



## INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE AND MANAGEMENT

### CONTENTS

Sr. No.	Article / Paper	Page No.
1.	<b>THE RELATIONSHIP BETWEEN ERP SYSTEM'S FUNCTIONALITY AND SUPPLY CHAIN MANAGEMENT PERFORMANCE</b> <i>DR. MATHEW PHILIP</i>	1
2.	<b>UNDERSTANDING THE FACTORS AFFECTING SELECTION OF A TRANSPORT SERVICE PROVIDER – AN EMPIRICAL ANALYSIS</b> <i>KUNAL GAURAV &amp; SANDIP BHOWAL</i>	30
3.	<b>IMPACT OF DISINVESTMENT ON THE FINANCIAL AND OPERATING PERFORMANCE OF COMPETITIVE AND MONOPOLY UNITS OF INDIAN PUBLIC SECTOR ENTERPRISES</b> <i>DR. GAGAN SINGH &amp; DR. DEEPAK PALIWAL</i>	40
4.	<b>HUMAN RESOURCE ACCOUNTING PRACTICES IN SELECTED COMPANIES IN INDIA</b> <i>DR. YAGNESH M DALVADI</i>	58
5.	<b>PRESCRIBERS SEGMENTATION-STRATEGY FOR PHARMACEUTICAL CORPORATIONS SUCCESS</b> <i>DR. K C MITTAL &amp; DR. HARPREET SINGH</i>	70
6.	<b>IMPACT OF GLOBALIZATION ON SERVICE SECTOR</b> <i>A. KOTISHWAR &amp; PROF. MOHD AKBAR ALI KHAN</i>	80
7.	<b>CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES IN ASIA: A BURGEONING QUINTESSENCE</b> <i>ASHOK KHURANA</i>	113
8.	<b>REVIEWING MAHATMA GANDHI NATIONAL RURAL EMPLOYMENT GUARANTEE SCHEME (MNREGS)</b> <i>DR. KULBHUSHAN CHANDEL, DR. RAKESH SHARMA &amp; DR. (MRS.) USHA SHARMA</i>	128
9.	<b>STABILITY OF BETA: AN EMPIRICAL INVESTIGATION ON NIFTY STOCKS</b> <i>S. SYED AHAMED, G. SARAVANAN &amp; DR. MALABIKA DEO</i>	153
10.	<b>OPERATIONAL EFFICIENCY OF MERGED BANKS IN INDIA – DISCRIMINANT ANALYSIS APPROACH</b> <i>DR. N. BHARATHI</i>	168
11.	<b>RETAIL SCENE IN INDIA: AN OVERVIEW AND OPPORTUNITIES</b> <i>DR. MANDEEP SINGH &amp; RAVNEET KAUR BINDRA</i>	193
12.	<b>CUSTOMER SATISFACTION AND COMPETENCIES: AN EMPIRICAL STUDY OF AMBALA, KURUKSHETRA AND YAMUANANAGAR DISTRICTS OF HARYANA, INDIA</b> <i>DR. SUDESH &amp; CHETAN MOHAN</i>	207

## Retail Scene in India: An Overview and Opportunities

**Dr. Mandeep Singh**

Associate Professor in Economics

G. N. Khalsa College

Yamuna Nagar – 135 001, INDIA

**Ravneet Kaur Bindra**

Lecturer in Management

Maharishi Markandeshwar University

Mullana (Ambala), INDIA

### ABSTRACT

*India's economic growth has accelerated significantly over the past two decades and so, too, has the spending power of its citizens. Real average household disposable income has roughly doubled since 1985. With rising incomes, household consumption has soared and a new Indian middle class has emerged. The Indian consumer is changing rapidly. The average consumer today is richer, younger and more aspirational in his/her needs than ever before. Consumers now value convenience and choice at par with getting value for their hard-earned money. A range of modern retailers are attempting to serve the needs of the new Indian consumer. The last few years have witnessed an explosion of organised retail formats like supermarkets and hypermarkets in an otherwise fragmented Indian retail market. The present paper is an attempt to analyse the reason and future of explosive growth in Retail sector in India*

## Key Words

Retailing; Peaking; Declining; Opening; Closing

### 1.1: Retail: The Emerging Revolution

India's GDP growth of 8 per cent in 2008-09 is the highest posted for over 18 years, reflecting the booming economy of the country. Growing in tandem with the economy is the Indian retail sector. The sector is on a high growth trajectory and is expected to grow by more than 27 per cent over the next 5 to 6 years. Retail is one of India's largest industries, contributing to about 10 per cent of the GDP and providing employment to 8 per cent of the nation's workforce. Indian retail business promises to be one of the core sectors of the Indian economy, with organised retail sector estimated to grow by 400 per cent of its current size by 2010-11.

