

An Analytical Study for Factors Affecting Retail Marketing in India

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ABSTRACT

Indian Retail Industry having the fifth largest place in the world. It comprises organized and unorganized sectors. Indian retail industry has one of the fastest growing industries in India especially over the last few years. The market is growing at a steady rate of 11-12 percent and accounts for around 10 percent of the country's GDP. Indian retail market is considered to be the second largest in the world in terms of growth potential. The recent years have witnessed rapid transformation and vigorous profits in Indian retail stores across various categories. This can be contemplated as a result of the changing attitude of Indian consumers and their overwhelming acceptance to modern retail formats. Domestic consumption market in India is estimated to grow approximately 7 to 8% with retail accounting for 60% of the overall segment. Of this 60%, organized retail is just 5% which is comparatively lesser than other countries with emerging economies. For the growth of retailing in India organized retailing provides great opportunities. So the aim of this paper find out various factors responsible for growth of organized retailing in India. The paper also focuses on various challenges and opportunities for growth of organized retailing in India.

Keywords: Retail, Industry, Organized & Unorganized sector, Indian Economy.

1. INTRODUCTION

According to a definition the word "Retail" had originates from a French-Italian word. Retailer is a person who cuts off or sheds a small piece from something. Retailing is the set of activities that markets products or services to final consumers for their own personal or household use (Ms. Vidushi Handa, Mr. Navneet Grover). Retailing is one of the pillars of the economy in India. Over the past few years, the retail sale in India is hovering around 33-35% of GDP as compare to 20% in the US. The Indian retail industry is the fifth largest in the world. Comprising of organized and unorganized sectors, Indian retail industry is one of the fastest growing industries in India, especially over the last few years. Though initially, the retail industry in India was mostly unorganized, however with the tastes and preferences of the consumers, the industry is getting more popular these days and getting organized as well. Now with growing market demand, the industry is expected to grow at pace of 25-30% annually. The Indian retail industry is currently growing at a great pace and is expected to go up to US \$ 969 billion by the year 2016. In the last four years consumer spending in India has climbed up to 75%. In India though, organized retail accounts for app. 5-6% of total retail revenues, however, with a young population, increasing disposable income, changing life styles and a robust economy India is set to emerge as one of the fastest growing organized retail markets in the world.

Types of Retailing

Retailing has played an important role in the world to increasing the productivity across a wide range of consumer goods and services. In the developed countries, the organized retail sector having almost 80% of the total retail industry. But in contrast, India organized retail sector having 8% of the total retail industry. Organized retailing refers to trading activities undertaken by licensed retailers, i.e. those who are registered for sales tax, income tax, etc. These include the corporate backed hypermarkets and retail chains and also the privately owned larged retail businesses. Unorganized retailing, on the hand, refers to the traditional formats of low cost retailing, for example, the local kirana shops, owner manned general stores, convenience stores, hand cart and pavement vendors etc.

2. REVIEW OF LITERATURE

According to HaritimaNegi Rawat Retail industry is the most growing sector in current scenario of Indian market. It will provide more opportunities for retailers and investors in near future. The growth of the organized retail industry in the country will generate thousands of new jobs, which increases the income levels and living standards of people and make better products, and services, a better shopping experience, and more social activities. Indian retail sector has

opening new doors for the foreign retailers. Indian government also allowing foreign investors in retail sector which makes threat for Indian retailers.

According to Sunitasikri and Diptiwadhwa the Indian Retail sector having the fifth largest place in the world retailing sector. There are mainly two types of retail sector organized and unorganized. Indian retail industry is growing rapidly over the last few years. Though the retail market in India is mostly captured by unorganized retail sector, however with the change of taste and preferences of consumers, the organized Industry is getting more popular in these days and the share of this sector is growing.

According to Sanjay Manocha and Anoop Pandey states that the retail market is changing rapidly in India and a large scale investments made by foreign and domestic players in India. Market liberalization and changing consumer taste, preferences and behavior have shown the retail transformation. India is witnessing changing life styles, increased incomes, and the demographic variability's and energetic democracy. Indian retailing is expanding the area and is expected to reach at US\$637 billions by 2015. Finally he concluded that Retailing provides a important link between producers and consumers in modern market economy.

According to Bureau retailing in India is most dynamic industry and provides a huge opportunity for domestic and international retailers.

3. OBJECTIVE OF THE STUDY

- 1) To understand the evolution of retail sector in India
- 2) To study the factors having impact on growth of organized retail sector
- 3) To study the future prospects of organized retail sector in India.
- 4) To study various challenges faced and opportunities available for growth of organized retailing in India.

4. RESEARCH METHODOLOGY

Being an explanatory research it is based on secondary data of journals, articles, newspapers and magazines. Considering the objectives of study descriptive type research design is adopted to have more accuracy and rigorous analysis of research study. The accessible secondary data is intensively used for research study.

