

---

## **RETAIL SECTOR IN INDIA: ISSUES AND CHALLENGES**

**Mohit Virmani**

Asst. Professor

Shri Ram Institute of Management, Jabalpur (MP)

### **Abstract**

*“This is a historical moment. This is a challenging moment. The market dynamics of the retail business is bound to change.”*  
- *Kishore Biyani* In this era of LPG i.e. Liberalization, Privatization and Globalization if we talk about Retailing then the battle for every single pie becomes much more fierce. Retailing is the set of business activities that adds value to the products and services sold to the consumers for their personal or family use. Often people think of retailing only as the sale of products in stores. But retailing in the present scenario is not only limited to the sale of goods and services; but retailing also includes creating, communicating and delivering Superior Customer Value. Traditionally, retailing in India can be traced to the emergence of the neighborhood ‘Kirana’ stores catering to the convenience of the consumers. 1980s experienced slow change as India began to open up economy.

Key word: - much more, Liberalization, Superior

---

### **Introduction**

Globalization is the new buzzword that has come to dominate the world since the nineties of the last century. The term Globalization means interaction with the World economy. So when a domestic country expand its business wings and operate at an international level, it can be termed as Globalization.

It includes an array of social, political and economic changes. Unimaginable progress in modes of communications, transportation and computer technology have given the process a new lease of life. The world is more interdependent now than ever before. Multinational companies manufacture products across many countries and sell to consumers across the globe. Money, technology and raw materials have broken the International barriers. Not only products and finances, but

also ideas and cultures have breached the national boundaries.

Thus, the impact of Globalization is also visible on Indian Retail Sector.

In 1991, Globalization changed the entire scenario of Retail sector. Post 1995 onwards, saw an emergence of shopping centers mainly in urban areas and witnessed a huge change due to Globalization. Slowly but surely the emergence of hyper and super markets trying to provide customer with 3 V's - Value, Variety and Volume.

However, in the present scenario retailing is evolving into a global, high-tech business and retail is one of the fastest growing sectors in the Indian economy. Traditional markets are making way for new formats such as departmental stores, hypermarkets, supermarkets and

specialty stores. Western-style malls have begun appearing in metros, thereby giving the Indian consumers an unparalleled shopping experience.

The impact of retail due to Globalization can be best seen in countries like U.S.A., U.K., Mexico and China. Economies of countries like Malaysia, Hong Kong, Sri Lanka and Dubai are also heavily assisted by the retail sector.

### **OBJECTIVES OF STUDY**

- To understand the retail business in India.
- To understand the factors responsible for the growth and development of the Indian retail sector.
- To understand the issues and challenges involved in retailing.

### **INDIAN RETAIL INDUSTRY**

The Indian retail industry is the fifth largest in the world. Comprising of organized and unorganized sectors, India retail industry is one of the fastest growing industries in India, especially over the last few years.

Following are the major Retailers in India:

**(1) Pantaloon** – It is one of the biggest retailers in India with more than 450 stores across the country. In 2001, Pantaloon launched country's first hypermarket 'Big Bazaar'.

**(2) Tata Group** – It is another major player in Indian retail industry, which operates Westside and Star India Bazaar.

**(3) RPG Group** - It is one of the earlier entrants in the Indian retail market, when it came into food & grocery retailing in 1996 with its retail Food world stores. Later it

also opened the pharmacy and beauty care outlets 'Health & Glow'.

**(4) Reliance** – It is one of the biggest players in Indian retail industry. More than 300 Reliance Fresh stores and Reliance Mart are quite popular in the Indian retail market.

**(5) AV Birla Group** – It has a strong presence in Indian apparel retailing. The brands like, Allen Solly, Van Heusen, Peter England is quite popular.

### **POPULAR FORMATS OF RETAIL**

**Traditional Formats** include -

- Kirana Stores.
- Street Markets
- Exclusive / Multiple Brand Outlets.

**Modern Formats** include -

- Supermarkets such as Food world.
- Hypermarkets such as Big Bazaar, Giant, Shop rite.
- Department Stores such as Shoppers Stop, Lifestyle.
- Discount Stores such as Subhiksha.
- Company Owned / Operated such as Bata, Sony.

