

Study on Retail Industry in India

M.A. Shaikh Wajeed & Ayesha Saba, Research Scholar, Dr. Babasaheb Ambedkar Marathwada University, Aurangabad, India

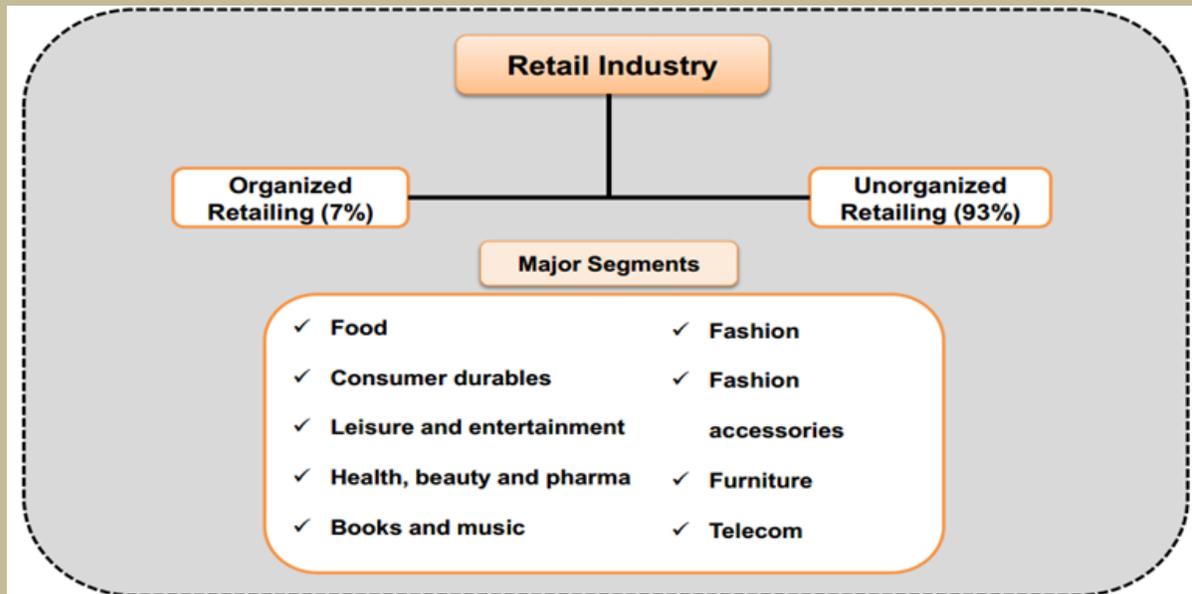
RETAIL ING

Retailing is the sale of goods or commodities in small quantities directly to consumers. It is the process of bringing the product to end user for his personal use & not for resale from the main producer, through a series of stages, where retailing is the last one.

Evolution of Indian Retail Industry

- Barter system was known as the first form of Retail.
- Followed by Kirana Stores and Mom & Pop Stores.
- Finally Manufacturing era Lead the small stores and specialty stores
- 1980s experienced slow change as India began to open up economy.
- The latter half of the 1990s saw a fresh wave of entrants with a shift from Manufactures to Pure Retailers.
- Post 1995 saw an emergence of shopping centers.

Structure of the Industry



Organized Retail formats

- Hyper marts
- Supermarkets
- Departmental stores
- Shopping malls
- E-trailers
- Discount stores
- Vending Machines
- Specialty stores
- Factory outlets

Unorganized Retail formats

- STS- Small traditional stores
- Kirana (Grocery) shops
- Pavement vendors
- Hand cart
- Mobile vendors
- Paan/Beedi shops
- Convenience Stores

RETAIL INDUSTRY IN INDIA

Retail Industry in India is one of the fastest growing industry, contributes to 22% of GDP and accounting for around 8% of the employment. Retail in India is at the crossroads. It has emerged as one of the most dynamic and fast paced industries with several players entering the market. The market is growing, government policies are becoming more favorable and emerging technologies are facilitating operations.

