ISSN:0971-1260
Vol-22-Issue-4-October-December-2019

Prospects And Challenges In Retail Sector

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ABSTRACT

Service industry is performing a pivotal role in creating employment opportunities in India. The retail industry is one such sector that offers a number of job opportunities in merchandising, store management, central management and centralized buying. Retail continues to grow at a rapid rate offering face-paced, people-oriented, and service based careers. The retail industry is focused on the sale of goods or merchandise from a specific location for direct consumption by the purchaser. The Indian retail industry has been thrown open to foreign majors and is packed with players who strive to offer great products and value-for-money to Indian consumers. The country holds a vast promise for retailers with its burgeoning spending power and a rising middle class. This research paper provides the current status of the retail sector in India and the detailed information about the prospects and opportunities faced by the retail sector in India.

Keywords: GDP, Service Sector, Retailing, Industry

INTRODUCTION

Retailing in India is gradually inching its way toward becoming the next boom industry..Ten percent of India's GDP is derived from retail sector. On the basis of economic value, Indian Retail market stands top among thirty developing countries in the world as per 2017 Global Retail Development Index. Also it can be seen that our country is one of the fastest growing retail markets in the world. Retail marketing is undergoing radical restructuring. This is because of increase in gross domestic product, increase in per capita income, and increase in purchasing power and also the ever changing tastes and preferences of the people. The entry of plastic money, ATMs, credit cards and debit cards and all other consumer finances, the taste for the branded goods also added for the evolution of retail marketing.Indian Retail economy provides 10 percent of the GDP and 8 percent of work force. The etymology of the word 'Retail' can be traced back to the French term 'Retailer' which means 'to cut a piece off'. Thus the term 'Retailing' can be referred to a any activity that involves the direct sale of any commodity to an

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individual customer and also rendering services to the customers. Globally, Retailing came to be the most active and luring sector during the last few decades. Nowadays, the retailing sector has come to be the leading industry in the application of innovations such as Radio Frequency Identification (RFID), self service, technologies and Enterprise Resource Planning (ERP). Online Retailing is the main commercial application area of Internet and one of the main features of the globalization of business. In India also, many novel changes have occurred and this process is still continuing. These include an increasing availability of international brands, increasing number of hypermarkets and malls along with the easy availability of retail space. The Government of India opened up the doors for FDI which made it easier and convenient for the entry of Foreign retailers into India. Thus, India has been gradually becoming a ‘Mall Country’. Now, it is imperative to improve and enhance contemporary knowledge of the customers of the retailing applications.

STATEMENT OF THE PROBLEM

Retail sectors are growing exponentially, both nationally and internationally. The growth of organized retailing among various countries varies depending upon the socio-economic factors related to the country. In the developed economies, the share of organized retail sector is in the range of 75-80 per cent of total retail, whereas in developing economies, the unorganized sector dominates the retail business. In such economies, the retailing business continues to be dominated by family-run neighbourhood shops and open markets. The market is witnessing a shift from traditional retailing to modern/Organized retailing formats, with an explosive proliferation of malls and branded outlets. Modern retailing outlets in India are increasingly becoming global in standards and are witnessing intense competition.But still majority of the trends in retailing remain unknown to the outside world. It is still perceived as a traditional business sectors. The old image of retailing sector as a slow moving, unexciting career prospects remains prevalent. Many practioners within the retailing profession remain unfamiliar with all the current trends and advances in the retailing management methods, technologies and applications. Thus , to improve contemporary retailing’s public image ,enhance knowledge and stimulate further retailing research, there is a great need for a source that document and provides objective information on the current trends , prospects and challenges in retailing sector. The current study” Prospects and Challenges in Retail Sector” meets these broad objectives by carefully analyzing the evolution, growth, prospects and challenges in the retail sector.

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Objectives of the Study

- To understandthe evolution of Retail sector in India
- To examine the current status of Retail Sectors in India
- To study the popular Retail formats
- To identify the challenges faced by the Retail Sector
- To analyze the existing opportunities and future of the retail sector.

Research Methodology

The present study is descriptive in nature. For the collections of required information, secondary method of data collection are used. Data The secondary data has been collected from the available literature from Text books, Journals, Magazines, Newspapers, Annual reports and from various websites. Data presented in the form of tables and analyzed in form of percent trends and chart.

