



PERSPECTIVE PLANNING FOR THE DEVELOPMENT OF RETAIL SECTOR IN INDIA

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ABSTRACT

Retail is sector in India is undergoing a definite transformation in terms of its structure and scale. The sector has been on a path of steady growth since the last decade and half due to many factors such as growing urbanisation, rapid economic growth and the resultant rise in purchasing power and consumerism. The above developments are also reflected in the AT Kearney Global Retail Development Index 2017, in which India is ranked No. 1, replacing China, among top 30 developing countries where the markets are not only attractive today, but also offer future potential. The burgeoning middle-class population, spread of information and communication technology, globalisation and rising aspirations of consumers have all contributed to the transformational changes taking place in this sector.

KEYWORDS :

INTRODUCTION

The visible aspects of the transformation are proliferating shopping malls, e-commerce operators, modern retail, foreign retailers and fast upgrading traditional retailers. Retailers are increasingly investing in developing countries like India and China to boost their sales and revenues. It is too early to predict how the sector would look like in future, but certain broad trends are visible, such as the slow but steadily rising importance of modern retail and e-commerce. This would impact the traditional retailers who are still the main stay of Indian retail and have implications for employment and livelihood.

Retailing is the last link in the process of Supply Chain Management. Retailer is the person who is in direct contact with the customers because of this it gains its importance for the manufacturer. The word 'retail' is derived from the French word 'retailleur', which means 'to cut a piece of' or 'to break bulk'. The retailer unlike wholesaler did not buy products for further resale but to provide them to the end consumers. A number of activities are performed by retailers such as assorting, sorting, merchandizing, storing, providing credit facility, packing etc. The sector is facing big transformation from mom & pop stores, local kiriyana store to big malls and hypermarkets. The customer is demanding products as never before. They possess good knowledge about pricing strategies, quality of the product and its usage. The consumer is now attracted towards big glitzy malls, eye catching interiors, one stop shopping experience. The concept of e-retailing has resulted in one touch shopping real for customers. The customers are now demanding products from a place which is convenient to them. Therefore, it is becoming difficult for retailers to find loyal customers for themselves. The customers will be attracted towards those stores which tend to offer good quality products at attractive prices with convenience facility, in an attractive manner.

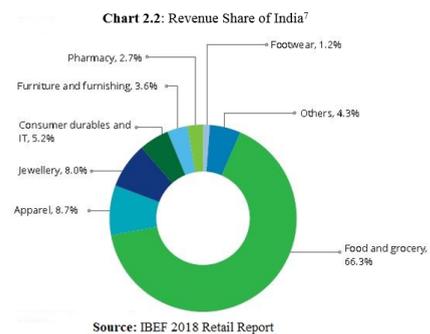
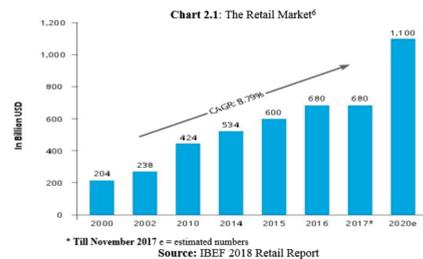
The presence of retail sector in India can be felt way back from the time of melas and haats, these were meant to cater the need of local people living nearby. The emergence of kiriyana stores and mom & pop stores were observed after sometime. The Government also started supporting the retail sector and as a result a number of indigenous retail stores came into existence. With the passage of time, economy started becoming more open and a changed face of retail sector came into existence. The first few companies which came into existence to set up retail chains were from textile sector.

Indian retail sector is gradually inching its way towards becoming the next boom industry and is emerging as the most dynamic and fast paced industries of these times (Yuvarani, 2009). Retailing plays an important role in marketing channels as every year retailer s account for more than 4.5 trillion of sales of product. Retailer is the last stage in the movement of goods in distribution channel who passes on products from manufacturer and wholesaler to consumer by

adding of services at convenient location and conducive environment of retail store.

In India, the retail sector is emerging as one of the largest sectors in the economy. The Indian retail industry is expected to grow to US\$1.1 trillion by 2020, registering a CAGR of 8.79% between 2000 and 2020.

To incentivise international retailers, the Government of India (GoI) has allowed 100% FDI through automatic route in e-commerce entities engaging only in Business-to-Business model of operation. However, it has been clarified that retail trading by means of e-commerce is not permissible for companies with FDI engaged in the activity of multi brand retail trading. These measures have provided some level of clarity on the existing businesses of e-commerce companies operating in India⁵.

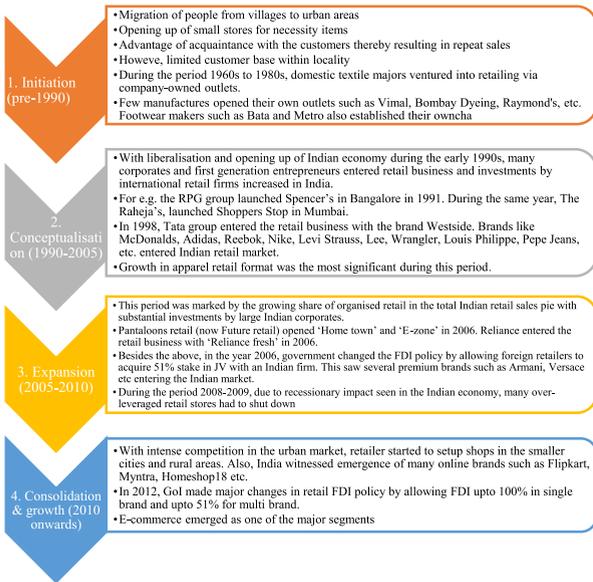


Evolution of Retail in India

The evolution of retail trade in India can be traced to the times when majority of trade was routed through formats such as Haats, Mandis and Melas. Mostly organised on a periodical basis and limited to a particular locality/village, such formats gained prominence. Almost everything from vegetables, household necessities to cattle's were bought and sold, either through monetary means or the barter system.