The growth and potential of the sector is being widely acknowledged both in the domestic as well as international forums. India topped AT Kearney's Global Retail Development Index 2009 for the third consecutive year, retaining its position in the global market as the most preferred retail destination amongst emerging markets. For the fifth time, India also topped the Global Consumer Confidence Index June – 2009 conducted twice a year by The Nielsen Company. Indians were judged the world's most optimistic consumers, with large sections of the population considering "now" a good time to spend. The economics of Indian consumerism is buoyant, with India ranking as the fourth largest economy in terms of Purchasing Power Parity (PPP), next only to United States, Japan and China. India is expected to outpace Japan by the year 2010 to become world's third largest economy. With 54 per cent of the Indians aged below 25, the young Indian consumer is buying big to look good and feel good

### 1.2: Stages of Growth Retail market

Retail markets worldwide have been observed to progress through four stages as they evolve from an emerging to a mature market, usually over the course of 5 to 10 years (**Fig. 1.1**). These stages are defined as:

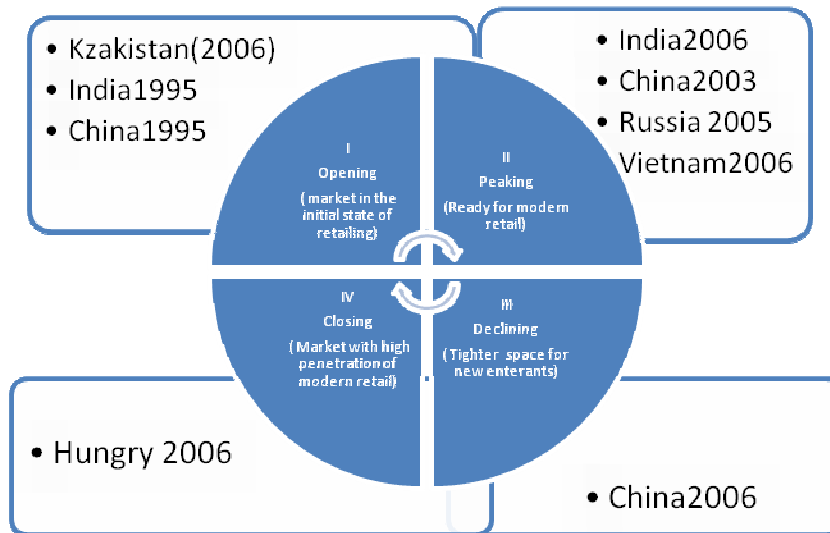
**Opening:** A market that is just beginning its modern retail story, in all major cities.

**Peaking:** A market that is developing quickly and is ready for modern retail.

**Declining:** A market that is still big and growing, but space for new entrants is getting tighter.

**Closing:** A market having small window of opportunity for new entrants; such markets generally have a very high penetration of modern retail.

The figure below shows that key Asian economies, viz. India and Vietnam are in the peaking phase, while China has just tipped into declining. This means that the next one to three years are the best time for foreign retailers to enter India. They cannot wait for the government to set things in order. While the government has announced some benefits for foreign retailers by allowing them to own up to 51 per cent of a single brand retail company, the relaxed regulations do not extend to retailers that sell a variety of brands. India's government seems to be on a gradual but definite path towards allowing foreign retailers into the country. And when it takes the final steps, the peak time to enter will quickly pass, giving retailers a hope that entering now they have a distinct edge. Different global retailers are in talks to identify the best mode of entry in India.

