

A STUDY ON ORGANIZED FMCG RETAILING IN INDIA - ROAD AHEAD

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ABSTRACT:

In today's world of competition, achievement of Sales & Marketing targets is not an easy task especially during economic slowdown when the largely business has faced adversity. The impact and hardships of slow down has also been experienced in the organized retail industry in India. The Retail Industry in India is shaping up differently due to its demography. In India, large numbers of small size retailers are available, which are called traditional retail outlets. The retail market in India is the fifth largest retail destination in the world. The industry is emerging as one of the attraction for investment across the world. As per one survey study it is revealed that consumers spending have been reported increased by 75% in the last four years, which indicates towards future growth of Retail Industry in India. Also in view of Experts, the retail sector is expecting to contribute to 22% of India's GDP by 2010 and will grow to the tune of US\$833 billion by 2013. This study is an attempt to understand the current situation of Indian Retail Industry especially organized FMCG Retailing. Knowledge on the latest development in the organized retail industry has also been shared in this paper. The study has also highlighted latest development in organized FMCG Retail Industry. The role of the key factors which can significantly contribute to beat the stiff completion and sustained the growth of organized FMCG retailing, have also been discussed in this paper.

Keywords: Organized retailing, FMCG, Brand Loyalty

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INTRODUCTION:

In today's world of stiff competition, the survival and growth has become difficult for the organizations into Fast Movable Consuming Goods retailing. Indian Retail Industry has experienced great failure of Subhiksha - one time India's largest retail chain. It is not only Subhiksha which has faced the heat but a large number of retailers have also experienced difficulties in getting the expected volume of business and margin of profits. But it does not mean that in India organized retailing has no future. Undoubtedly, organized retailing Industry in India has a great potential. Retail Sector in India is expected to grow to US\$833 billion by 2013. As per survey and study the fast movable consumer goods Industry (FMCG) Industry is fourth largest sector in India with market size of US\$ 13.1 billion. Some of important factors i.e. increasing purchasing power of people, Higher education and awareness and attraction of international brands, indicates that retailing of Consumer Packaged Goods (CPG) will have bright future.

Now Fast Movable Consumer Goods (FMCG) industry which is also known as Consumer Packaged Goods (CPG), primarily deals with supply of merchandise to consumers involving the activities of selling, marketing, financing and purchasing of packaged items for use of consumer. The fast movable consumer goods (FMCG) denote the products which are regularly being consumed. The FMCG retailing includes the wide range of products of daily use such as toiletries, soap, cosmetics, toothpaste, shaving cream, detergents, and eatable items. Though the competition in this sector is ferocious but has great potential. That is why in India FMCG industry is the fourth largest sector. The experts estimate that this market size will double by 2010.

It is surprising but true that despite the economic slowdown the Consumer Packaged Goods sector (CPG) grown consistently during the last three to four years. In 20th Century India has experienced tremendous growth of organized retailing sector backed by increased personal consumption of packaged goods by the consumer. Today people have higher salaries, exposure to foreign goods, double income families, and of course advance technology, which attracts them towards FMCG retailing. Though the above factors indicates that consumers are attracted towards organized form of FMCG retailing (Mall Culture) and capable to buy the goods of their

day-to-day needs at the reasonable good higher prices. But fact remains that during the changing dynamics in FMCG retailing, the Industry needs to accept the challenges and refurbish its strategies. In view of the following developments it is felt that the organized FMCG Retailing has to give a face-lift, in order to meet the challenges of global era.

OBJECTIVES:

The main objectives of this paper are:

1. To analyze the current status of retailing in India;
2. Also to study the important factors which can contribute in growth of organized FMCG Retail Sector in India?
3. Highlight the important crest for organized retailing in India.

RESEARCH METHODOLOGY:

This exploratory research has been conducted by using secondary data to attain objective. In this paper, help of comprehensive literature available in the form of secondary data i.e. Magazines, Journals, e-journals, Websites, Books, and Newspapers etc. has been taken. The Opinion and views of the Retailing Professionals and experts on the subject were also obtained through personal interactions and telephonic interview.

GLOBAL TRENDS:

No doubt Globalization offers equal opportunity of growth to corporate world but also have some negative consequences. Some of the good outcomes of the Global trends are.

- Easy Communication and commutation globally
- Greater Consumer Spending Power
- Change in buying habits
- Change in Customers' Profile in different countries
- Great Infrastructure improvements
- Improved economic conditions
- Use of Advance Technology & IT for marketing.

To acquire the benefits of the globalization, it is indispensable to understand its trends such as demands & Supply, Use of latest Technology, Brandings and Consumer Relationship Management, Advertising and Promotions etc.

TECHNOLOGY:

The technology has greatest prospective in the growth of organized FMCG Retail Industry in India. Technology is very useful in all major areas of Retailing starting from communication, assortment of products and their display, effective billings and packaging, security & surveillance etc. In-Store Technologies is very useful and a great help in the following form.

- Interactive Kiosks
- Virtual display,
- Radio Frequency Identification (RFID)
- Electronic Point-of-sale signage
- Hand-held shopping Assistant
- Body Scanning
- Self-Scanning and Self-checkout system

Electronic Medium is also significantly being used by the Retailers to provide information about their store and merchandise. Information Technology is also used to design websites, which are being used extensively by the educated and younger generation for purchasing purposes. With the help of advance technology, it has become very easy to order the item of choice through mobile & internet, e-payments, keeping the electronic records of sales etc. The property and human life can be saved from the robbers or antisocial elements with the help of advanced electronic gazettes such as CCTV, Metal Detectors. It is crystal clear that advance technology helps in time saving, effort saving and money saving.

