

Modern Retail Industry Market Size and Potential

Amrita Kaur

Saheed Bhagat Singh College (Eve.), University of Delhi

Email Id: amritakaur.dr@gmail.com

Abstract: The Indian retail sector is going through a transformation and this developing sector is heading all towards a significant change in its growth and investment pattern. Both existing and new players are experimenting with new retail formats. Currently two popular formats hypermarkets and supermarkets are growing at a rapid pace. Apart from the brick –mortar formats, brick -click and click-click formats are also increasingly functional on the Indian retail landscape. Consumer dynamics in India is also changing and the retailers need to take note of this and formulate their strategies and tactics to deliver the exact expected value to the customer. Considering all facts, data and having prime focus on growing market scenario this paper is an attempt to have a look at current market potential and growth factor.

Keywords: Retailing, marketing, shopping, malls.

1 INTRODUCTION

Retail comes from the French word retailer, which refers to "cutting off, clip and divide". It first was recorded as a noun with the meaning of a "sale in small quantities" in 1433 (French). Its literal meaning for retail was to "cut off, shred, paring". Retail is the final stage of any economic activity. By virtue of this fact, retail occupies an important place in the world economy. According to Philip Kotler, Retailing includes all the activities involved in selling goods or services to the final consumers for personal, non-business use. A retailer or retail store is any business enterprise whose sale volume comes primarily from retailing. These are the final business entities in a distribution channel that links manufacturers to customers. Manufacturers typically make products and sell them to retailers or wholesalers. Wholesalers resell these products to the retailers and finally, retailers resell these products to the ultimate consumers. Any organization selling to final consumers whether it is a manufacturer, wholesaler or retailer-is doing retailing. It does not matter how the goods or services are sold (by person, mail, telephone, vending machine, or internet or where they are sold-in a store, on the street, or in the consumer's home).

A Retailer thus, provides value creating functions like assortment of products and services to the consumers, breaking bulk, holding inventory and provides services to consumers, manufacturers and wholesalers. Retailing broadly involves:

- Understanding the consumers' needs
- Developing good merchandise assortment and
- Display the merchandise in an effective manner so that shoppers find it easy and attractive to buy.

Retailing thus, may be understood as the final step in the distribution of merchandise, for consumption by the end consumers. Put simply, any firm that sells products to the final consumer is performing the function of retailing. The Indian Retail sector has come off age and has gone through major transformation over the last decade with a noticeable shift towards organized retailing. A T Kearney, a US Based global management consulting firm has ranked India as the fourth most attractive nation for retail investment among 30 flourishing markets. The retail market is expected to reach a whopping Rs. 47 lakh crore by 2016-17, as it expands at a compounded annual growth rate of 15 per cent, accordingly to the 'Yes Bank - ASSOCHAM' study. The retail market, (including organised and unorganised retail), was at Rs. 23 lakh crore in 2011-12. According to the study, organised retail, that comprised just seven per cent of the overall retail market in 2011-12, is expected to grow at a CAGR of 24 per cent and attain 10.2 per cent share of the total retail sector by 2016-17. In terms of sheer space, the organised retail supply in 2013 was about 4.7 million square feet (sqft). This showed a 78 per cent increase over the total mall supply of just 2.5 million sqft in 2012.

2. Objectives of the Study

Talking about retailing, e-commerce, expanding markets, that is how India is shaping or growing today. This paper is an attempt to find out a little depth in current market structure of retailing i.e.

