

## EMERGING TRENDS IN INDIAN ORGANIZED RETAIL SECTOR

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### Introduction

Retailing involves all activities directly related to sale of goods and services to the ultimate customer for personal, Non Business use. Retail is considered the world's largest private industry with a total sale of over \$ 6.6 trillion with close to 12 million outlets.

India has the largest retail destiny in the World. Retail in India is less than 3% of the total retail market. Growth in percapita income, change in household's income pattern improved standard of living form key team drivers for growth in retailing.

### What is Retailing?

The word "Retail" originates from a French-Italian Word. Retailer-some one who cuts off or sheds a small piece from something. Retailing is set of activities that markets products or services to final consumers for their own personal or household use. It does this by organizing their availability on a relatively small scale. Retailer is a person or Agent or Agency or Company or Organization who is instrumental in reaching the Goods or Merchandise or Services to the End User or Ultimate consumer.

### Importance of Retailing

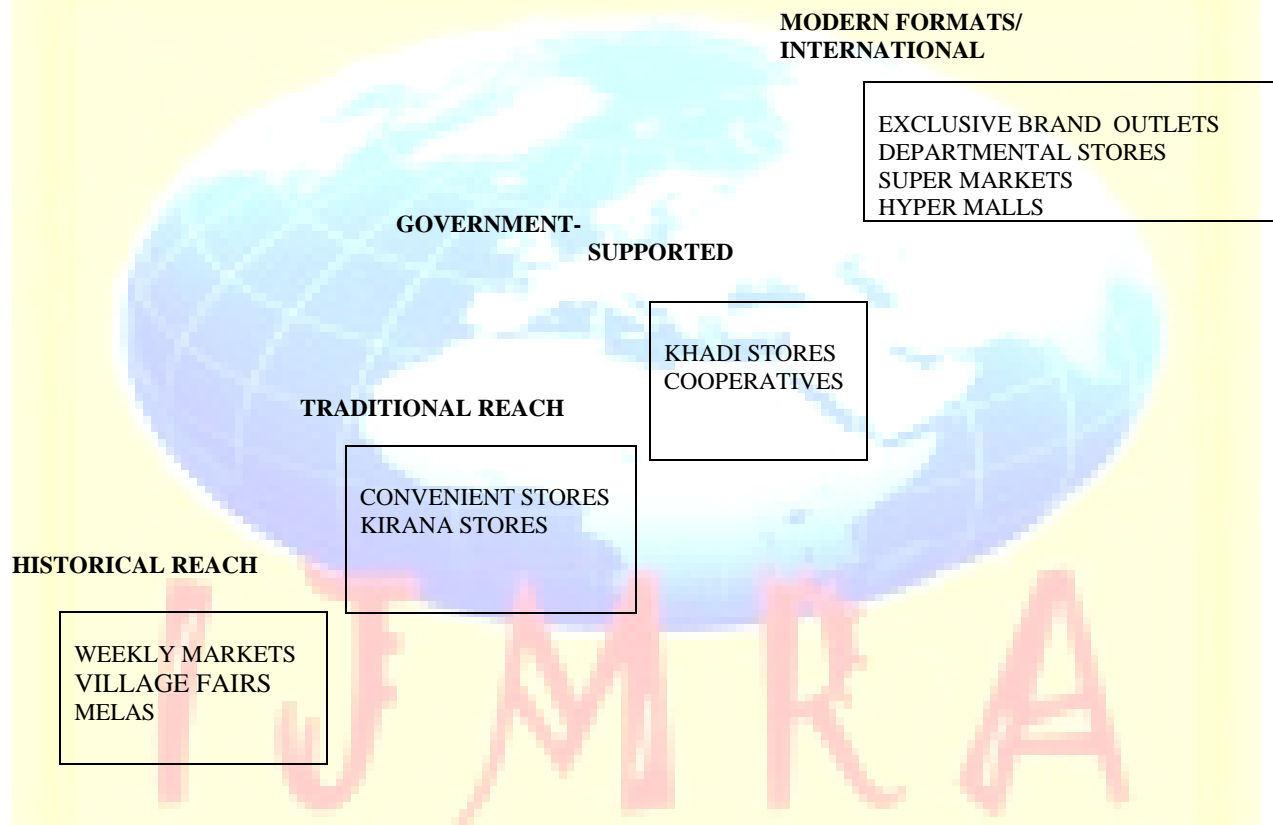
The Retail Industry is divided into organized and unorganized sectors. Over 12 million outlets operate in the country and only 4% of them being larger than 500 sq ft (46 m2) in size. Organized retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the corporate –backed hyper markets

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and retail chains, and also the privately owned large retail businesses. Unorganized retailing, on the other hand refers to the traditional formats of low-cost retailing, for example, the local kirana shops, owner managed general sores, paan/beedi shops, convenience stores, hand cart and pavement vendors, etc. Most Indian shopping takes place in open markets and millions of independent grocery shops called kirana.