SIZE

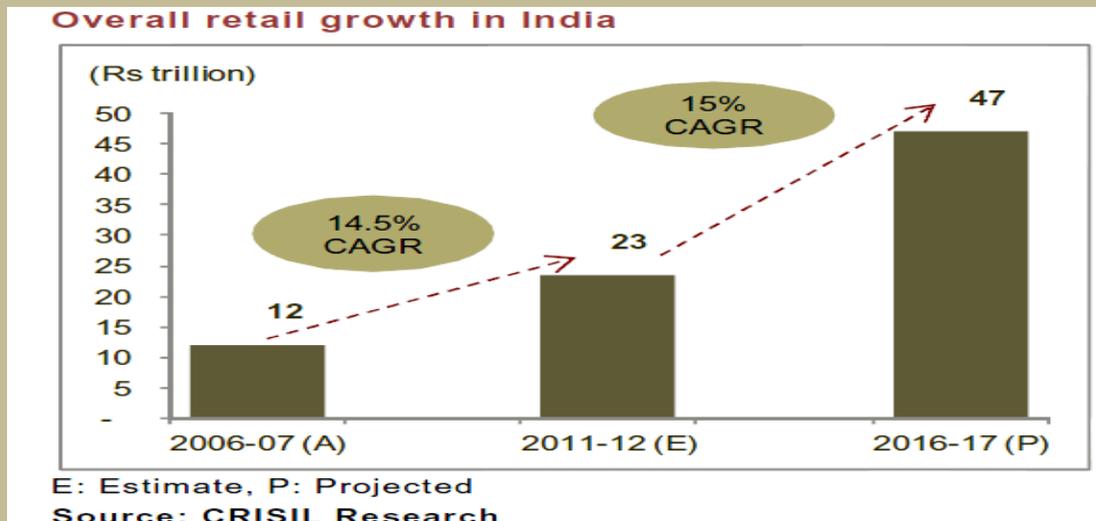
- The Indian retail market is currently estimated at USD 450 billion.
- Food segment contributes largest part of total value of retail market, followed by fashion, leisure & entertainment and fashion accessories.
- India's organized retail space is evolving fast and achieving penetration level of 7%, which signifies huge potential growth.
- Unorganized retailing contributes to 93% share of retail industry.
- India's e-retail industry is likely to touch Rs 7,000 crore (US\$ 1.26 billion) by 2015, up from Rs 2,000 crore (US\$ 361.66 million).

FOREIGN DIRECT INVESTMENT IN RETAILING IN INDIA

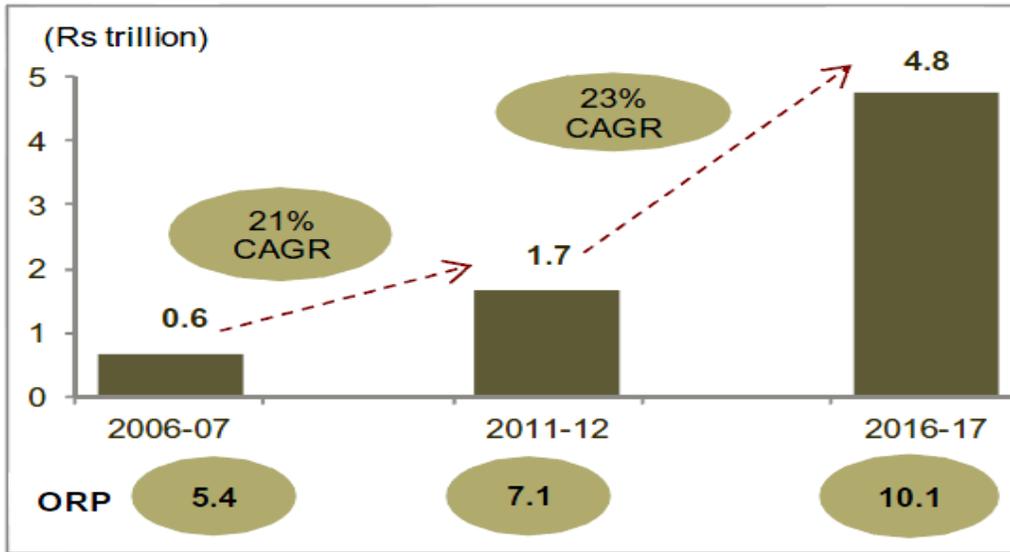
Until 2011, Indian central government denied FDI in multi-brand retail, forbidding foreign groups from any ownership in supermarkets, convenience stores or any retail outlets. Even single-brand retail was limited to 51% ownership and a bureaucratic process.

GROWTH OF RETAILING IN INDIA

Indian retailing industry has seen phenomenal growth in the last few years. Currently, India is the 5th largest retail market in the world. The country ranks fourth among the surveyed 30 countries in terms of global retail development. India has emerged as retail investment hub.