EVOLUTION OF RETAILING IN INDIA

The Retail sector being one of the biggest sectors in India has brought about a revolution in our country. Retailing has been developing for thousands of years. Thus, Retail outlets have been serving common people by providing them the necessities of their life. The rapid increase in population and the rapid methods of transportation and communication have led to a proportionate expansion of retail. The opening stage of Retailing in India occurred in the year 1995 and it reached in the peaking stage in 2006. The origin of Retailing in India can be traced back to the birth of Kirana Stores and Mom – and - Pop Stores. The local People started reaping the advantages of such stores. The government supported the rural retail and many indigenous franchisee stores came into existence with the help of Khadi and Village Industries Commission. At first Retail chains appeared in textile sector mainly including Bombay Dyeing, S Kumar's, Raymond's…..etc. Later, Titan established retail showrooms allover the country. As time passed new entrants began to move from manufacturing to pure retailing. Towards the end of 2011, the Government of India announced retail reforms for both multi brand stores and single brand stores. These market reforms paved the way for retail innovation and competitions among retailers. At the beginning of year 2012, India approved reforms for single brand stores soliciting anyone in the world to innovate in Indian retail market with 100% ownership. At present, India has the largest number of shops per inhabitant.

CURRENT STATUS OF RETAIL MARKET IN INDIA

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Retail market in India can be classified into two– Organized and Unorganized Sectors. The licensed retailers belong to the organized sector. The licensed retailers are those who are registered for Sales Tax, Income Tax….etc. The corporate backed hypermarkets, retail chains and the privately owned large retail business belong to this category. The unorganized retail or traditional retail comprises a large number of small retailers including Local Kirana shops, Chemists, Footwear Shops, Apparel Shops, Paan and beedi Shops, Hand Cart Hawkers, Pavement Vendors…etc. Most of them do not have to pay heavy tax of any kind. The Retail companies in India have been rising at rapid speed and has brought a revolutionary change in the shopping attitude of the Indian Customers. Certain vivid factors cater to the growth of retail companies in India. The important factors are:

- Existing Indian middle class with an increased purchasing power
- Rise of upcoming business sectors like IT & Engineering firms
- Change in taste and attitude of the Indians
- The consequence of Globalization

ANALYSIS AND INTERPRETATION OF DATA

Table: 1. Retail Sales Growth in India

Year	Percentage Growth in Sales
2011	5.7
2012	2.7
2013	1.7
2014	4
2015	5.6
2016	6.25
2017	6.25
2018	6.6

Source: www.statista.com

The above table reveals that there has been an increase in the retail sales growth in the year 2017-18(6.6%) . The retail sector was able to sustain in the economy when the waves of demonetization hit the Indian market.

Figures: 1. Retail Industry Sales (in US$ Billion)

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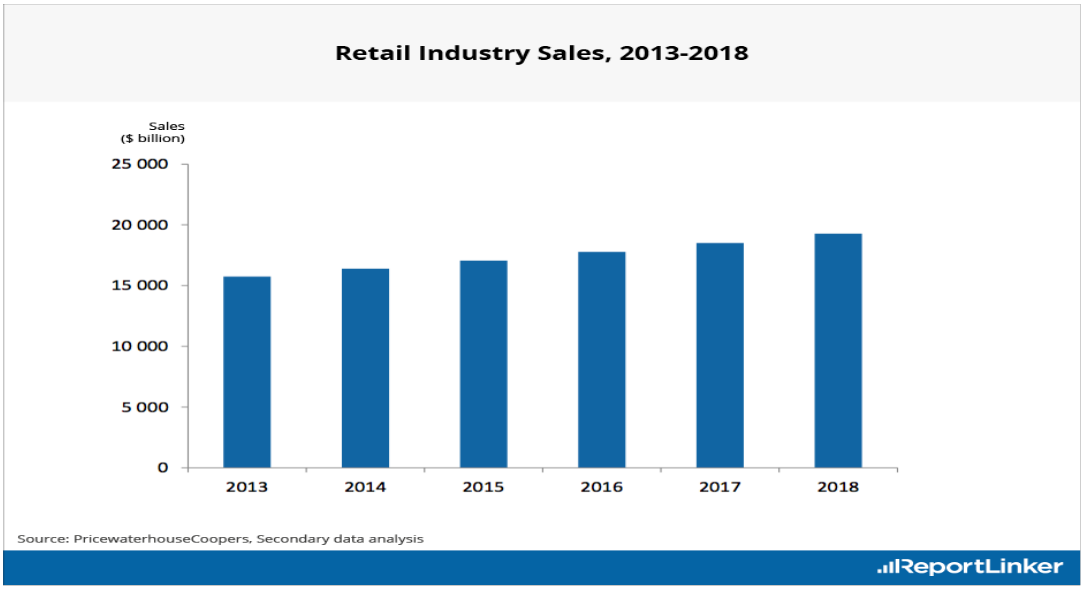