### Evolution of Indian Retail



### Organized Retail in India

Organized retailing is spreading and making its presence felt in different parts of the country. The trend in grocery retailing India has topped AT Kearney's annual Global Development Index (GRDI) for the Third Consecutive year, maintaining its position as the most attractive market for retail investment. The Indian Market Retail Market, which is the fifth largest retail destination globally is estimated to grow from US\$ 330 billion in 2007 to US\$ 427 billion by 2010 and US \$ 637 by 2015(McKinsey).

**Factors Estimated to Propel the Growth of the Organized Retailing**

- Increased Purchasing Power
- Changing Consumption Patterns
- More Available Retail Space
- Easier Financing
- Improved Logistics and Better Infrastructure
- Effect of Globalization
- Heavy influx of Foreign Direct Investment in India

**Strategies for marketing campaign for retail business**

There are five major steps. These are:

1. Gather Customer Information
2. Target the “Right “Customers
3. Create effective communication
4. Host an event
5. Follow-up with guest

**The Classification of most Popular Retail Formats**

<b>MODERN FORMAT RETAILERS</b>	<b>TRADITIONAL FORMAT RETAILERS</b>
a) Shopping Malls- e.g Pyramid ,Pantaloon	a)Kiranas
b) Supermarkets – e.g Foodworld	b)Kiosks
c) Convenience stores-small stores in residential areas	c)Street Markets
d) Hypermarkets-e.g BigBazar	d)Exclusive / Multiple Brand outlets (Vivek’s)
e) Departmental Store-e.g Shoppers Stop	
f) Specialty Chains-e.g Kidskemp, Music	

world	
g) Company owned Store-e.g Bata	
h) Discount stores-e.g factory outlets-offer discount on MRP	

### Growth of Malls in India

The mall is a collection of independent retail stores, services and a parking area, which is conceived, constructed, and maintained by a separate management firm as a unit. Malls have been in India for a short period of 4-6 years, as compared to over five decades internationally.

### Retail Scenario in Major cities with reference to shopping malls

#### Delhi & National Capital Region (NCR)

The cash-Rich Delhi population is an ideal market for high-end retailers and this explains the presence of all premium brands, including Marks & Spencer's, Lactose, Louis Vuitton, Nike, Reebok, WallMart, and McDonald etc. in the city.

#### Bangalore

The retail sector in Bangalore is witnessing explosive growth, despite traffic snarls that jam every important junction. Bangalore had Big Bazar, Globus Lifestyle, Westside etc and Malls like Garuda Mall, Forum Mall, Total, Bangalore Central mall, Pantaloon Retail .

#### Mumbai

In Mumbai, Cross Roads, the first mall in the part of the country, was set up in the heart of the city, by the Nicholas Piramal Group. R Mall, Nirmal Life style Malls etc are there in Mumbai.

#### Chennai

By early 2011, Chennai is likely to have atleast 12 to 15 malls with multiplex .Spencer Plaza, Ampa Mall Etc are there in Chennai.

## The Major Players in Indian Retailing Scenario

### 1. **Spencer Chain (RPG Group)**

The stores in the Spencer chain are general stores, stocking nearly 5000 items or stock keeping units from tooth brush to kitchen ware. The chain stocks and sells multiple brands in the product groups. The chain has 7 hyper , 90 super, Daily and Fresh which cover 8 lakh square feet, drug stores called Health and Glow, and entertainment store called Music World.

### 2. **Globus chain**

Globus is a family chain meant for the middle class, upper middle class and the affluent. It has a loyalty card scheme, which helps the chain track customer's purchase patterns and preferences. The points awarded on purchase will be valid across all Global stores in the country.

### 3. **The Nilgiris**

The chain sells foods as well as non-foods, store brands as well as outside brands. Store brands and outside brands are roughly in the ratio 60:40. Its USP is diary product.

### 4. **Subhiksha Discount Chain**

The Subhiksha, a pioneer in setting up a small sized functional stores format rests on two main planks, lower prices and neighborhood stores. Subhiksha works on 205 day cycle, with key products being replenished in just 1.5 days. Subhiksha gets about 30 days credit from suppliers and uses about seven days for its cycle, saving 23 days value.

### 5. **Pantaloon Retail India Limited ( PRIL)**

PRIL has two formats, departmental store chains and hyper market chains. Their ventures include Pantaloon stores which is the flagship ready to wear textile stores, BigBazar stores which are departmental stores, Future money which includes providing customers with credit facility. Their core competency lies in their knowledge of Indian customers and their ability to understand and innovate by keeping in mind the Indian Context.

