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**A STUDY ON ORGANIZED RETAILING AND ITS CHALLENGES**

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**ABSTRACT**

India is becoming most favored retail destination in the world. Today retail sector contributing 10% to country's GDP. Indian retail industry is ranked among the ten largest retail markets in the world. The change of attitudes of Indian consumers and the emergence of organized retail formats have transformed the face of retailing in India. Organized retailing offers huge potential for future growth of retailing in India. This paper provides detailed information about the growth of retailing industry in India. It examines the growing awareness and brand consciousness among people across different socio-economic classes in India and how the urban and semi-urban retail markets are witnessing significant growth. It explores the role of the Government of India in the industry and its growth and the need for further reforms. In India the vast middle class and its almost untapped retail industry are the key attractive forces for global retail giants wanting to enter into newer markets, which in turn will help the India Retail Industry to grow faster. The paper includes growth of retail sector in India, strategies, strength and opportunities of retail stores, retail format in India, recent trends, and opportunities and challenges. And also focuses on the challenges faced by organized retail sector in India. It also emphasize on major players of retailers in India and customer services provided by the retailers. It also highlights the challenges faced by the industry in near future and also provides some suggestions to overcome the challenges. This paper concludes with the likely impact of the entry of global players into the Indian retailing industry.

**KEYWORDS**

organised retailing, retailing, retail formats, retail industry.

**INTRODUCTION**

The Indian 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.

The total concept and idea of shopping has undergone an attention drawing change in terms of format and consumer buying behavior, ushering in a revolution in shopping in India. Modern retailing has entered into the Retail market in India as is observed in the form of bustling shopping centers, multi-storied malls and the huge complexes that offer shopping, entertainment and food all under one roof.

Therefore, Retailing can be said to be the interface between the producer and the individual consumer buying for personal consumption. This excludes direct interface between the manufacturers and institutional buyers such as the government and other bulk customers. Retailing is the last link that connects the individual consumers with the manufacturing and distribution chain. A retailer is involved in the act of selling goods to the individual consumer at a margin of profit.

**REVIEW OF LITERATURE**

India is a nation of shopkeepers as well as shoppers. It is a common practice that retailers and marketers often strive to learn how and why people shop. The decision making regarding purchase of goods and services as become more complex and includes a number of factors which are important for customers. There are wooed by advertising, news articles and direct mailings providing information in this IT age along with the mixed messages. The addition of a number of variety stores, goods stores and shopping malls with the availability of multi component products and electronic purchasing capabilities have played a crucial role in widening the choice for customers and have complicated decision making. The phenomenal growth of retail in India is reflected in the rapid increase in number of super markets, departmental stores and hyper markets in the country. However, this unpredicted growth trend has been challenged by the shadow of the current economic slowdown, which has raised a fair of dip in consumption and slow down of growth for Indian organized retailers. The developing economies, specifically India are appearing on the world retail industry radar due to the size and potential of their markets. As organized retail presents enormous business opportunities, big names such as Reliance, Birla's and Tata's along with the Foreign Super Market chains have been making an entry in to the sector. Fearing loss of business and employment, traders and hawkers have held large –scale protests in various parts of the country. In the light of this, the Ministry of Commerce and Industry commissioned the Indian council for research on international economic relations to analyze the impact of organized retailing on unorganized retail, formers and intermediaries as a possible input to future policy- making. Unless and until a retailer understands a specific class of factors that influences customers satisfaction, induces to develop this loyalty towards a particular retail format and liking for a particular buying behavior, a retailer cannot succeed in attracting consumers loyalty as well cannot retain a large number of customers for a long period. Modern marketers are rediscovering the ancient mantras for success in corporate world and blending them with contemporary marketing practices. Long term survival and competitive advantage can only be attained by establishing an emotional bond with the customers. A shift is taking place from marketing to anonymous masses of customers to developing and managing relationships with more or less well known or at least some identified customers.

**OBJECTIVES OF THE STUDY**

1. To check the growth and development of organized retail industry in India.
2. To know the major players of organized retailers and customer services provided by the retailers.
3. To know the challenges faced by the organized retail sector in India.
4. To make some suggestions to overcome the challenges of organized retail sector.

**GROWTH OF RETAIL SECTOR IN INDIA**

Retail and real estate are the two booming sectors of India in the present times. And if industry experts are to be believed, the prospects of both the sectors are mutually dependent on each other. Retail, one of India's largest industries, has presently emerged as one of the most dynamic and fast paced industries of our times with several players entering the market. Accounting for over 10 per cent of the country's GDP and around 8 per cent of the employment retailing in India is gradually inching its way toward becoming the next boom industry.