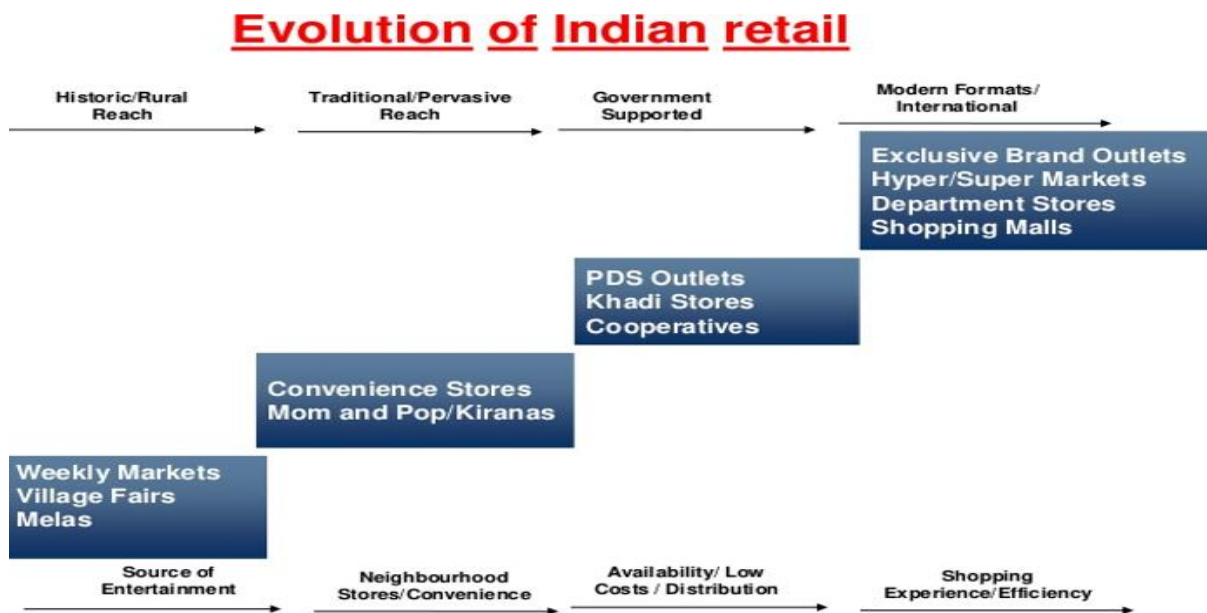
- To find out market potential in retail
- Road ahead or hurdle yet to come
- History of retail industry and its types
- Growth pattern of retail industry

Hence to find out all above stated objectives, we have followed secondary data approach. This research is simply based on data collected from government portals, blogs, researches conducted by CAGR, KPMG, deloitte, Ernst n young and many more.

3. Evolution of Indian retail

The origins of retailing in India can be traced back to the emergence of Kirana stores and mom-and-pop stores. These stores used to cater to the local people. Eventually the government supported the rural retail and many indigenous franchise stores came up with the help of Khadi& Village Industries Commission. The economy began to open up in the 1980s resulting in the change of retailing. The first few companies to come up with retail chains were in textile sector, for example, Bombay Dyeing, S Kumar’s, Raymonds, etc. Later Titan launched retail showrooms in the organized retail sector. With the passage of time new entrants moved on from manufacturing to pure retailing.

Retail outlets such as Foodworld in FMCG, Planet M and Musicworld in Music, Crossword in books entered the market before 1995. Shopping malls emerged in the urban areas giving a world-class experience to the customers. Eventually hypermarkets and supermarkets emerged. The evolution of the sector includes the continuous improvement in the supply chain management, distribution channels, technology, back-end operations, etc. this would finally lead to more of consolidation, mergers and acquisitions and huge investments.



4. Retail classification

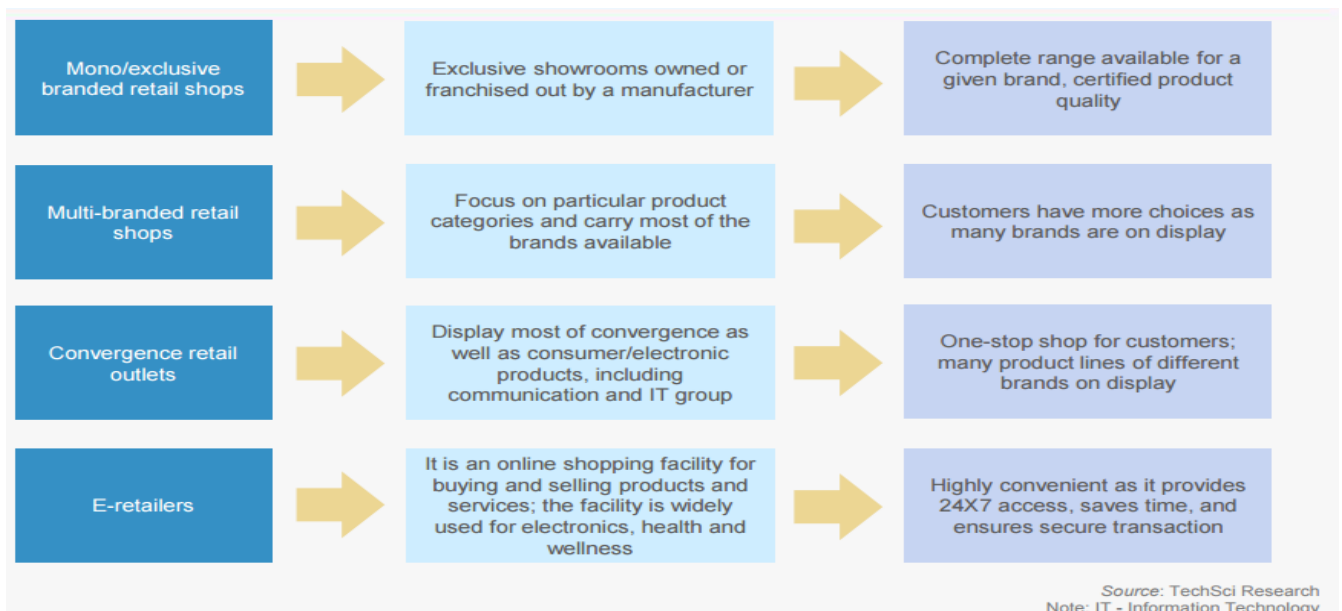
Retail industry can be broadly classified into two categories namely- organised and unorganised retail.

