

A STUDY OF CURRENT SCENARIO OF INDIAN RETAIL INDUSTRY.

**Dr.Prasad.S.Madan*, I/C Principal VSS College Jalna

***Khan Mudassar Durrani* Research Scholar Dept of Management Science Dr.BAMU, A`bad

Introduction

Retailing is still in its infancy in India. In the name of retailing, the unorganised retailing has dominated the Indian landscape so far. According to an estimate the unorganized retail sector has 97% presence whereas the organized accounts for merely 3% . Industry has already predicted a trillion dollar market in retail sector in India by 2010. However, the retail industry in India is undergoing a major shake-up as the country is witnessing a retail revolution. The old traditional formats are slowly changing into more complex and bigger formats. Malls and mega malls are coming up in almost all the places be it – metros or the smaller cities, across the length and breadth of the country.

A McKinsey report on India (2004) says organized retailing would increase the efficiency and productivity of entire gamut of economic activities, and would help in achieving higher GDP growth. At 6%, the share of employment of retail in India is low, even when compared to Brazil (14%), and Poland (12%).Govt of India's plan of changing the FDI guidelines in this sector speaks of the importance attached to retailing. Recently moves by big corporate houses like Reliance Industries has further fuelled the major investments in retail sector. A strategic alliance, land acquisitions in prime areas give the essence of the mood in this sector.

Both MNCs and Indian firms want to get their share of this burgeoning pie. Notable in Indian firms are Pantaloons Retail & Big Bazaar, Trent's Westside, Shopper's stop, Reliance and Subhiskha, Wills Lifestyle stores, Café Coffee Day, which are present in India in different retail formats. Wal-Mart stores have just started operations in India. Some leading retail coffee chains of the world like Starbucks, Barnies are planning to expand in a major way in India.

THE INDIAN RETAIL SECTOR

India is the country having the most unorganized retail market. Traditionally it was a family's livelihood, with their shop in the front and house at the back, while they run the retail business. More than 99% retailer's function in less than 500 square feet of shopping space. 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 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. The emphasis here is on retail as a brand rather than retailers selling brands. The focus should be on branding the retail

business itself. There is no doubt that the Indian retail scene is booming. A number of large corporate houses Tata's, Raheja's, Piramals's, Goenka's — 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.

Classification of Retail Industry

The retail industry is classified into

- Organized Retailing.
- Unorganized Retailing.

Selling activities done by licensed retailers, those who are registered for sales tax, income tax, who has the License to do Trading etc. These include the corporate-backed business company's, and also the privately owned large retail businesses and also some of the retailers whose investment is more. Selling activities done by Non- licensed retailers, those who are not registered for sales tax, income tax, who do not have the License to do Trading etc. These are traditional formats of low-cost retailing in India, for example, the local shops i.e., Provision stores Etc., owner manned general stores, hand cart and Vegetable vendors, etc. The Indian retail sector is highly dominated by business being run by the unorganized retailers. The organized retail however is at a very Minimal and most of the Organized Retailers are in urban sector of India, whereas unorganized sector is the largest source of employment after agriculture, and has huge domination into rural India.

Indian Retailing Trends

The retail industry in India is of late often being hailed as one of the sunrise sectors in the economy. AT Kearney, the well-known international management consultancy, recently identified India as the second most attractive retail destination globally from among thirty emergent markets. It has made India the cause of a good deal of excitement and the cynosure of many foreign eyes. With a contribution of 14% to the national GDP and employing 7% of the total workforce (only agriculture employs more) in the country, the retail industry is definitely one of the pillars of the Indian economy.

- * Modern retail formats - The growth of western-style malls is changing the way urban consumers shop. We're seeing many bigger box, value based formats setting up shop. The size of these stores is about 50,000 square feet, a departure from the smaller mom & pop-type store that dominates the local retail landscape.
- * Shoppers' Stop - department store format.
- * Westside - emulated the Marks & Spencer model of 100 per cent private label, very good value for money merchandise for the entire family.
- * Giant and Big Bazaar - hypermarket/cash & carry store.
- * Food World and Nilgiris – supermarket format.
- * Pantaloons and The Home Store - specialty retailing.

* Tanishq has very successfully pioneered a very high quality organized retail business in fine jewellery.

* A new entrant in the retail environment is the 'discounter' format. It is also known as cash and-carry or

* Hypermarket. These formats usually work on bulk buying and bulk selling. Shopping experience in terms of

* Ambience or the service is not the mainstay here.