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. This 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. The trends that are driving the growth of the retail sector in India are

- Low share of organized retailing
- Falling real estate prices
- Increase in disposable income and customer aspiration
- Increase in expenditure for luxury items.

Another credible factor in the prospects of the retail sector in India is the increase in the young working population. In India, hefty pay packets, nuclear families in urban areas, along with increasing working-women population and emerging opportunities in the services sector. These key factors have been the growth drivers of the organized retail sector in India which now boast of retailing almost all the preferences of life - Apparel & Accessories, Appliances, Electronics, Cosmetics and Toiletries, Home & Office Products, Travel and Leisure and many more. With this the retail sector in India is witnessing rejuvenation as traditional markets make way for new formats such as departmental stores, hypermarkets, supermarkets and specialty stores.

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. The government of states like Delhi and National Capital Region (NCR) are very upbeat about permitting the use of land for commercial development thus increasing the availability of land for retail space.

## THE ORGANISED RETAILING IN INDIA

Organized retailing comprises mainly of modern retailing with busy shopping malls, multi stored malls and huge complexes that offer a large variety of products in terms of quality, value for money and makes shopping a memorable experience. 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. The retail sector is presently undergoing a transition in India. Previously, customers used to go to kirana stores to purchase their necessities. This later changed to bigger shops run by one man with a few employees. Here all the work was done manually. Gradually more sophistication seeped into this sector and department stores came into being. However, there was an explosion of shopping malls and plazas where customers interacted with professional and not with just one single person – the owner. An important point here is that customers' requirements are catered too, by trained staff. Today, organized retailing has become an experience characterized by comfort, style and speed. It is something that offers a customer more control, convenience and choice along with an experience. Organized retailing is on continuous increase of its market share from the past. Retailing can be categorized as of different sectors like food and grocery, clothing and textiles, consumer durables, footwear, furniture and furnishing, catering services, jewellery and watches, books, music and gifts, mobile handsets and others. The organized retail sector is expected to grow stronger than GDP growth in the next five years driven by changing lifestyles, burgeoning income and favorable demographic outline.

## INDUSTRY EVOLUTION

- Traditionally retailing in India can be traced to
- The emergence of the neighborhood Kirana stores catering to the convenience of the consumers
- Era of government support for rural retail: Indigenous franchise model of store chains run by Khadi & Village Industries Commission
- 1980s experienced slow change as India began to open up economy.
- Textiles sector with companies like Bombay Dyeing, Raymond's, S Kumar's and Grasim first saw the emergence of retail chains
- Later Titan successfully created an organized retailing concept and established a series of showrooms for its premium watches
- The latter half of the 1990s saw a fresh wave of entrants with a shift from Manufactures to Pure Retailers.
- For e.g. Food World, Subhiksha and Nilgiris in food and FMCG; Planet M and Music World in music; Crossword and Fountainhead in books.
- Post 1995 onwards saw an emergence of shopping centers
- Mainly in urban areas, with facilities like car parking
- Targeted to provide a complete destination experience for all segments of society
- Emergence of hyper and super markets trying to provide customer with 3 V's - Value, Variety and Volume
- Expanding target consumer segment: The Sachet revolution - example of reaching to the bottom of the pyramid.

## RETAILING FORMAT IN INDIA

### MALLS

The largest form of organized retailing today. Located mainly in metro cities, in proximity to urban outskirts. Ranges from 60,000 sq ft to 7, 00,000 sq ft and above. They lend an ideal shopping experience with an amalgamation of product, service and entertainment, all under a common roof. Examples include Shoppers Stop, Pyramid, and Pantaloon.

### SPECIALTYSTORES

Chains such as the Bangalore based Kids Kemp, the Mumbai books retailer Crossword, RPG's Music World and the Times Group's music chain Planet M, are focusing on specific market segments and have established themselves strongly in their sectors.

### DISCOUNTSTORES

As the name suggests, discount stores or factory outlets, offer discounts on the MRP through selling in bulk reaching economies of scale or excess stock left over at the season. The product category can range from a variety of perishable/ non-perishable goods.

### DEPARTMENT STORES

Large stores ranging from 20000-50000 sq. ft, catering to a variety of consumer needs. Further classified into localized departments such as clothing, toys, home, groceries, etc.