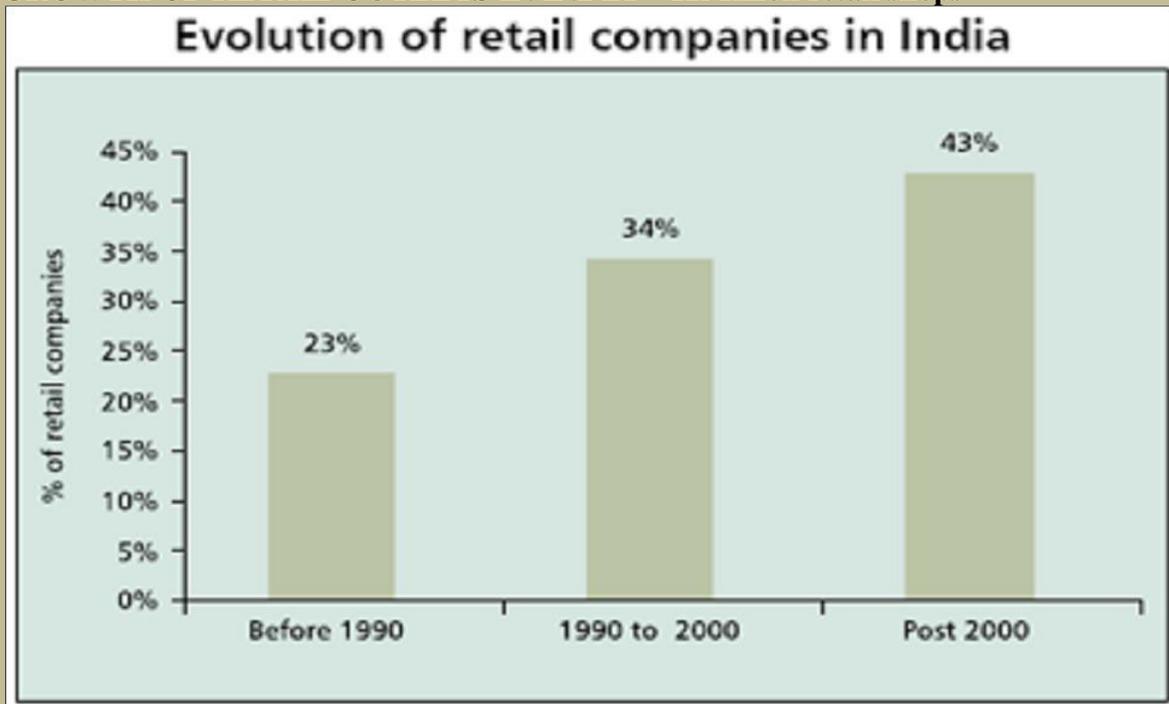


Organised retail growth in India



ORP- Organised Retail Penetration (Per cent)

GROWTH OF RETAIL OUTLETS IN INDIA – 12Million retail shops



CURRENT STATUS OF FDI FOR SINGLE BRAND RETAIL STORES

In January 2012, India approved reforms for single-brand stores welcoming anyone to invest in Indian retail market with 100% ownership. But imposed the requirement that the single brand retailer should source 30% of its goods from India. Single brand retailers such as Apple and Ikea, can own 100% of their Indian stores.

CURRENT STATUS OF FDI FOR MULTI-BRAND RETAIL STORES

On 14 September 2012, the government of India announced the opening of FDI in multi-brand retail, subject to approvals by individual states. On 7 December, 2012, the Government of India allowed 51% FDI in multi-brand retail in India. The retailers (both single and multi-brand) will have to source at least 30% of their goods from small and medium sized Indian suppliers. Multi-brand retailers must bring minimum investment of US\$ 100 million.

TECHNOLOGY IMPACT ON RETAIL

Retailing is a 'technology-intensive' industry. It is quoted that everyday at least 500 gigabytes of data are transmitted via satellite. Online systems link point-of-sales terminals to the main office where detailed analyses on sales by item, classification, stores or vendor are carried out online. Besides vendors, the focus of the retailing sector is to develop the link with the consumer.