**Fig: 1.1: Stages of Retail market**

### 1.3: The Indian retail: Growth

Retailing in India is evolving rapidly, with consumer spending growing by unprecedented rates and with increasing number of global players investing in this sector. Organised retail in India is undergoing a metamorphosis and is expected to scale up to meet global standards over the next five years.

India's retail market has experienced enormous growth over the past decade, more than doubling in size to US\$ 311.7 billion in 2008-09. The market was estimated at US\$ 1.1 trillion (in PPP terms) in 2007-08. The most significant period of growth for the sector was between years 2000 and 2008, when the sector revenues increased by about 93.5 per cent translating to an average annual growth of 13.3 per cent. The sector's growth was partly a reflection of the impressive Indian economic growth and overall rise in income levels of consumers. The growth trajectory of Indian Retail is shown in Fig:1.2, below:

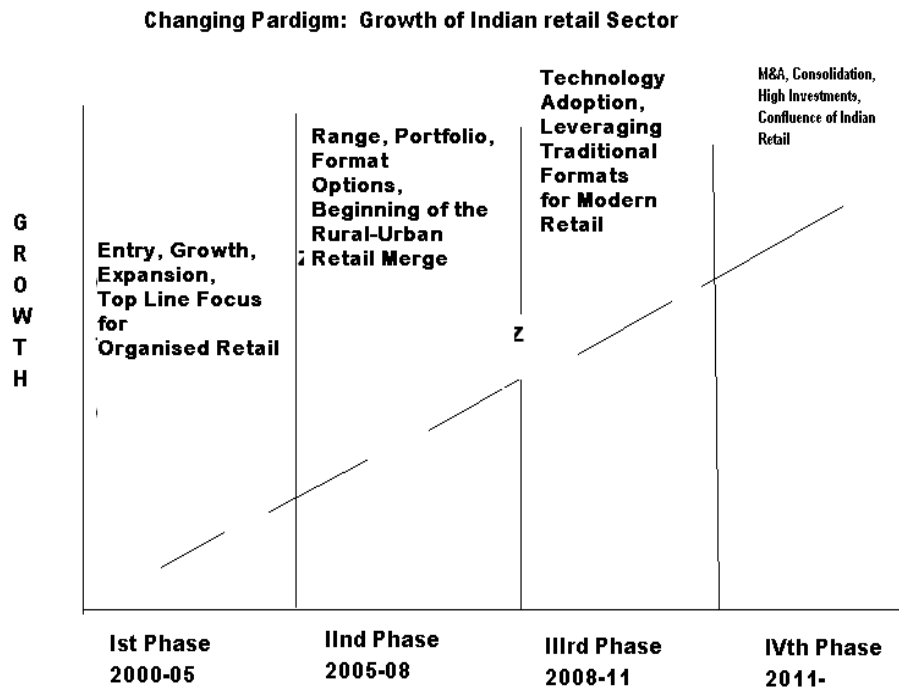


Fig. 1.2

## 1.4: Key Trends and Drivers of Retail growth

### a) Rapid economic growth:

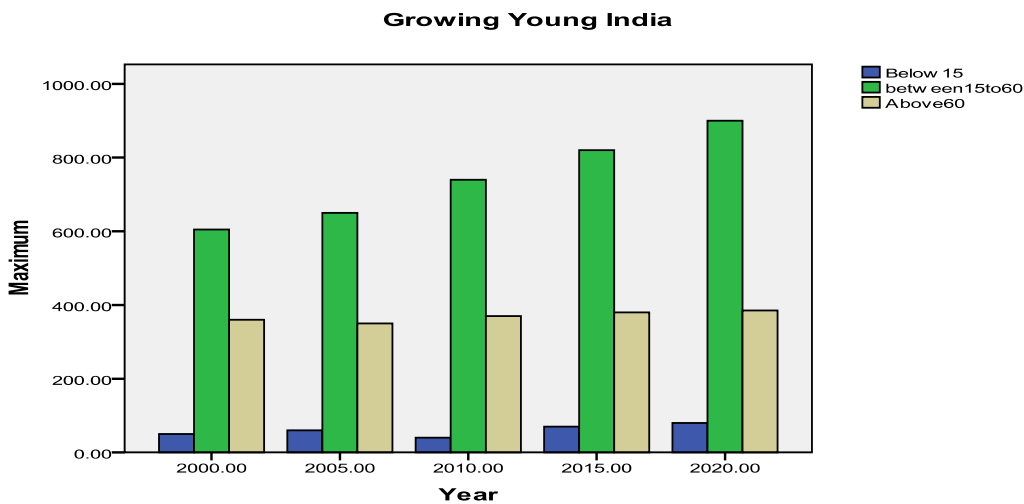
The fast and furious pace of growth of the Indian economy is the driving force for Indian consumerism; with the Indian consumers confident about their earnings and are spending a large portion of their high disposable incomes. Projections by analysts suggest that India has the potential to be labeled the fastest-growing economy and outpace the developed economies by 2050. Analysts predict India to sustain an average GDP growth rate of 5 per cent till the mid of this century, with India projected to outpace the other developed economy markets by 2050.