Source: Price water house Coopers

Table: 2. Indian Retail Market (Organized and Traditional) Percentage Share

Year	Modern	Traditional
2005	3.6	96.4
2007	4.1	95.9
2010	5	95
2012	8	92
2015	21	79
2020E	24	76

E-Expected
Source: A Brief Report on Retail sector in India

The Indian retail sector is highly fragmented. More than ninety per cent of its business is being run by the unorganized retailers like the traditional family run stores and corner stores. However, in order to increase its share in total retail, attempts are being made so as to bring in a huge opportunity for prospective new players. India's retail sector is heading towards modernization. New formats such as departmental stores, supermarkets and specialty stores. Westernized malls are far appearing in metros.

Table: 3.Relative Share of Organized and Traditional Retails in Selected Countries

Country	Total Retail Sales (US$ BN)	Share of Organized Retail	Share of Traditional Retail
USA	2983	85	15
JAPAN	1182	66	34
CHINA	785	20	80

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U.K	476	80	20
FRANCE	436	80	20
GERMANY	421	80	20
INDIA	322	4	96
BRAZIL	284	36	64
RUSSIA	276	33	67

Source: : FDI In India's Multi Brand Retail Sector

As shown in the Table, the share of organized retail is very high in US (85 percent). In U.K and France also it is more than eighty percent. India is far behind so far as organized retail is concerned. In India the share of organized retail is currently twenty four percent (approximately).

Table: 4. Contribution of Various Segments in Indian Retail Market

Segments	**Total Retail Market (US$ Billion)**	**Organized Retail Market**	**Traditional Retail Market**
FOOD AND GROCERY	310 (60)	4.56 (11)	306.24 (64)
APPAREL	41.44 (8)	13.68 (33)	27.76 (6)
MOBILE AND TELECOM	31.08 (6)	4.56 (11)	26.52 (6)
JEWELLERY	20.72 (4)	2.49 (6)	18.23 (4)
FOODS AND SERVICES	25.9 (5)	2.90 (7)	23 (5)
CONSUMER ELECTRONICS	15.54 (3)	3.32 (8)	12.22 (3)
PHARMACY	15.54 (3)	0.83 (2)	14.71 (3)
OTHERS	56.98 (11)	9.12 (22)	47.86 (10)
TOTAL	518	41.46	476.54

Source: The Indian Retail Sector Report

Food and Grocery is the biggest contributor in total retail .This segment contributed about 60 percent of total retail, the next two segments at second and third place, as per their relative share in the retail market are Apparel (8%) & Mobile and telecom (6%). Food service and Jewellery had 5%, 4% shares respectively in total retail market. Consumer Electronics and Pharmacy had equal share (3%) in total retail market.