5. FACTORS AFFECTING GROWTH OF ORGANIZED RETAILING

Organized retailing is a recent development. It is the outcome of socioeconomic factors. India is standing on the threshold of retail revolution. Retail Industry, one of the fastest changing and vibrant industries that, has contributed to the economic growth of our country. Within a very short span of time, Indian retail industry has become the most attractive, emerging retail market in the world. Healthy economic growth, changing demographic profile, increasing disposable incomes, changing consumer tastes and preferences are some of the key factors that are driving growth in the organized retail market in India.

Here are some factors which directly influence retail consumer buying behavior.

Growth of middle class consumers

In India the number of middle class consumer is growing rapidly. With rising consumer demand and greater disposable income has given opportunity of retail industry to grow and prosper. They expect quality products at decent prices. Modern retailers offer a wide range of products and value added services to the customers. Hence this has resulted into growth of organized retailing in India. Growing consumerism would be a key driver for organized retail in India. Rising incomes and improvements in infrastructure are enlarging consumer markets and accelerating the convergence (meeting) of consumer tastes.

Income Levels

A consumer with high income has high self-respect and expects everything best when it comes to buying products or availing services. Consumers of this class don't generally think twice on cost if he is buying a good quality product. On the other hand, low-income group consumers would prefer a low-cost substitute of the same product. For example, a professional earning handsome pay package would not hesitate to buy an iPhone6 but a taxi driver in India would buy a low-cost mobile. So the income level would be a key driver for organized retail in India.

Increase in the Number of Working Women

Today the urban women are literate and qualified. They have to maintain a balance between home and work. The purchasing habit of the working women is different from the home maker. They do not have sufficient time for leisure and they expect everything under one roof. They prefer one-stop shopping. Modern retail outlets therefore offers one store retailing.

Social Status

Social status is nothing but a position of the customer in the society. Generally, people form groups while interacting with each other for the satisfaction of their social needs. These groups have prominent effects on the buying behavior. When customers buy with family members or friends, the chances are more that their choice is altered or biased under peer pressure for the purpose of trying something new. Increasing the grouping forms of people result in they prefer shopping modern retail outlets.

Cultural Background

Every child (a would-be customer) acquires a personality, thought process, and attitude while growing up by learning, observing, and forming opinions, likes, and dislikes from its surrounding. Buying behavior differs in people depending on the various cultures they are brought up in and different demographics they come from. Changing the buying behavior of customers increase the number of retail shops.

Emerging Rural Market

Today the rural market in India is facing stiff competition in retail sector also. The rural market in India is fast emerging as the rural consumers are becoming quality conscious. Thus due to huge potential in rural retailing organized retailers are developing new products and strategies to satisfy and serve rural customers. In India, Retail industry is proving the country's largest source of employment after agriculture, which has the deepest penetration into rural India.

Value for Money

Organized retail deals in high volume and are able to enjoy economies of large scale production and distribution. They eliminate intermediaries in distribution channel. Organized retailers offer quality products at reasonable prices. Example: Big Bazaar and Subhiksha. Opportunity for profit attracts more and more new business groups for entering in to this sector.

Entry of Foreign Retailers

Indian retail sector is catching the interest of foreign retailers. Due to liberalization Multinationals have entered our country through joint ventures and franchising. This further is responsible for boosting organized retailing.

Technological Impact

Technology is one of the dynamic factors responsible for the growth of organized retailing. Introduction of computerization, electronic media and marketing information system have changed the face of retailing. Organized retailing in India has a huge scope because of the vast market and the growing consciousness of the consumer about product quality and services. One of the major technological innovations in organized retailing has been the introduction of barcodes. With the increasing use of technology and innovation retailers are selling their products online with the help of Internet.

Media Explosion

There has been an explosion in media due to satellite television and internet. Indian consumers are exposed to the lifestyle of countries. Their expectations for quality products have risen and they are demanding more choice and money value services and conveniences.

6. CHALLENGE IN RETAIL SECTOR

Retail productivity in India is very low comparison to international. Total retail employment in India from organized and unorganized is 3.3% of Indian labor work force out of which mostly related to the unorganized retail sector. Various reasons for slow rate of growth of organized retailing in India can be summarized as under:

- **Policy Barriers:** Since organized retail in India is managed by both the Ministries of Commerce & Consumer Affairs. While the Ministry of Commerce takes care of the retail policy, the Ministry of Consumer Affairs regulates retailing in terms of licenses and legislation. There is a need to govern retail operations through a single apex body. A single agency can take care of retail operations more effectively.
- **Channel Conflicts:** Globally, retailers maintain a direct relationship with their suppliers. Due to the complex taxation structure and geographical spread of the country, most FMCG companies have developed regional distribution and re-distribution network. Cutting out the distribution network will hurt the operating structure of distributors.
- Indian retailing is still dominated by the unorganized sector in comparison of organized sector. There is still a lack of efficient supply chain management in retail sector.
- Most of the retail outlets in India are having less than 500 square feet in size.
- Many political parties in India have opposed FDI in retail sector. A political change in state and central governments can put a lot of political risk on investment in retail sector.