The average annual growth rate for 1994-2009 was pegged at 6.1 per cent, second only to China. The more recent growth rates of over 9 per cent posted for India, promise a continued robust growth story. Private consumption accounted for 62 per cent of India's GDP in 2008-09, comparable to most of the leading economies around the world.

**b) The Young India**

Against the backdrop of an ageing world, India possesses the advantage of having a largely young population. 35 per cent of India’s population is under 14 years of age and more than 60 per cent of the population is estimated to constitute the working age group (15-60) till 2050. Two-thirds of Indian population is under 35, with the median age of 23 years, as opposed to the world median age of 33. India is home to 20 per cent of the global population under 25 years of age. This trend is projected to continue for the next decade, with the share set to reach its maximum in 2010. The large proportion of the working-age population translates to

a lucrative consumer base vis-à-vis other economies of the world, placing India on the radar as one of the most promising retail destinations of the world. The changing profile of Indian population is depicted in Fig 1.3 below;

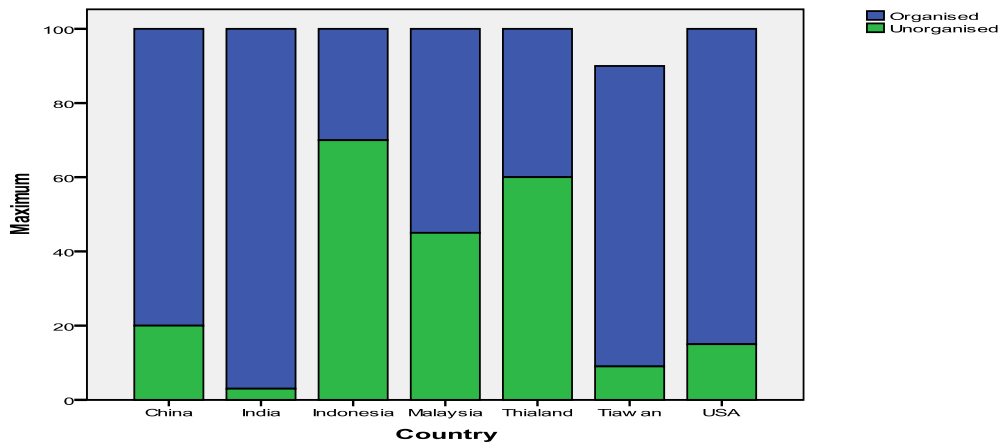


Source: Department of Industrial Policy and Promotion

**c) Potential untapped market**

India ranks first, ahead of Russia, in terms of emerging market potential and is deemed a “Priority 1” market for international retail. Organised retail penetration is on the rise and offers an attractive proposition for entry of new players as well as scope for expansion for existing players.