Risks for Retail Sector

- Regulation and compliance
- Inability to control costs/rising input prices
- Supply chain disruptions
- Changing consumer buying behavior
- Sourcing of Goods at competitive prices.
- Volatile commercial real estate markets
- Wrong price image
- Inability to penetrate emerging markets

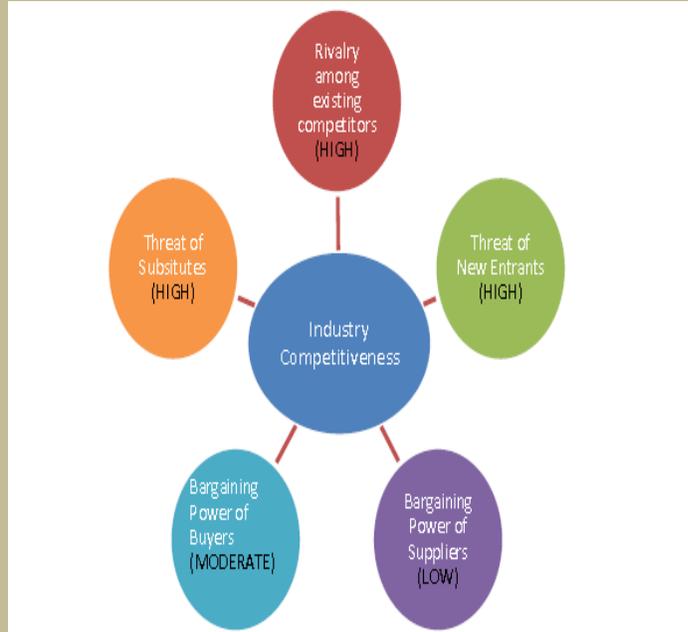
Opportunities for Retail Sector

- Rising market demand and rise of global middle class
- New marketing tools and social media
- Multi-channel approach.
- Demographic change.
- Change in lifestyle.
- Use of technology.
- Global urbanization.
- Enhancing efficiency in the supply chain
- Integrate with World market.

Competitive Rivalry

Retailers always face stiff competition and must fight with each other for market share and also with unorganized sector. They have tried to reduce cut throat pricing competition by offering frequent flier points, memberships and other special services to try and gain the customer's loyalty. Thus retailers give each other stiff but healthy competition which is evident from their aggressive marketing strategies and segment policies.

Porter's Five Force Model



SWOT ANALYSIS

Strengths

- Major contribution to GDP: the retail sector in India is hovering around 33-35% of GDP as compared to around 20% in USA.
- High Growth Rate: High Potential: since the organized portion of retail sector is only 2-3%, thereby creating lot of potential for future players.
- High Employment Generator
- Low Labor Cost
- Technology intensive industry
- Rising disposable income
- Urbanization
- Shopping convenience
- Changing consumer habits and lifestyles
- High availability of quality retail space

Weakness

- Policy related issues
 - Lack of industry status for retail.
 - Numerous license, permits and registration requirement.
- Limited consumer insight
 - Lack of detailed region specific customer data.
- Lack of Skilled Labor
- Taxation hurdle
 - Inconsistent octrai, entry tax structure, vat and multiple taxation issues.
 - Large grey market presence.
- Underdeveloped supply chain

- Underdeveloped logistics infrastructure & absence of national cold chain networks.
- Lack of adequate utilities
- Lack of basic infrastructure like power, transport and communication

Opportunities

- Potential for investment.
- Locational advantage.
- Sectors with high growth potential.
- Fastest growing formats.
- Rural retail.
- Create transparency in the system
- Healthy Competition will be boosted and there will be a check on the prices (inflation)
- Intermediaries and mandi system will be evicted, hence directly benefiting the farmers and producers
- Quality Control and Control over Leakage and Wastage
- Heavy flow of capital will help in building up the infrastructure for the growing population

Threats

- Political issues.
- Social issues.
- Inflation.
- Nostalgia
- Lack of differentiation among the malls that are coming.
- Poor inventory turns and stock availability measures.
- Big players can knock-out competition
- Current Independent Stores will be compelled to close
- India does not need foreign retailers
- Remember East India Company it entered India as trader and then took over politically.
- The government hasn't able to build consensus.

CONCLUSION

- The Retail sector of India is vast, and has huge potential for growth and development.
- The overall retail market is likely to grow at healthy compounded rate of 15 per cent from Rs 24 trillion in 2011-12 to Rs 47 trillion in 2016-17
- Organized retail penetration to cross 10% by 2016-17.
- Inflow of FDI has not only given additional employment but also geared The Economy.
- Emergence of hyper and super markets provide customer with 3 Vs - Value, Variety and Volume at one place

SUGGESTIONS

- Different laws to regulate the retail trade should be made favorable.
- The introduction of a uniform Goods and Services Tax (GST) across the country.
- Retail space Lending should be Administered.
- Focus on reducing store-level operating expenses.
- Setting up of non-store retailing centers and increase in franchisee network.

REFERENCES:

1. www.google.com
2. www.wikipedia.com