Contemporary organised retail industry evolution in India can be broadly classified in four phases;

Chart 2.3: Evolution of Retail in India



Source: www.ibef.org

The Indian Brand Equity Foundation (IBEF) estimates the industry to grow at a CAGR of over 17% over the next 4 years and reach USD 1,300 billion by 2020. However, with the Private Final Consumption Expenditure expected to grow by about 12.5% y-o-y till 2020 (has grown at about 10-12% historically) and GDP by ~ 8.5-9%, **CARE expects the retail industry to register a growth rate of about 12-14% over the next 4 years and reach about USD 1,150 billion by 2020.**

Organised Retail Formats in India

Modern retailing in India has entered in form of huge malls and super markets offering shopping, entertainment, leisure to the consumer while the retailers experiment with a variety of formats, such as discount stores, supermarkets, hypermarkets to specialty chains. However, kirana shops still continue to score over modern formats primarily due to the convenience factor. The organized segment typically comprises of a large number of retailers, greater enforcement of taxation mechanisms and better labour law monitoring system. Retailing is no longer only stocking and selling but is about efficient management of supply chain, developing distributor and vendor relationship, customer service quality, efficient merchandising and timely promotional campaigns.

Over the past few years, many prominent players in the country like Tata, Reliance Industries, Aditya Birla and many others are investing significantly in the Indian Retail market as a result of which there has been a tremendous growth in the organised segment. Many other progressive players stepped into the territory with long term goals to expand their business across verticals, cities, formats and segments.

Growth Drivers for Retail in India

Chart: Growth Drivers for Retail in India



Source: IBEF Retail Report 2018, p.19

Multiple drivers are leading to strong growth in Indian retail through a consumption boom. Significant growth in discretionary income and changing lifestyles are among the major growth drivers of Indian retail. Easy availability of credit and use of 'plastic money' have contributed to a strong and growing consumer culture in India. Acceptance and usage of e-retailers by consumers are increasing due to convenience and secured financial transactions. Expansion in the size of the upper middle class and advertisement has led to greater spending on luxury products and high brand consciousness. In FY18, GDP at current prices was US\$ 2,848.23 billion and GDP per capita at current prices was US\$ 2,134.8.

CONCLUSION

The data from private consulting company reports suggest that growth in the retail market has been rapid despite major restrictions on FDI. In the third-quarter report of 2014, the BMI India Retail Report forecasted that the total retail sales will grow from US\$ 353 billion in 2010 to US\$ 543.2 billion by 2014. In an important consideration, the report suggested that there is need to unlock potentialities of fast growing middle and upper-class consumer base. The analysis also suggests that in the next few years there will be major opportunities in India's smaller cities. AT Kearney, a global management consulting firm, rates India as the most attractive nation for retail investment. The study, presented in the Global Retail Development Index of 2013, is carried out annually for 30 emerging markets, and has rated India highest four times in the last five years. This report expresses even more optimism and estimates that suggests that India's retail market is expected to be about US\$ 735 billion by 2015, with around 13 percent coming from organised retail. Other estimates are more conservative, though still impressive. According to McKinsey, a search and consulting firm, organized retail in India is expected to increase from 5 percent of the total market in 2008 to 14-18 percent of the total retail market and reach US\$ 450 billion by 2015. Even if growth is more conservative than estimated, the spill-over effects of this rapid expansion could be felt by many other sectors of the economy. A report published by Knight Frank India in May 2014 looks at the question of land and available retail space. It estimates that, during 2014-15, around 55 million square feet of retail space will be ready in the major cities like Mumbai, the national capital region (NCR), Bengaluru, Kolkata, Chennai, Hyderabad and Pune. Furthermore, between 2013 and 2015, the organised retail real estate stock is expected to grow from the existing 41 million square feet to 95 million square feet.4 Arguably, this could drive up real estate prices, with consequent knock-on effects.

Despite the current policy and regulatory environment not being perfect for foreign investors, there are clearly moves towards improving the current position and facilitating FDI inflows without having a detrimental impact on various sectors of the economy. The current policy is trying to encourage Joint Ventures in multi-brand retailing so as to boost the domestic retailer's growth in this area. In our view, the advantages outweigh the disadvantages of allowing unrestrained FDI in the retail sector, as successful experiments in countries like Thailand and China demonstrate. In both countries, the issue of allowing FDI in the retail sector was first met with incessant protests but allowing such FDI led to GDP growth and a rise in the level of employment. The International Business Times (US edition) has already confirmed that Walmart is to launch its first Indian store within 12-18 months. Thus, being the first to enter the US\$500 billion retail market of India. The government has approved the Walt Disney Company India to increase foreign equity. Besides Disney's proposal, the government has also approved nine other FDI proposals amounting to approximately INR 2.59 billion. With this, a plethora of business opportunities in India has been thrown open to the

foreign investors. India has seen an eightfold increase in its FDI in March 2012, at a time when the aforesaid norms were not even approved- a sign that suggests India is set to be one of the favoured destinations for foreign investors in the retail sector.

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