**Fig:1.4: Share of Organised Sector**



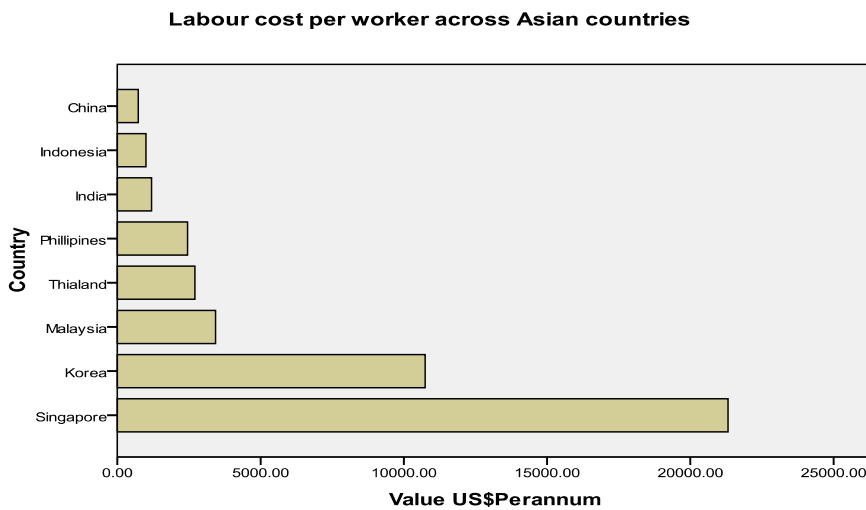
Source; Earnest & Young Retail Report ( 2008)

India is home to a large base of consumers with annual incomes ranging from US\$ 1,000 – US\$ 4,700, comprising of over 75 million households. A steadily rising percentage of rich and super rich population and impressive disposable incomes offers a spectrum of opportunities, spanning from rural retailing to luxury retailing. The impressive retail space availability and growing trend of consumerism in the emerging cities and small towns add to the market attractiveness. Pantaloon Retail India Limited, one of India’s retail giants captures a mere 0.3 per cent of total market; compared to Tesco Plc, which captures 14.3per cent of England’s market and Walmart which captures 20 per cent of USA’s market; giving an insight into the large untapped market potential.

**d) Cost Effectiveness**



The most attractive component of India's value proposition is its cost attractiveness. Existing players are increasingly turning to Tier II and Tier III cities for retail establishments and for manpower sourcing. These cities offer significant cost advantage in the form of availability of low-cost skilled human resources. With well-educated small town graduates turning to the urban cities for employment, these graduates are ideal candidates for sales and marketing executive roles in modern organized retail formats.



#### e) **Changing face of Indian Consumerism**

Favorable demographics, combined with increasing disposable incomes, are progressively changing the face of Indian consumerism. With the economy opening new vistas of employment and with employers offering attractive compensation packages and perks, the pool of Indian skilled professionals are boasting of higher disposable incomes. From frugal spending to frenzied shopping, India's swelling middle class is redefining lifestyle patterns with adoption of western values and growing brand consciousness. The average household disposable income has doubled since 1985, with analysts predicting a similar trend for the next two decades.

The thriving services sector growth has handed young India a bulging wallet and a penchant for luxury products. The new found freedom to shop at plush malls and stores for expensive gadgets like mobile phones and laptops has fuelled the growth of organised retail in India.

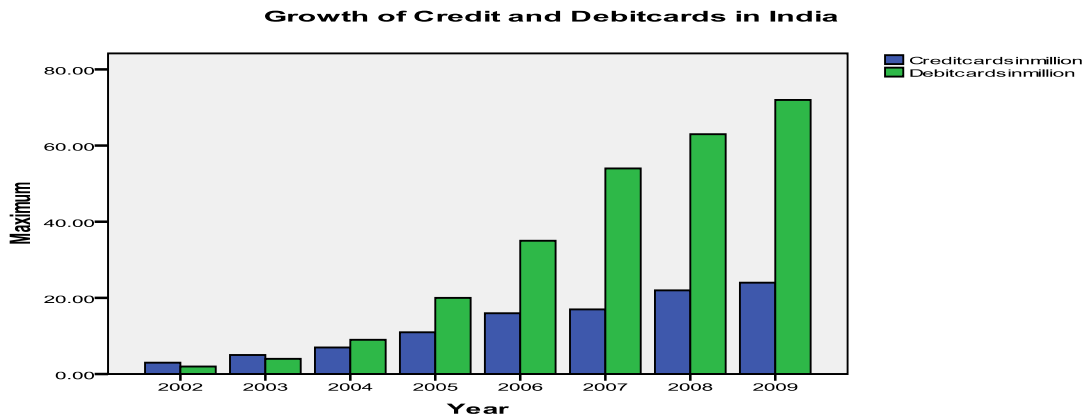
The Indian consumer is gradually moving from the local “kirana” shopping to “Mall Hopping”. With a number of domestic and international brands available in stores in metros and smaller cities and with a wide range of product offerings from food and grocery to furniture and fixtures, the Indian consumer is fast embracing modern retail. With the country’s income pyramid changing dramatically, there has been a definite shift from the “saving” tendency to the “spending” attitude. Increased consumer exposure to the latest trends and brands driven by the mass media is contributing to the soaring retail revenues. There has been a marked increase in the number of new entrants in the retail sector with player revenues increasing across all the retail segments.