- Trained manpower is a challenge for the organized retail sector in India. The Indian retailers have difficulty to finding the trained manpower and also have to pay more to retain them.
- The lack of proper infrastructure and distribution channels in the country results in inefficient processes in retailing. This is a major problem for retailers as a non-efficient distribution channel is very difficult to handle and can result in huge losses for them.
- Different structure of sales tax in different states is there. Taxation laws that does not favor small retailers.
- Highly priced Real Estate: The real estate prices are very high in India. The rent or lease of property is so expensive that it reduces the profitability of a project and makes it difficult to find suitable properties in central locations for retail.
- Price War: There is a price war between different retail organizations. Every one is saying to provide goods at low cost and offers various promotional schemes. In such a case it is difficult to keep one's customers with oneself. (Dr. Shahid Akhter et al).
- Stamp Duties: There is a very high stamp duty on transfer of properties which also hinders the process of growth. Stamp duty varies from state to state.

7. GROWTH TRENDS IN INDIAN RETAIL INDUSTRY

- Retail industry has been on a growth trend over the past few years. With the growth of economy back on track, retailers are making their expansion plans. The retail industry is expected to grow at a rate of 12% per annum for the next 5 years.
- The Indian retail industry has growth of 10.6% between 2010 and 2012 and is expected to increase to US\$ 750-850 billion by 2015.
- The current sign of Government to initiate Foreign Direct Investment (FDI) in various sectors is bringing a new interest to the investment climate in India and more and more foreign marketers attracting towards Indian retail market.
- Higher incomes motivating the purchase of essential and nonessential products which contributing in the growth of the retail sector.
- Consumption patterns of Indian customers are changing.
- Increase in easy access to credit and consumer awareness.
- New technology and lifestyle trends creating replacement demand.
- Increase in rural income as well as urbanization of the population.

8. VARIOUS OPPORTUNITIES OF RETAILING IN INDIA

The Indian retail trading has received Foreign Direct Investment (FDI) equity inflows totaling US\$ 537.61 million during April 2000–March 2016, according to the Department of Industrial Policies and Promotion (DIPP). With the rising need for consumer goods in different sectors including consumer electronics and home appliances, many companies have invested in the Indian retail space in the past few months.

- International Finance Corporation (IFC), the investment arm of The World Bank, plans to invest up to Rs 134 crore (US\$ 19.86 million) in Kishore Biyani's Future Consumer Enterprises Ltd, which is expected to aid the company in driving its growth plans.
- Amazon India has opened six new fulfillment centers across Chennai, Coimbatore, Delhi, Jaipur and Mumbai, which will open up 5.5 million square feet of storage space for sellers on the marketplace who use the 'Fulfilled by Amazon' service.
- IKEA, the world's largest furniture retailer, plans to invest Rs 10,500 crore (US\$ 1.56 billion) to set up 25 stores across India and hire over 15,000 permanent employees and 37,500 temporary employees to assist in running its stores.
- Amazon Inc. has announced that the company would invest an additional US\$ 3 billion in India operations, thereby taking its committed investment in the country to over US\$ 5 billion.
- Aditya Birla Fashion and Retail Limited (ABFRL) has announced that it will acquire exclusive online and offline rights of Forever 21, an American fast fashion brand, in the Indian market.

9. FUTURE SCOPE IN INDIAN RETAIL SECTOR

Organized retail is a new phenomenon in India and the market is growing very rapidly. The middle class growing very rapidly that is important factor which contributing in the growth of Indian retail sector. According to a report up to 2030, it is estimated that currently 21 million household converted into 91 million households who are 'middle class'.

CONCLUSION

Retail in India is most dynamic industry and represents a large opportunity for domestic and international retailers. Modern retailing is not a problem to traditional stores as most of the consumers said that they never stopped visiting kirana stores. They strongly agree that the existence of both the sector is required. The retailers have to redesign the retail format strategies on the basis of customized regional approach. The analytical mass of the research makes it sufficiently evident exclusive showrooms and branded companies are not feasible in the Indian scenario and they have to reframe their strategies. The main reason for this is that the western pattern of retail format in India does not suit the people and culture. It must be kept in mind that Indian buyers are extremely price sensitive (than quality). Ease to buy and credit facilities provided by un-organized retail is still a major consideration while shopping. In nutshell we can say that there is vast scope for the growth of organized sector in India due to change in time, technology, customer requirement, customer taste, preferences. But it is also true those kirana stores are big challenges in front of them. In India no doubt that due to lack of time and increase of service class organized sector is developing but still people in Rural, semi urban are still prefer to buy from Karyana store due to reliability, and boundness.

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