In modern retailing, a key strategic choice is the format. Innovations in formats can provide an edge to retailers.

Organized retailers in India are trying out a variety of formats, ranging from discount stores to supermarkets to hypermarkets to Cash-n-carry. Thus, the popular formats of retail can be explained as follows:

**(1). Hypermarkets:** A store with a sales area in excess of 40,000 sq ft. It is one of the most popular formats of

retail. Thus, hypermarket can be defined as a gigantic discount retail complex that offers everything from food to hardware to electronics under one roof.

**Pantaloons' Big Bazaar** is the best example of hypermarket.

(2). **Supermarkets:** A store with a sales area of 3,000-25,000 sq ft.

Supermarket can be defined as a complete market offering food and nonfood items. These stores are much smaller than a hypermarket in terms of space.

**Food world** is the best example of supermarket.

(3). **Department stores: Large** stores retailing branded goods in multiple non-food categories. These stores are much smaller than a hypermarket in terms of space.

**Shopper's Stop** and **Lifestyle** are the best examples of department stores.

(4). **Discount stores:** As the name suggests, discount stores are the ones that offers a wide variety of various products and services much below MRP. Thus, the product category can range from a variety of perishable/non-perishable goods.

**Subhiksha** is the best example of discount stores.

(5). **Cash-n-carry:** This is one of the most important emerging formats of retail. Cash-n-carry is a business-to-business format.

**Metro** is the best example of Cash-n-carry format of retail.

*"With 30% of the population under 30 years, malls have emerged as the temples of today." - Kishore Biyani*

## **FACTORS**

The factors responsible for the growth and development of the Indian retail sector can be enumerated as follows:

(1). **Rising income of people-** Due to Globalization, the country is witnessing a period of boom in retail trade, mainly on account of a gradual increase in the disposable incomes of the middle and upper-middle class households.

Thus, rising income of the people is one of the most important factor that has contributed to the growth and development of the Indian retail sector.

(2). **Liberalization of Indian economy-** Liberalization of Indian economy has helped the retail trade as far as movement of various goods and services are concerned.

Thus, Liberalization of Indian economy has helped various MNC brands like Kellogs, Unilever, Nestle etc. to make significant inroads into the vast consumer market by offering a vast range of choices to the Indian consumers.

(3). **Shift in consumer demand to foreign brands-** Due to Globalization there is a paradigm shift in consumer demand to foreign brands.

For the past few years there has been a gradual and prominent shift in the consumer demand towards foreign brands like McDonalds, Sony, Panasonic etc.

(4). **Internet revolution-** The Internet revolution is making the Indian consumer more accessible to the domestic and foreign retail chains.

Moreover, the reach of satellite T.V.channels is helping the Indian consumer in creating the awareness about global products for local markets.

(5). **Other factors-** Indian economy is now manifesting itself in the growing purchasing power of its citizens due to globalization.

Other factors that have contributed to the growth and development of the Indian retail sector are:

- Favorable demographic and psychographic changes relating to India's consumer class.
- International exposure.
- Availability of quality retail space; and
- Wider availability of products and services.

### **ISSUES AND CHALLENGES**

Indian industries due to globalization facing lot of competition, in order to protect the business interest every industry is trying to improve their process it could make the cheaper product with better quality.

Although India is witnessing a period of boom as far as retail sector is concerned, yet there are many issues and challenges involved:

(1) FDI in retail trading is not encouraged in any form.

***“This budget was the best opportunity for the government to make any announcements related to FDI relaxation in retail but it is extremely disappointing to see that nothing was mentioned.”- Sameer Barde, FICCI Director.***

At present 100 per cent FDI is allowed only in cash and carry wholesale trading, while it is prohibited in multi-brand retail. Up to 51 per cent FDI has been allowed in single-brand retail since 2006.

A few foreign retail names appearing in the market like Marks & Spencer, Benetton, and Lifestyle are in the nature of franchisee.