Figures: 2 Revenue Shares of Various Segments

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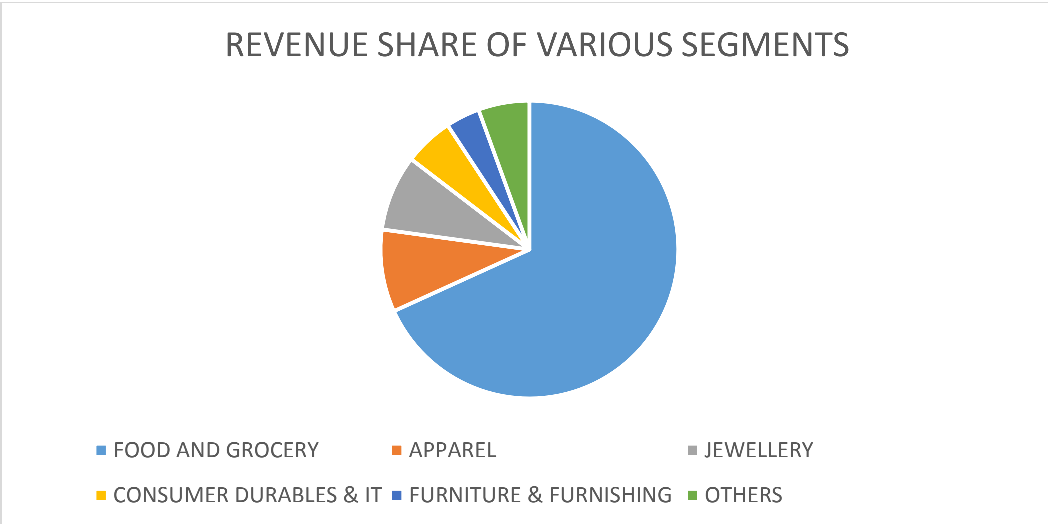

Table: 5. Retail in India

Categories	Approximate (%)
Electronics and Accessories	40-45
Apparel and Lifestyle	25-30
Food and Grocery	2-3
Others	20-30
Home and Living	5-7

Source: Industry Report

The online retail growth has followed a disruptive course across markets. In relatively mature markets, like US, where the organized retail penetration is high, multi-channel retail chains lead to online markets. While in newer markets like India (with about 10% organized retail of which about 1.2% share held by e-tail) and China (with 20% organized retail), web only players are dominating the market given the low organized retail penetration. Key Growth drivers of E-tail in India are young population , promotional prices by online retailers , Cash-on-delivery options, manufacturer’s warranty, Improved supply side - Discounts, promotions, product details, hassle free returns, cash on delivery options, etc. Government initiatives such as digital India, skill India, startup India and Make in India are also contributing to the growth of the ecommerce industry.

Figures: 3 Revenue from Online Retail in India

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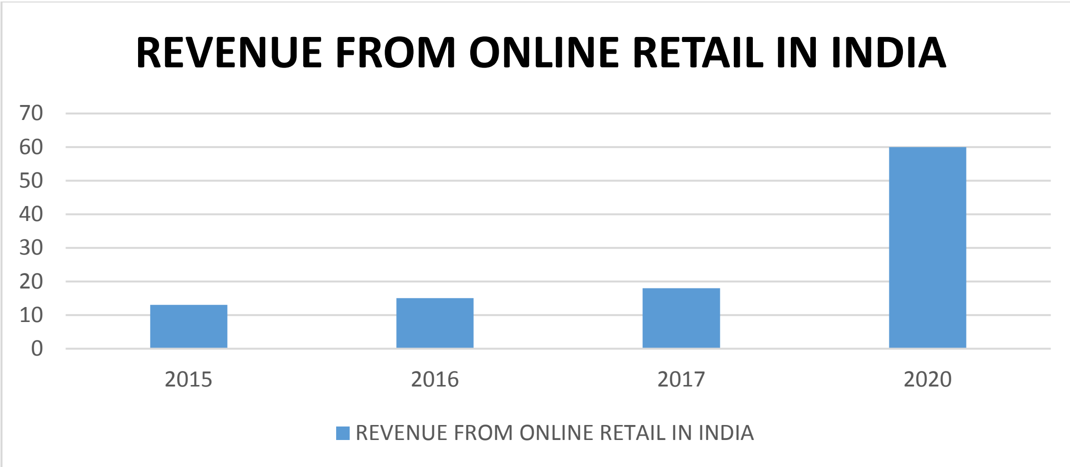

Source: Ernst & Young, Price Waterhouse Cooper, Economic Times, Techs Research

The above graph indicates a visible progress in the revenue from online retail market in India. It can be seen that India's online retail sector has grown up to US$ 17.8 billion in 2017. The revenue from online market in India is still expected to grow to US$60 billion by 2020.