### 6. **Indian Tobacco Company (ITC)**

ITC is one of the earliest Lifestyle companies in India- many decades ago; a Cigarette lit between fingers was a fashion statement. ITC entered the lifestyle retailing (fashion) space in the year 2000 and has emerged among the top 5 players in the branded apparel industry in the country. ITC has leveraged its brand building capabilities to establish itself as desirable brand and drew service skills from its hotels division to make customers in store experience a memorable one and used process skill in managing supply chains and just in time manufacturing techniques.

7. **Shoppers Stop**

With an unparalleled assortment of the leading international and national brands in clothing for men, women, and kids; accessories, fragrances, cosmetics, footwear, home furnishing and décor products, our stores aim to provide shoppers a truly international shopping destination.

8. **Café Coffee Day**

Café Coffee Day is a chain of coffee shops in India. A division of Amalgamated Bean Coffee trading company Ltd. (ABCTCL), it is commonly known as Coffee Day or CCD. It opened its first café in 1996 on Brigade Road in Bangalore, and today has the largest Café Retail chain in India with 436 cafes in 69 cities.

9. **Reliance Fresh**

Reliance Fresh is the retail chain division of Reliance Industries of India which is headed by Mukesh Ambani. Reliance has entered into this segment by opening new retail stores into almost every metropolitan and regional area of India.

10. **Trent**

Trent is the retail arm of the TATA group. Started in 1998, Trent operates Westside , India's largest and fastest growing chain Retail stores.

### Emerging Trends in Indian Organized Retail Sector

There is a fantastic rise in the Indian organized retail sector in a very short period of time between 2001 and 2006. The Infrastructure of the retail sector will evolve radically in the recent future. The emergence of shopping malls are increasing at a steady pace in the metros and there are future plans. The Indian organized retail sector will grow up to 10% of total retailing by 2010. The most emerging format now would be the Hypermarkets.

Observing the upward trend of Retail Industry, a developing country like India is also planning to tap the enormous potential of the retail sector. Wal-Mart, the world's largest Retailer has been invited to India. According to a survey, within 5 years the Indian retail industry is expected to generate 10 to 15 million jobs by direct and in direct effects.

Emergence of a strong Retail sector can contribute immensely to the economic development of the country. With a dominant retail sector, farmers and other suppliers can sell their produce directly to major retail companies and can ensure stable profit.

Modern retail in India accounts for about 4 % of the total retail market in India. This share is expected to increase to about 15-20 % with the entry of number of corporate into the segment. Modern retail formats have grown by 25-30% in India in the last year and could be worth US\$ 175-200 billion by 2016.

#### **Foreign Direct Investment (FDI) in India**

The Government has been advised to allow for opening up of FDI to the extent of 49% by the retailers like WAL-MART for a time frame of three to five years. The economic liberalization and FDI since 1990 have allowed for the proliferation of brands of the Indian as well as then foreign creating brand equity for their products, hence allowing the emergence of franchising as the popular mode of retailing. The franchising grew a rate of 14% per annum raising the number of franchise outlets to 5000 by the year 2000. Yet another popular method of organized retailing that gained momentum in India was the Chain stores which grew at a pace of 24%.

#### **Challenges faced by Retailing Sector**

The retailing Trade in India is expanding by 22 % per annum with addition of 25 million middle class customers. Despite the recent boom in the retail sector in India, organized retail forms only



around 3 % of the entire industry. Despite being one of the largest employing industries in India and contributing a significant portion of GDP, it still lacks a clear policy which would allow Indian retail players to firmly establish themselves and enable them to face competition on an equal footing.

The retail industry in India still faces substantial hurdles that will retard and inhibit its growth in the future. One of the key impediments is lack of FDI. This has largely resulted in limited capital investments in supply chain infrastructure, which is a key for development and growth of retailing and has also constrained access to world-class retail practices. Lack of proper infrastructure and relatively high cost of real estate are the other impediments to the growth of retailing. While the industry and the government are trying to remove many of these hurdles, some of the road blocks will remain and will continue to effect the smooth growth of this industry.

### Conclusion

As consumer behavior and life style have changed, people no longer buy the way used to. The Technology used in retail helps in reducing costs, increasing efficiency and giving value added services to customers. The retailers also trigger the Visitors' Sensory experiences (smell, sight, and sound) to the hilt. The selling ambience has become a key strategic element for effective differentiation. This will facilitate retailers to archive the advantage. Retailers may develop customized retail formats and deal with customized products suitable for consumers.

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