- **Organized retail** - Organized traders/retailers, who are licensed for trading activities and registered to pay taxes to the government.
- **Unorganized retail** – It consists of unauthorized small shops - conventional Kirana shops, general stores, corner shops among various other small retail outlets - but remain as the radiating force of Indian retail industry.

Classification of Retail Sector



5. Retail formats in INDIA



6. Market Statistics

In the past few years, Indian Retail sector has seen tremendous growth in the organised segment. Major domestic players have stepped into the retail arena with long term, ambitious plans to expand their business across verticals, cities and formats.

Companies like Tata, Reliance, Adani Enterprise and Bharti have been investing considerably in the booming Indian Retail market. Along with these giant retailers, a number of transnational brands have also entered into the market to set up retail chains in close association with bigger Indian companies.

High consumer spending over the years by the young population (more than 31% of the country is below 14 years) and sharp rise in disposable income are driving the Indian organised retail sector's growth. Even Tier I & Tier II cities and towns are witnessing a major shift in consumer preferences and lifestyles, the result of which, they have emerged as attractive markets for retailers to expand their presence.

The Indian retail sector is highly fragmented and the unorganised sector has around 13 million retail outlets that account for around 95-96% of the total Indian retail industry. However, going forward, the organised sector's growth potential is expected to increase due to globalisation, high economic growth, and improved lifestyle.

Although the growth potential in the sector is immense, there are obstacles too, that could slow the pace of growth for new entrants. Rigid regulations, high personnel costs, real estate costs, lack of basic infrastructure, and highly competitive domestic retailer groups are some such challenges.

6.1. Key drivers of the Indian Retail Industry

- Emergence of nuclear families
- An increase in the double-income households trend
- Large working population
- Reasonable Real estate prices
- Increase in disposable income and customer aspiration
- Demand as well as increase in expenditure for luxury items

- Growing preference for branded products and higher aspirations
- Growing liberalization of the FDI policy in the past decade
- Increasing urbanisation,
- Rising affluence amid consumers

6.2 Bottlenecks

- A long way to meet international standards
- Lack of efficient supply-chain management
- Lack of required retail space
- No fixed consumption pattern
- Shortage of trained manpower
- Lack of proper infrastructure and distribution channel