Table: 6. Retail Formats

Types of Outlets	No. of. Outlets
PDS	4,63,000
Canteen Stores Department	3,400
Post Office	1,60,000
Khadi and Village Industries Commission	7,000

Source: Retail Management-Principles And Practices, New Century Publications

From the above table, it can be seen that retail trade is conducted with the use of different established formats. The number of outlets of Public Distribution system is more than the other established retail formats in India. The government of India supported Public Distribution System outlets, Khadi Stores, Cooperative etc.

Table: 7. Modern Vs Traditional Retail Trade

Categories	Percentage Share
Convenient Stores	5.3
Minimarkets	9.3
Supermarkets	17.2
Hypermarkets	14.4
Drugstores	1.8
Traditional stores	47.9
Others	4.2

Source: Maximizing tradition- The shop, Shopper, Shopkeeper, 2015, nielson

From the above table it is clear that, traditional retail sector is dominating Indian retail industry. The emerging retail format occupies about 52.2% of total retail sector. There has been

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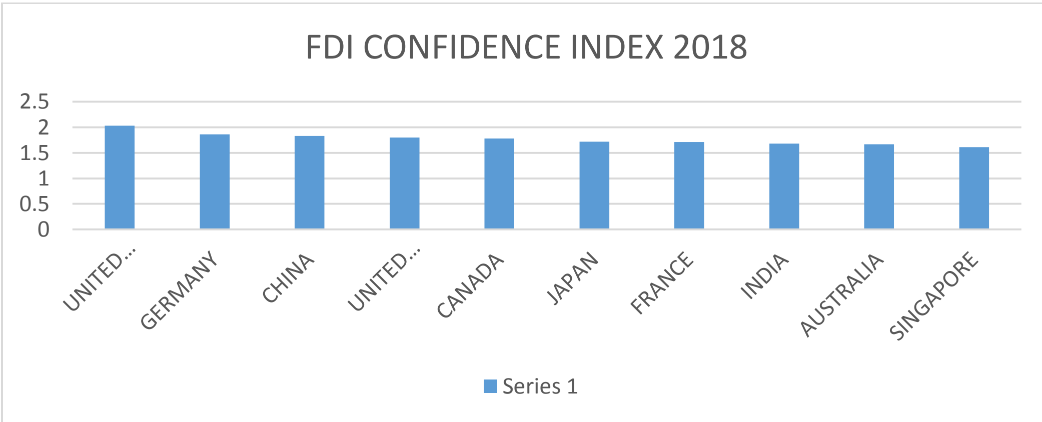
shift in the attitude of the customers and their buying behavior placing prior importance to the emerging formats of retail industry thus increasing its scope and opportunities.

Figures: 4. FDI Confidence Index 2018



***Source*: AT Kearney 2015 FDI Confidence Index, AT Kearney 2016, TechSci Analysis**

From the above graph, it can be noticed that India possesses a remarkable position in global retail rankings. The most curious thing is that India has high market potential, low economic risk and moderate political risk. India ranks 8th in FDI CONFIDENCE INDEX 2017. Department of Industrial Policy and Promotion (DIPP) approved three foreign direct investments (FDI) namely Mountain Trail Food, Kohler India Corporation, and Merlin Entertainments India in the single brand retail sector have been approved by the Department of Industrial Policy and Promotion (DIPP).

Findings of the Study

- Growth of retailing in India is associated with the growth of Indian economy.Retailing in India accounts for over 10% of country's GDP .The Indian retail market is expected to grow to US$ 1.1 trillion by 2020.
- The modern retail market in India is expected to double in size over the next few years.(Source: IBEF)
- Indian retail market can be bi-furcated into; organized sector and unorganized sector.
  The unorganized sector constitutes about 93% of the overall retail market whereas in developed countries, the retail trade is dominated by organized sector(approximately 80%).This highlights a lot of scope for further penetration of organized retail in India.
- Indian retail is dominated by a large number of small retailers consisting of the local kirana shops, owner-manned general stores, chemists, footwear shops, apparel shops, paan and beedi

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shops, hand-cart hawkers, pavement vendors, etc. which together make up the so-called "unorganized retail" or traditional retail. The last 3-4 years have witnessed the entry of a number of organized retailers 430 opening stores in various modern formats in metros and other important cities. Still, the overall share of organized retailing in total retail business has remained low