(2). Retailers must focus on Supply Chain Management in order to stay competitive The retail scenario due to globalization is characterized by constant changes in consumer preferences and evolution of new retail formats. All this increases the challenges faced by the industry.

Various strategies are to be implemented to improve core business processes, such as innovation, transparency, distribution and inventory.

(3). It is one of the primary challenges the companies would have to face. Frauds, including vendor frauds, thefts, shoplifting and inaccuracy in supervision and administration are the challenges that are difficult to handle. As the size of the sector would increase, this would increase the number of thefts, frauds and discrepancies in the system Various strategies are to be implemented and there should be an increase in the use of security techniques such as CCTVs and POS systems.

(4). Lack of Proper Infrastructure in the country results in inefficient processes. This is a major hindrance for retailers as a poor infrastructure can result in huge losses.

Globalization is compelling companies to develop infrastructure facilities. Transportation, including railway systems, has to be more efficient. Highways have to meet global standards. Airport capacities and power supply have to be enhanced.

(5). The retailers must Reinvest in new technologies and programs, in order to stay competitive. This is another important challenge for the retailers.

(6). Distribution and logistics is another important issue in the retail sector. Distribution and logistic constraint may result in lack of value addition and limited product range. Warehouse facilities and timely distribution are other areas of challenge. Thus, to fully utilize India's potential in retail sector, these major obstacles have to be removed.

**WHAT HAVE GLOBAL RETAILERS DONE RIGHT**

**International Expansion** is one form of a market expansion strategy. The most commonly targeted regions are Mexico, Latin America, Europe, China and Japan.

International expansion is risky because retailers using this strategy must deal with:

- Differences in government regulations.

- Different supply chain considerations.
- Cultural traditions, and
- Language.

Retailers- particularly specialty store retailers with strong brand names such as The Gap and Zara, and discount retailers such as Wal-mart, Carrefour Group, The Kroger Co. and Metro have a strong competitive advantage, when it comes to competing globally.

<u>GLOBAL RETAILERS</u>	<u>CORE ADVANTAGE</u>
Wal-Mart, Carrefour	Low cost, Efficient operations
Starbucks	Strong private brands
The Gap, Zara	Fashion reputation
Disney, Warner Brothers	Image

These strong brand names are quite successful when it comes to competing globally because their ability to leverage size, and efficiency to create market dominance.

***“Think Global, But Act Local”***

Four characteristics of Global retailers that have successfully exploited international growth opportunities are:

- Globally sustainable competitive advantage.
- Adaptability.
- Global culture, and
- Deep pockets.

Wal-mart is the world's largest retailer. Its sales are three times as large as those of Carrefour Group, which is the world's second largest retailer. Wal-mart heads Fortune magazine list of top 500 companies in the world.

Thus, Wal-Mart and Carrefour are successful in international markets, where price plays an important role in consumer decision-making and distribution; infrastructure is available to enable these firms to exploit their logistical capabilities. The Gap and Zara are successful in international markets that value fashionable merchandise. Disney as a brand is also successful in terms of creating its positive image in the global market.

### **IMPACT OF GLOBALISATION ON INDIAN INDUSTRY**

Due to Globalization, the Indian retail is evolving into a global, high-tech business and it is one of the fastest growing sectors in the Indian economy.

Indian retailing industry has seen phenomenal growth in the last few years.

(1). Organized retailing has finally emerged from the shadows of unorganized retailing and has contributed significantly to the growth of Indian retail sector.

According to NRF i.e. National Retail Federation the Indian retail trade is expected to be around 11, 64, 000 crores. And organized retail is estimated at 96,500 crores.

(2). Globalization 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.

(3). Globalization has also increased the number of job opportunities in the Indian retail sector. In the present

scenario only 7% of our population is engaged in the retail sector and it is expected that by 2011, it would surge to 12%. [1]

Thus, it will provide employment to many people in the country. This helped reduce the level of unemployment and poverty in the country.

(4). Also the benefit of the Effects of Globalization on Indian Industry are that the foreign companies brought in highly advanced technology with them and this helped to make the Indian Industry more technologically advanced.

