholesalers. Virtually there was only one format of retailing & that was mass retail. Retailer to consumer ratio was very low, for all the categories without exception. Varsity in terms of quality, Styles were on regional basis, community based & truly very low range was available at any given single place. Almost all the purchases / (buying) by mass population was need oriented & next turn may be on festivals, Marriages, Birthdays & some specific occasions.

#### **CHANGING TREND:**

Indian is the country having the most unorganized retail market. Impulsive buying or consumption is restricted to food or vegetables etc. Having extra pair of trousers or Shirts or Casuals & Formals & leisure wear & sports wear & different pair of shoes for occasions is till date is a luxury for majority population except for those living in Metros. Due to the Economic development, purchasing power of Indian urban consumers is growing and branded merchandise in categories like apparels, Cosmetics, Shoes, Watches, Beverages, Foods and even Jewellery are slowly becoming lifestyle products that are widely accepted by the urban Indian Consumer. Indian retailers need to advantage of this growth and aiming to grow, diversify and introduce new formats have to pay more attention to 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 product image and reputation into a coherent retail brand strategy.

Indian retailing today is at an interesting crossroads. The retail sales are at the highest point in history and new technologies are improving retail productivity. Though there are many opportunities to start a new retail business, retailers are facing numerous challenges. The retail industry in India is growing at a significant pace. However, there are several problems faced by the industry. The major challenges for the organized sector include:

- Taxation laws that favor small retailers.
- Different structure of sales tax in different states.

- Multi-point octroi collection.
- Lack of trained workforce.
- Problems of supply chain and logistics.
- High cost of real estate.
- Limited land available at prime locations.

### **PRESENT INDIAN SCENARIO**

- Unorganized market: Rs. 583,000 crores
- Organized market: Rs.5, 000 crores
- Over 4,000 new modern 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

### **MAJOR PLAYERS**

- Food and grocery
- Fashion
- Others
- Shoppers' Stop
- Subhiksha
- Westside
- Planet M
- Lifestyle
- Music World
- Pyramid
- Crossword
- Globus

### **CONCLUSION**

For a start, these retailers need to invest much more in capturing more specific market. Intelligence as well as almost real-time customer purchase behavior information. The retailers also need to make substantial investment in understanding/acquiring some advanced expertise in developing more accurate and scientific demand forecasting models. Re-engineering of product sourcing philosophies-aligned more towards collaborative planning and replenishment should then be next on their agenda. The next effort should be to encourage retailers to make some investments in improving the interiors of their respective establishments to make shopping an enjoyable experience for the customer.

As the retail marketplace changes shape and competition increases, the potential for improving retail productivity and cutting costs is likely to decrease. Therefore, it will become important for retailers to secure a distinctive position in the marketplace based on value, relationships or experience.

Finally, to have intensely competitive marketplace it is important to understand the target customer's definition of value and make an offer, which not only delights the customers but is also difficult for competitors to replicate.

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