- The two major segments of retailing in India are value retailing (food and groceries) and lifestyle retailing (apparel, footwear etc). The present study reveals that value retailing is the biggest contributor in total retail. This segment contribute about 60% of total retail followed by apparel (8%) and Mobile and telecom (6%).
- E-tailing is probably said to create a revolution in the retail industry in the years to come. Online retail in India is expected to be at par with the physical stores in the upcoming few years.
- Convenience of shopping with online stores (online shopping), multiplicity of choice under one roof(shop-in-shop) and the increase of mall culture led to a transition from traditional retail to organized retail. These factors are expected to drive organized retail growth in India over long run.
- It is to found that shoppers spent more in organized formats due to impulse purchases and wide product variety. The shoppers do not mind traveling greater distances to reach an organized outlet for the purchase of food & grocery. This could be due to the wide choice of these products available in organized retail outlet.
- Department of Industrial Policy and Promotion (DIPP) approved three FDI, Mountain Trial food, Kohler India Corporation and Merlin Entertainment India in the single brand retail sector and two FDI proposals of over Rs 4 billion (US$ 62.45 million) within the retail sector.
- Shopping centre developments and introduction of mall in India has not just replaced traditional markets but also added a new adventure to the shopping experience.
- The retail sector will see over 34 million sq ft of shopping centre space in the years to come.

Suggestions

- In India, there exist multi dimensional cultured people, half of the population resides in rural areas. A critical analysis of the environmental needs has to be done at regular intervals before establishing any particular format of organized retail in any part of the Indian Market.
- FDI is a booming area and the policy makers should plan accordingly to identify the areas as well as the product categories where foreign capital may be permitted.
- The retail sector is evolving and many new retail formats have developed. These are not explicitly covered under the present Act. The process of registering a complaint and handling of legal cases in India is lengthy. Therefore, the present legal framework needs to be modified to ensure consumer protection and welfare.
- Government should restrict the number of retail outlets that a single private entity can open in a city, state as well as region in order to avoid emergence of monopolies in retail trade.
- Institutional support in the form of credit facilities from commercial bank have to be provided to the traditional retailers to bring certain infrastructural changes, to upgrade their outlets.

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- Traditional retailers should also engage in doing primary market research to understand the pulse of consumers, their buying behavior and about new brands which they are not aware which will make them aware of their surroundings and help them take corrective measures would help in withstanding competition from the organized retail formats. Traditional outlets should undergo a transformation process, bringing in new changes which in turn increase their competitiveness.
- It is to found that organized formats are accepting different modes of payment. So, it is to recommend that the unorganized formats need to accept credit/debit cards mode of payment along with cash to attract and retain shoppers.
- Promotional activities by the retail stores attract customers to a large extent. Promotional activities are undertaken during special occasions, off seasons, festivals or on a particular day. Major promotional tools used by the stores are discounts and coupons, exchange offers, low priced products and other attractive schemes. Promotional factors do play a major role deciding and choosing a store.
- Organized retailers should improve on the content of the advertisement and also use intelligently a media mix that include FM radio, local television channels, and social media like Facebook, Twitter etc.
- Retailers should help customers to explore the store. For this shopping should be made more adventurous by continuously upgrading the product portfolio, by changing the layout etc.

CONCLUSION

From the above observations, it can be concluded that India stands head and shoulder above many of other developing countries concerning the retail marketing field. Hence, an earnest hope for a more beneficial prospect in this field. The global retail players such as Walmart and Carrefour have a better understanding of the Indian Consumers psyche. A successful retailer is one who understands his customer. The Indian customers are always eager to get an emotional connection, a sense of belonging. Therefore, to be successful any retail outlet has to be localized. At present, only 2 percent of India’s retail market is organized. Almost, all large companies worldwide are trying to establish a base in Indian Market. Therefore, our main focus should be on the Indian horizon before looking for retail opportunities in other countries because India itself is a big retail market. Before long, India will witness a phenomenal growth of shopping malls and specialty retail stores. Such stores will cater for home, electronics, furniture, watches, sun glasses and assorted items.In short, Specialty retail stores and malls are the future of Indian RetailMarket.The total number of shopping malls is likely to increase at a compound annual growth rate over 19 percent by 2025.

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