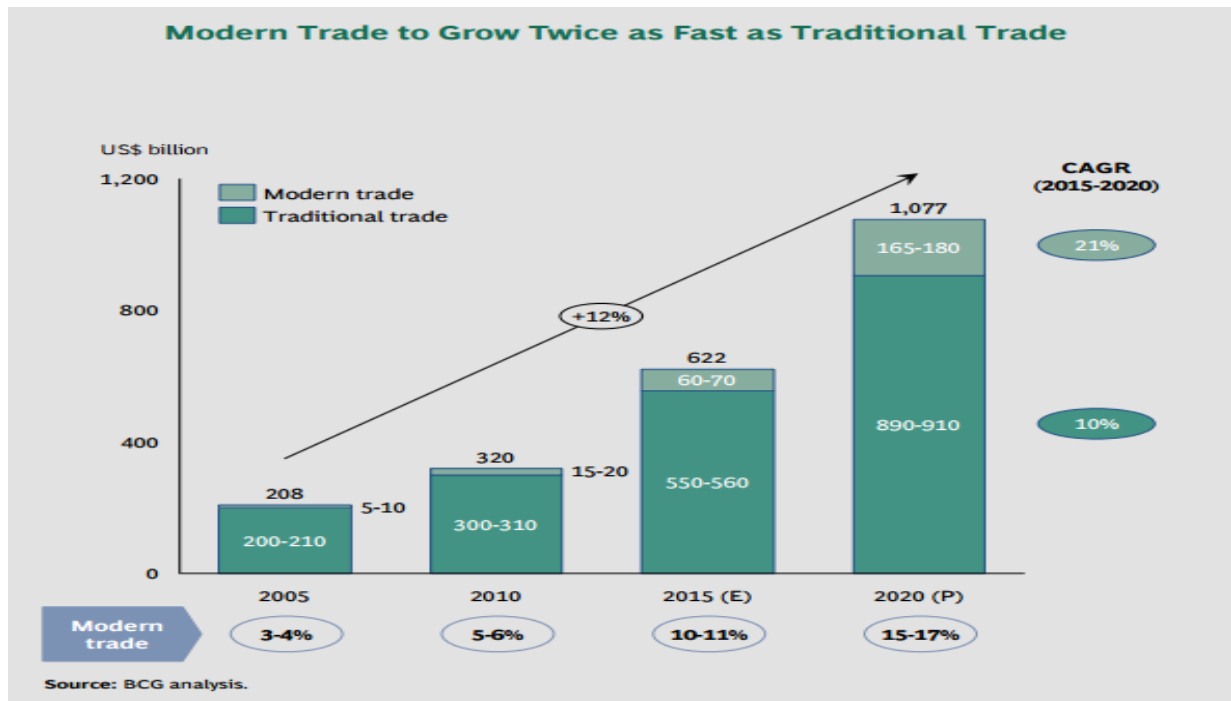
6.3 Strategies adopted by Indian retailers

Focus	Focusing strongly on an area you want to grow in, is a success mantra. A retailers today are too much focused about what are their future and present needs.
Marketing Innovation	Companies are now adopting innovative marketing strategies for their business. For example, Shoppers Stop is the first Indian large-format retailer to have created an AUGMENTED REALITY (AR) set-up.
Strong Distribution And Logistic Network	It is imperative for a retailer to have a strong distribution and logistics network to succeed in this sector. Players follow a distribution network that suits them the best. For example, Shoppers Stop follows a “hub-and-spoke” model for its distribution network to increase efficiency and productivity
Omni – channel retailing	Retailers are opting for many channel to maximize sales, provide convenience and for enhanced productivity. Omni-channel retailing is being adopted by many retailers in India. For example, Shoppers Stop is making efforts to be an omni-channel retailer. Ezone has launched an online platform, which has led to increase in sales
Perception change over	Retailers benefit if consumers perceive their store brands to have consistent and comparable quality and availability in relation to branded products. For

this, retailers are providing more assortments for private level brands to compete with supplier's brand. New product development, aggressive retail mix and everyday low pricing strategy help to get edge over supplier's brand