CUSTOMER SERVICE:

It is evident that excellent customer service is very significant for success of any Industry and especially in the Organized Retailing where large money is invested by the Retailers. The efficient consumer service by a retailer would help not only sale of merchandise but also achieving the higher sale or targeted sale achievement. The concept of Brand Loyalty or Store Loyalty is being significantly exercised by the modern organized retailers. Brand or Store Loyalty refers to tendency to make repeat purchases of products of same Brand or Store. The more positive brand or store image the greater is the degree of loyalty. The image is earned by excellent customer service with merchandise of highest quality and services. The Customer Relations Management (CRM) is one of the important management techniques contributing to

the success of any Organization. Good and satisfactory Customer services certainly attract and retain the customer and results in elevated sale of the Company. Offering quality products and services is one of the key factors in customers Satisfaction.

REGULATIONS:

The regulatory issues are the bigger concern in the organized Retailing Industry in India. It signifies to follow the rules and regulations of the Government Machinery or its authorized bodies. Various Statutory Regulations and guidelines specified for different organized retail formats i.e. for example Malls, super markets, specialty stores, Hyper markets etc. needs different land requirement and other infrastructure. Hence Retailers should obey the rules and regulations of the authorities for opening of outlet for retailing business. These regulations pertaining to Acquiring permissions and Licenses, safety and security measures, working conditions etc. are marked keeping in mind the larger interest of all concerned i.e. Safety and Security of Retail outlets, welfare of employees engaged and the society.

ORGANIZATIONAL OBJECTIVES I.E. PROFITABILITY:

It is a universal fact that organizations have certain vision, mission and objectives of their existence. The Objective or the margin of profit set by the Organizations encourage its whole team to perform well in one direction i.e. achievement of common goal. The profitability in any retailing industry encourages the pricing discipline, efficiency, employees' performance, and good consumer service practices. Companies can increase profits by focusing on relationship building strategies. Improvement in our services, products and communication with customers will increase customer satisfaction and which automatically results into increased sales and profits. The profit has always been a success mantra for the organizations to work harder.

FINDINGS:

India is one of the major players in the world economy The Retail Industry in India is growing at a rapid speed due to changes in the consumption culture of people. There is intense competition among the traditional retailing and organized retailing. The organized retail industry in India is full of challenges and opportunities with a population of more than 1 billion. In India retailing business has been divided into unorganized and unorganized retailing i.e. the unorganized retailing consists of street-side vendors, hawkers and roughly 12 million unregulated neighborhood kirana stores and shops. The organized Retailing contained the 5% of the total retailing. Thus it is very clear that great potential is there for the organized retail sector.

In organized sector, Fast Movable Consumer Goods retailing is expected to top \$40 billion by 2015 (India Brand Equity Foundation 2008) The FMCG industry supports livelihood of 13 million people and another 25 million people are employed at wholesalers, distributors, stockiest. But in view to achieve its targets, the retailers have to keep in mind the important factors such as understanding of global trends, use of advanced technology, excellent consumer relationship, religious follow up of regulations, maintain the profitability etc., which prominently contributes towards the success of the Organization.

ROAD AHEAD:

It is clearly evident that future of organized retailing is changing its track and marching ahead. Organized retail has a promising future as indicated in the above findings. India has huge untapped space in organized retail sector. But it is also matter of great concern that new players who are interested for entry in the organized Retail Market should have a thorough understanding of factors needed for survival and growth and plan their strategies accordingly. The facts and trends discussed in this paper signify that organized retailing is expecting great booming.

Some of the strong indications towards growth of organized Retail Industry are:

1. Though the economic slowdown has adverse affect on the retailing industry globally but it is pleasing facts that premium player in organized FMCG retailing has recorded strong growth. For example Shoppers Stop and Gitanjali Gems have shown growth @ 11 and 31.7 per cent respectively.
2. India has huge retail market estimates US\$ 332 billion. While country's retail market will grow to the tune of Rs.18.1 trillion (\$395 billion) by 2010 it is expected that organized retailing outlets will increased at a CAGR of 18.9 per cent by 2015.
3. FDI will stimulate the more and more investment in the organized retailing sector, which will definitely trigger the growth of this sector.
4. The number of consumers spending in India has increased by an impressive 75 per cent in the last four years, which is really good growth indicator.
5. Big organized retailing player like Reliance Retail, Spencer's Retail, Vishal Retail, Future Group and More Retailer account only for 5.8 per cent of the total estimated market. Therefore, huge market with great potential is there for organized retail industry in India.

6. Reliance Industries Limited is planning to open 1500 Supermarkets and 1000 hypermarkets with an investment of US\$6 billion. Bharti Telecom is planning a joint venture worth 750 million Pounds. Pantaloon is also planning to invest US\$1 billion on its expansion programme.
7. Global Retail Giants like Wal-Mart, Tesco, Carrefour Sa, Metro AG etc. are also entering in the Indian Retail Industry.

Though, the above markers are very strong towards the growth and prosperity of Retail Industry. Organized Retail Industry is ready to meet the demands and standards of a global market. However, it is essential for the retailers to acutely observe, analyze the important factors such as Global Trends, Technology, Customer Care, Regulations, Objective of the Organization, while forming their strategy. Certainly this will trigger the augmentation of organized Retail Industry in India.

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