The Hidden Challenges

Modern retailing is all about directly having "first hand experience" with customers, giving them such a satiable experience that they would like to enjoy again and again. Providing great experience to customers can easily be said than done. Thus challenges like retail differentiation, merchandising mix, supply chain management and competition from supplier's brands are the talk of the day. In India, as we are moving to the next phase of retail development, each endeavor to offer experiential shopping. One of the key observations by customers is that it is very difficult to find the uniqueness of retail stores. The problem: retail differentiation.

The next problem in setting up organized retail operations is that of supply chain logistics. India lacks a strong supply chain when compared to Europe or the USA. The existing supply chain has too many intermediaries: Typical supply chain looks like:- Manufacturer - National distributor - Regional distributor - Local wholesaler - Retailer - Consumer. This implies that global retail chains will have to build a supply chain network from scratch. This might run foul with the existing supply chain operators. In addition to fragmented supply chain, the trucking and transportation system is antiquated. The concept of container trucks, automated warehousing is yet to take root in India. The result: significant losses/damages during shipping.

Merchandising planning is one of the biggest challenges that any multi store retailer faces. Getting the right mix of product, which is store specific across organization, is a combination of customer insight, allocation and assortment techniques.

The private label will continue to compete with brand leaders. So supplier's brand will take their own way because they have a established brand image from last decades and the reasons can be attributed to better customer experience, value vs. price, aspiration, innovation, accessibility of supplier's brand.

Strategies

Right Positioning

The effectiveness of the mall developer's communication of the offering to the target customers determines how well the mall gets positioned in their minds. At this stage, the communication has to be more of relative nature. This implies that the message conveyed to the target customers must be effective enough in differentiating the mall's offering from that of its competitors without even naming them. The message should also clearly convey to the target audience that the mall offers them exactly what they call the complete shopping-cum-entertainment point that meets all their expectations. The core purpose is to inform the target customers about the offering

of the mall, persuade them to visit the mall and remind them about the mall. The mall developer can create awareness about the offering among the target customers in a number of ways. Various communication tools available to the mall developer for this purpose may include advertising, buzz marketing (WoM), celebrity endorsement, use of print media, press releases and viral marketing .Once the message is being conveyed through these channels, the mall developer must add a personal touch to his message by carrying out a door-to-door campaign in order to reinforce the message.

Effective Visual Communication

Retailer has to give more emphasis on display visual merchandising, lighting, signages and specialized props. The visual communication strategy might be planned and also be brand positioned. Theme or lifestyle displays using stylized mannequins and props, which are based on a season or an event, are used to promote collections and have to change to keep touch with the trend. The merchandise presentation ought to be very creative and displays are often on non-standard fixtures and forms to generate interest and add on attitude to the merchandise.

Strong Supply Chain

Critical components of supply chain planning applications can help manufacturers meet retailers' service levels and maintain profit margins. Retailer has to develop innovative solution for managing the supply chain problems. Innovative solutions like performance management, frequent sales operation management, demand planning, inventory planning, production planning, lean systems and staff should help retailers to get advantage over competitors.

Changing the Perception

Retailers benefit only if consumers perceive their store brands to have consistent and comparable quality and availability in relation to branded products. Retailer has to provide more assortments for private level brands to compete with supplier's brand. New product development, aggressive retail mix as well as everyday low pricing strategy can be the strategy to get edge over supplier's brand.

REASONS FOR RETAIL REVOLUTION

With double salaries and nuclear families, disposable income in the hands of middle income group people is high and that is one reason why retail revolution has taken place. The second one is a very interesting feature. Now there is a customer called New Age Customer.

The Indian Scenario:

In 2006 AT Kearney's Global Retail Development Index ranked Asia as the region with the most promising prospects. Among 30 emerging countries worldwide, India ranked number one and China ranked number five. India's retail sector is quite fragmented with the top five retailers accounting for less than 2 percent of the \$350 billion market, one of the ten largest in the world. There are over four million retail outlets in the country with one million located in urban areas. Single-brand foreign retailers can now own 51% of an India operation. Indian and foreign

companies are making highly ambitious plans for large multi-brand retail operations. Foreign retailers entered China some year ago and today about 45 companies from Japan, Korea and the West operate in the country.

Challenges

The industry is facing a shortage of middle management level professionals. Major retailers are hiring aggressively from the similar and smaller organizations by offering better packages. They are creating various levels of management and hiring on a spree. Some of the areas such as technology, supply chain, distribution, logistics, marketing, product development and research are becoming very critical for the success of the organizations. All of these would lead to the recruitment of highly professional people who specialize in these fields. There is also a trend for hiring hotel management graduates, though now many retail schools are coming up, and Pantaloon has set up links with major business schools from where it would be selecting the right candidates. The sector is likely to produce 2 million jobs in the coming 3 years. There also exists a possibility that the retail sector would become a poaching ground once a number of domestic and international players enter the industry.

Conclusion:

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.

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