6.4 Market size in India of retail

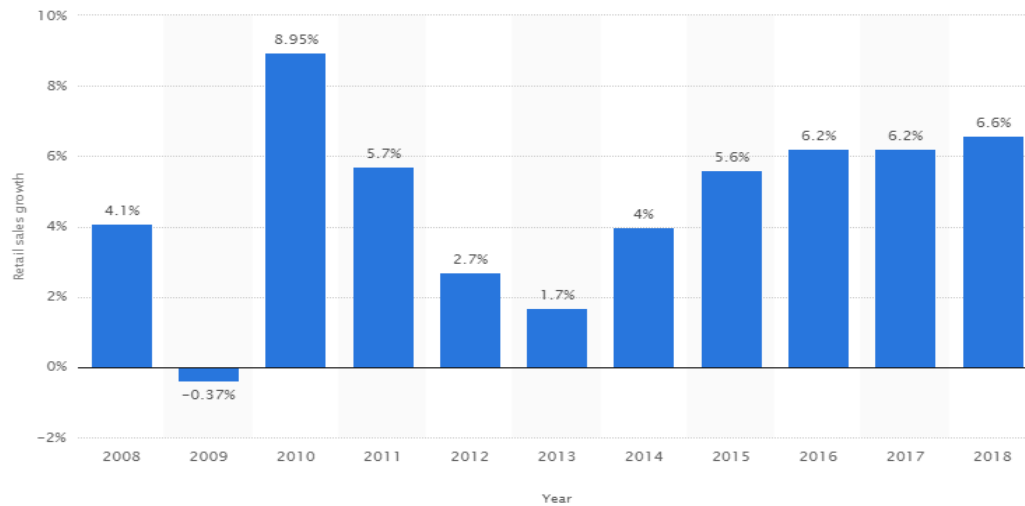
As per BCG latest released report on retails sector market “Retail 2020: Retrospect, Reinvent, Rewrite”, highlighting that India’s retail market is expected to nearly double to US\$ 1 trillion by 2020 from US\$ 600 billion in 2015, driven by income growth, urbanisation and attitudinal shifts. The report adds that while the overall retail market is expected to grow at 12 per cent per annum, modern trade would expand twice as fast at 20 per cent per annum and traditional trade at 10 per cent.



The 3 key indicators that will drove this growth rate will be

- **Rapid consumer evaluation:** great brand recognition, need for modern shopping environment.
- **Supply side evolution:** new entrants, new formats and differentiated strategies
- **Positive regulatory environment:** free business environment, increasing trade, reducing tax structure.

6.5 Forecast for future retail



Source: statista.com

The Indian markets have a lot of growth potential. This timeline shows a forecast for India's retail sales growth from 2008 to 2018, by volume. It is forecasted that India's retail sales volume will grow by 6.2 percent in 2017. The road ahead for the industry as E-commerce is expanding steadily in the country. Customers have the ever-increasing choice of products at the lowest rates. Some of the points to be monitored in its growth are:

- E-commerce is probably creating the biggest revolution in the retail industry, and this trend would continue in the years to come.
- Retailers should leverage the digital retail channels (e-commerce), which would enable them to spend less money on real estate while reaching out to more customers in tier-2 and tier-3 cities.
- Both organised and unorganised retail companies have to work together to ensure better prospects for the overall retail industry, while generating new benefits for their customers.
- Nevertheless, the long-term outlook for the industry is positive, supported by rising incomes, favourable demographics, entry of foreign players, and increasing urbanisation.

7. Conclusion

Retailing is one of the largest industry in India and one of the biggest sources of employment in the country. Numerous business groups are attracted in the past few years, including some renowned business groups like Bharti, Future, Reliance, and Aditya Birla to establish hold, showing the future growth in times to come. Indian retailing has taken up a paradigm switch over, from what it was years ago, it has changed drastically. The trend is shifting completely to a better growth level with malls, shopping centers, e-commerce, flexible customers, changing demand and supply relationships. Besides all achievements this industry has always been affected by political pressures and changing demand of customers, Demographic changes, shrinking of markets, high real-estate cost and increasing price competition among retailers are some of the threats and weaknesses of Indian retail Industry. Hence, there is an urgent need to overcome the threats and weaknesses and grab the opportunities by retailers for the success of retail sector in India.

8. REFERENCES

<https://www.equitymaster.com/research-it/sector-info/retail/Retailing-Sector-Analysis-eport.asp>

<http://www.livemint.com/Industry/5Xu8P8GltZk8XEsz7Xk74O/Indian-retail-market-to-double-in-next-5-years-report.html>

<http://www.statista.com/statistics/232429/forecast-for-retail-sales-growth-of-india/>

Boston Consulting Group Report –'The Tiger Soars -Capturing India's explosive Growth in Consumer Spending' dated February 16, 2012 [19]. Ernst & Young, The Great Indian Retail Story, 2006

Suja Nair"Retail Management", Himalaya Publishing House, p.p401-429.

Jim Dion& Ted Topping, "Retailing", Jaico Publishing House, p.p127-150

Swapna Pradhan, "Retailing Management Text& Cases", Tata McGraw Hills Company p.p127- 141,342-350.

Levy Weitz. "Retailing Management ", Tata McGraw Hills Company Ltd New Delhi p.p472-502.

David Gilbert, "Retail marketing Management", Pearson Education, New Delhi p.p45-50

Philip Kotler,2004 "marketing Management", Pearson Education, New Delhi p.p544-545