Departmental Stores are expected to take over the apparel business from exclusive brand showrooms. Among these, the biggest success is K Raheja's Shoppers Stop, which started in Mumbai and now has more than seven large stores (over 30,000 sq. ft) across India and even has its own in store brand for clothes called Stop.

### HYPERMARTS/SUPERMARKETS

Large self-service outlets, catering to varied shopper needs are termed as Supermarkets. These are located in or near residential high streets. These stores today contribute to 30% of all food & grocery organized retail sales. Super Markets can further be classified in to mini supermarkets typically 1,000 sq ft to 2,000 sq ft and large supermarkets ranging from of 3,500 sq ft to 5,000 sq ft. having a strong focus on food & grocery and personal sales.

### CONVENIENCE STORES

These are relatively small stores 400-2,000 sq. feet located near residential areas. They stock a limited range of high-turnover convenience products and are usually open for extended periods during the day, seven days a week. Prices are slightly higher due to the convenience premium

### MBO's

Multi Brand outlets, also known as Category Killers, offer several brands across a single product category. These usually do well in busy market places and Metros.

## CHALLENGES FACED BY RETAIL SECTOR

Some of the reasons for this slow growth are:

**1. COMPETITION FROM UNORGANIZED SECTOR:** The very first challenge facing the organized retail industry in India is competition from the unorganized sector. Traditionally retailing has established in India for centuries. It is a low cost structure, mostly owner operated, has negligible real estate and labor costs



and little or no taxes to pay. Customer familiarity that runs from generation to generation is one big advantage for the unorganized sector. On the other hand, organized sector have big expenses to meet and yet have to keep prices low enough to compete with the traditional sector.

**2. RETAIL NOT BEING RECOGNIZED AS AN INDUSTRY IN INDIA:** lack of recognition as an industry hampers the availability of finance to the existing and new players. This affects growth and expansion plans.

**3. THE INCREASED COSTS OF REAL ESTATE:** real estate prices in some cities in India are amongst the highest in the world. The lease or rent of property is one of the major areas of expenditure. A high lease rental reduces the profitability of a project. It is difficult to find suitable properties in central locations for retail, primarily due to fragmented private holdings, infrequent auctioning of large government owned vacant lands and litigation disputes between owners.

**4. HIGH STAMP DUTIES:** in addition to the high cost of real estate the sector also faces very high stamp duties on transfer of property, which varies from state to state.

**5. INADEQUATE INFRASTRUCTURE:** poor roads and the lack of a cold chain infrastructure hamper the development of food and grocery retail in India.

**6. 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.

**7. LACK OF SKILLED LABOUR FORCE:** Front-end/retail assistant profiles in stores form a major proportion of the employment in the retail sector while store operations accounts for 75-80% of the total manpower employed in the organized retail sector. Unfortunately, there are very few courses specific to the retail sector and graduates/post graduates from other streams are recruited.

## OPPORTUNITIES IN RETAIL SECTOR

For manufacturers and service providers the emerging opportunities in urban markets seem to lie in capturing and delivering better value to the customers through retail. For instance, in Chennai CavinKare's LimeLite, Marico's Kaya Skin Clinic and Apollo Hospital's Apollo Pharmacies are examples, to name a few, where manufacturers/service providers combine their own manufactured products and services with those of others to generate value hitherto unknown. The last mile connect seems to be increasingly lively and experiential. Also, manufacturers and service providers face an exploding rural market yet only marginally tapped due to difficulties in rural retailing. Only innovative concepts and models may survive the test of time and investments.

However, manufacturers and service providers will also increasingly face a host of specialist retailers, who are characterized by use of modern management techniques, backed with seemingly unlimited financial resources. Organized retail appears inevitable.

Retailing in India is currently estimated to be a US\$ 200 billion industry, of which organized retailing makes up a partly 3 percent or US\$ 6.4 billion. By 2010, organized retail is projected to reach US\$ 23 billion. For retail industry in India, things have never looked better and brighter. Challenges to the manufacturers and service providers would abound when market power shifts to organized retail.

## 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. Retailing provides an important link between producer and consumer in modern economy. Retail in India is most dynamic industry and represents a huge opportunity for domestic and international retailers. Modern retailing has miles to go in India. The growth of modern formats has been much slower in India as compared to other countries and the development of this sector is depends on the presence of regulatory and structural constraints. Government has to take care about the existence of organized retail stores in India and they have to take measures to overcome the challenges. Then the fast growth of organized retailing can be possible in India.

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