**f) Increasing urbanization**

India’s urban population is estimated at 286 million, constituting 27.8 per cent of the total population of 1,029 million as on 2001. The urban population is projected to increase to 468 million, constituting 33.4 per cent of the total projected population of 1,400 million by 2010. With over 34 cities having a population of over 1 million, this number is projected to grow rapidly. Urban population has grown over five times over the past five decades, with India’s urban population being second largest in the world, in numerical terms, next only to China. Delhi is the most urbanised city in India, with about 93 per cent of the population concentrated in urban areas. Class I cities (cities with population greater than 1,00,000) have an average concentration of 73.7 per cent urban population, with the share increasing rapidly. An increase in the number of young employed executives and the increasing population of working women is stimulating growth of modern retailing in urban areas.

**g) Easy availability of Credit**

Higher penetration and availability of credit facilities and increasing credit card and debit card subscriptions have further fuelled the growth of retail sector. Most of the banks and financial institutions have increased their range and amount of retail credit and loans service offerings. The average exposure of banks to retail loans was at 25.5 per cent of total loans in 2005-06.



**Source:** CRISIL

Increased subscription of credit cards in the last 3-4 years indicates a definitive change in the consumer habits of the Indian population. The number of credit cards issued was at 16.6 million in 2005-06, growing at a compound annual growth rate of 28 per cent in the last 6 years. The number of debit cards have increased manifold and touched 53.7 million by 2005-06. The growing acceptance of plastic money across small and medium sized stores and retail outlets has stimulated the rapid growth in issuance of credit cards.

#### **h) Increasing Technology adoption**

With modern retail store formats growing players are increasingly deploying advanced Information Technology tools for managing their supply chain, warehousing and logistics requirements. Retail sector constituted 8 per cent of the IT export revenues in 2005-06. Apart from the industry giants, the small scale

retailers are also embracing IT solutions to optimise their operational efficiencies. Big league IT firms like IBM India, Oracle and SAP are developing solutions for smaller retailers' requirements.

## 1.5: CONCLUSION

The retail sector has played a phenomenal role throughout the world in increasing productivity of consumer goods and services. It is also the second largest industry in US in terms of numbers of employees and establishments. There is no denying the fact that most of the developed economies are very much relying on their retail sector as a locomotive of growth. The India Retail Industry is the largest among all the industries, accounting for over 10 per cent of the country's GDP and around 8 per cent 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. But all of them have not yet tasted success because of the heavy initial investments that are required to break even with other companies and compete with them. The India Retail Industry is gradually inching its way towards becoming the next boom industry

## References

1. **Agarwal, D.P., D. Singh, S. Kabiraj and A. Andrews (2003).** "Strategies and Models for E-Retailing : Attempted Retrospection in the Indian Context," Paper presented at the Seventh International Conference on Global Business and Economic Development, International Trade Counselling Centre, January 8-11, 2003.
2. **Atkearney,** "Emerging Market priorities for Global Retailers," 2009 Global Retail Development Index.
3. **Atkearney,** "Retail in India Getting organized to drive growth", 2006