(5). Due to Globalization, the traditional markets are able to make a way for new formats such as departmental stores, hypermarkets, supermarkets and specialty stores. This has increased the choice factor among Indian consumers. Thus, retailing in India caters to various segments and preferences of life like Apparel & Accessories, Appliances, Electronics, Cosmetics, Home & Office Products, Travel and Leisure and many more.

(6). Due to Globalization, 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.

Thus, standing on the threshold of a retail revolution and witnessing a fast changing retail landscape, India is all set to experience the phenomenon of a global village. Moreover, India presents a grand opportunity to the world at large, to use it as a business hub.[3]

### **RECENT TRENDS OF INDIAN RETAIL SECTOR**

*“There is a tremendous scope for India’s retail growth.”*

- - *Mukesh Ambani*

Due to Globalization, Indian retail is expanding at a fast pace. India's retail industry, which is currently valued at nearly \$350 billion, is expected to double in size by 2015. The Indian Retail Industry is gradually moving ahead towards becoming the next boom industry.

This sector contributes 10% of India's GDP and the current growth rate is 8.5%. The present size of the organized retailing sector is approximately 3% and is expected to grow to 25-30% by the year 2011. There are about 300 new malls, 1500 supermarkets and 325 departmental stores currently under construction. [5]

Purchasing power of Indian urban consumer is growing and branded merchandise in categories like Apparels, Accessories, Food, and even Jewellery, are slowly becoming lifestyle products. Retailers are taking benefit of this growth and accordingly are aiming to expand.

Modern Large-Format retail efficiently connects the producers and the consumers and is helpful to both in the long run. Hypermarket is emerging as the most favorable format for the time being in India. The arrival of multinationals will further push the growth of hypermarket formats.

The Indian retail markets are full of opportunities- for growth, for diversification, and market share.

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.

Retail is clearly the sector that is poised to show the highest growth in the next five years. The sector is set for a revolution, as both the present players and new entrants are gearing up to explore the market.

- 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.[7]
- 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.

- HLL is using its Project Shakti initiative leveraging women self-help groups to explore the rural market.
- IT is a tool that has been used by retailers ranging from Amazon.com to eBay to radically change buying behavior across the globe.

*“India is beginning to make news worldwide. It’s just the right time to think India. There’s a new sense of confidence in Indian business.”*

### **CONCLUSION**

Hence, it can be concluded that the impact of Globalization on Indian Retail Sector have proved to be positive as well as negative. The government of India must try to make such economic policies with regard to Indian Industry's Globalization that are beneficial and not harmful.

As the consumers have started shifting from traditional retail to branded retail outlets because of the variety and what they perceive as better quality and attractive discounts offered by branded retail outlets. Majority of the customers' are visiting branded retail outlets like Wills Lifestyle, Big Bazaar, McDonalds etc.

Moreover, plenty of opportunities are there for the Indian retailers. But the only question to be asked is that, are Indian retailers prepared?

Apart from various obstacles, there are clear opportunities in modern retailing in India. In such a scenario, the Indian

retailers have to prepare themselves in terms of having appropriate formats, scalable processes, appropriate technology and relevant organization capability.

*“India is attempting to do in 10 years, what other major markets in the world took 25-30 years”.*

*- Bijou Kurien President, Reliance Retail*

### **BIBLIOGRAPHY**

Secondary source of data is used to understand Retail Sector in India : Issues and Challenges

1. Business World, Indian Retail Forum 2010. (Pg: 1 to 5).
2. Business Today, Edition- June 4, 2006. (Pg: 92, 93, 94, 96).
3. Retail Scenario in India- Unlimited opportunity- CII.
4. India Retail Sector Analysis - Publish Date: April 2010.
5. JIMS 8M, Magazine, 2010 Edition. (Pg: 4, 5, 6).
6. Retailing Management- By Levy, Weitz. (Pg: 6, 7, 164, 165).
7. Retail Multinationals and Globalization – By Alan M. Rugman (Pg 79 – 95).