4. **Bajpai, N. and N. Dasgupta (2004)**, "Multinational Companies and Foreign Direct Investment in China and India, " CGSD Working Paper No. 2.,January. The Earth Institute at Columbia University, Website : [www.earth.columbia.edu](http://www.earth.columbia.edu).
5. **Banga, R. (2005)**. "Trade and Foreign Direct Investment in Services : A Review, "ICRIER Working Paper No. 154, February 2005. Website : <http://www.icrier.res.in/wp154.pdf>
6. **Basker, E. (2004)**. "Job Creation or Destruction? Labor-Market Effects of Wal-Mart Expansion", Department of Economics, University of Missouri, Working Paper No. 0215.
7. **Bertrand, M. and Francies Kramarz (2002)**. "Does Entry Regulation Hinder Job Creation ? Evidence from the French Retail Industry" IZA Discussion Paper No. 415, Institute for the Study of Labor.(IZA)
8. **Carver, B., C. He and J. Hister (2004)**. "India's Textile Industry : What will Happen When the Quotas are Lifted ?" final project presented at GTTL Conference on June 2, 2004 at the University of Washington.
9. **Daunfeldt, S., Niklas Rudholm and Fredrick Bergstrom (2002)**. "Entry into Swedish Retail and Wholesale Trade Market", Department of Economics, Umea University, Umea Economic Studies No. 599.
10. **Farrell, D. (2008)**. "The Case for Globalisation : The Results of McKinsey's Latest Study of the Pros and Cons of Emerging Market Foreign Investment," The International Economy, Winter Issue. Website : <http://www.findarticles.com/p/articles/mi m2633/is 1 18 / ai 113564062>.
11. **Foster, L.,J. Haltiwagner and C.J. Krizan (2002)**. The Link between Aggregate and Micro Productivity Growth Evidence from Retail Trade, Centre for Economic Studies.
12. **Francis cherunilum** - International Business - Third edition, 2004.
13. **Johnson Dabra**, Book. Review of "Investment Analysis in Emerging Markets", Transnational Corporations, Vol. 14, No. 2 (Aug. 2005).
14. **Kindel Berger** - International economies 8th Edition, 2002.

15. **Knorr, A. and A Arndt (2003).** "Why did Wal-Mart fail in Germany?" Paper presented at the Hawaji International Conference on Business, June 18-21, 2003. Website : [http://www.hicbusiness.org/biz2003\\_proceedings/Andreas%20Knorr.pdf](http://www.hicbusiness.org/biz2003_proceedings/Andreas%20Knorr.pdf).
16. **Mukherjee, A. (2002).** "Distribution Services : India and the GATS 2000 Negotiations, "ICRIER Working Paper No. 80.
17. **Palmade, V. and Andrea Anayiotas (2004).** "Foreign Direct Investment Trends : Looking Beyond The Current Gloom in Developing Countries, "Public Policy Journal, September 2004. Note Number 273. The World Bank Group.
18. **Philip Kotler and Kevis Lan Kelles,** "Managing Retailing, Wholesaling and Logistics" Marketing Management, pearson prentic Hall, Delhi, First Indian Reprint, 2006.
19. **Powers, P. (2001).** "Distribution in China: The End of the Beginning, "The China Business Review, July-August 2001.
20. **Rastogi, R. (2002).** India : Country Report on E-Commerce Initiatives, Department of Information Technology, Ministry of Communication and Information Technology, India. Website : [http://www.unescap.org/tid/publication/part\\_three2261\\_ind.pdf](http://www.unescap.org/tid/publication/part_three2261_ind.pdf).
21. **Reardon, T. (2003).** "Capital Market Liberalization and the Latin American Agrifood System, "Trade Reform and Food Security, FAO.
22. **Reardon, T., C.P. Timmer, C.B. Barrett and J.A. Berdegue (2003).** "The Rise of Supermarkets in Africa, Asia and Latin America," American Journal of Agricultural Economics, Vol. 85, No. 5, pp. 1140-1146, December 2003.
23. **Saab, W.G. and Luiz Carlos Perez Gimenez (2000),** "Current Aspects of Food Retailing within Brazil and at International Level," The Brazilian Development Bank. Website : <http://www.bndes.gov.br/english/studies/studies02.pdf>.
24. **23. Vedpuriswar, A.V., (2001).** "The Globalisation of the Retailing Industry," Chapter from the Book - The Global CEO, ICFAI Website: <http://www.vedpuriswar.org/book/bookoverview>.

25. **Wrigley, N and A. Currah (2003).** "Globalizing Retail and the E-conomy: The Organizational Challenge of E-Commerce for the Retail TNCs, "International Review of Retail and Distribution Management

