

Retail in India

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Abstract - Retail is currently the flourishing sector of the Indian economy. The retail sector has played a phenomenal role throughout the world in increasing productivity of consumer goods and services. The retail industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. The Indian retail industry is the largest among all the industries, accounting for over 10 percent of the country's GDP and around 8 percent of the employment. This paper provides detailed information about the role of unorganized retailing industry in India. It includes the various retail format in India. This paper surveys the unorganized retailers to understand the challenges impacting the retail sector. It concludes with providing the detailed opportunities available for the retail sector. The Indian retail industry has grown 10.6% between 2010 and 2012 and is poised to increase to 750 to 850 billion USD by 2015. The organized retail constitutes 8% of the total retail market and is expected to grow at 20% by 2020. It is likely to greatly impact businessmen, entrepreneurs, investors and to a great extent the real estate sector. There is great hue and cry that FDI will to a great extent make the small retailers shut the business and opt for alternate employment. The paper focuses on the impact of the unorganized sector in Indian retail market.

I. INTRODUCTION

The Indian retail industry is divided into organized and unorganized sectors. The unorganized retail comprises of the local baniya or kirana shop, and the other owner manned general stores. These retailers normally do not pay taxes and most of them are not even registered for sales tax, VAT, or income tax. "Unorganized retailing" is defined as an outlet which is run locally by the owner or the caretaker of a shop who lacks the technical and the accounting standardization. The supply chain and the sourcing are also usually done locally to meet the local needs. Unorganized merchandising, refers to the normal formats of cheap retail, the native kirana retailers, the owner manned general stores, the convenience stores, hardware stores at the corner of one's street, small medical shops etc. Small- store (kirana) retailing has been one of the easiest ways to generate what is called self-employment as it requires a very limited investment in land, capital and labour. It is generally a family run business; there is lack of standardization and the retailers who run this store lack education, experience and exposure.

II. INDIAN RETAIL SECTOR- CURRENT SCENARIO

The Indian Retail sector has come off age and has gone through major transformation over the last decade with a noticeable shift towards organised 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.

The retail market, (including organized and unorganized retail), was at Rs. 23 lakh crore in 2011-12.

According to the study, organized 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.

Retail classification

Retail industry can be broadly classified into two categories namely- organized and unorganized retail.

Organized retail - Organized traders/retailers, who are licensed for trading activities and Register Organized retailing. It is a place all the items are segregated and brought under one roof, unlike the unorganized retail where there are different things are sold in different shops. Organized retailing comprises mainly of modern retailing with busy shopping malls, multi stored malls and huge complexes that offer a large variety of products in terms of quality, value for money and makes shopping at memorable experience etcetera 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 Traditional or unorganized retail outlets are normally street markets, counter stores, kiosks, and vendors where the ownership and management rest with one person only. This sectors accounts for the two thirds of the market and requires low skilled labour. These are highly competitive outlets, with negligible rental costs (unregistered kiosks or traditional property), cheap workers (work is shared by members of family) and low taxes.

Growth of Indian retail landscape

YEAR	\$billion retail growth
2008	368
2010	421
2012	478
2014	501
2016*	548
2018*	596
2020*	627

*Estimates - Sources: retail in India – ACII-AT Kearney report

III. CATEGORIES OF TRADITIONAL RETAILERS

Fruits & Vegetable sellers- sell fruits and vegetables

Food stores- bakery products, dairy and processed food & beverages Non-vegetable store- sells chicken & mutton

Kirana I -Sells bakery products, dairy and processed food, home and personal care and beverages

Kirana II -sells categories available at Kiran I shop plus cereals, pulses, spices and edible oils

Apparel sells- menswear, womens wear, inner wear kids and infant wear Footwear- sells men's wear, women's wear and kids wear

Consumer durables & IT- sells electronics, durable & IT products Furnishing- sells home linen and upholstery

Hardware- sells sanitary ware, door fitting , tiles

General merchandise – includes lighting, toys, gifts and crockery

IV. FUTURE OF RETAIL MARKET IN INDIA

The Indian retail industry is forecast to grow almost four times to \$2.1 trillion by 2025 from the present size of \$550 billion. "India's young population, increasing affluence, changing lifestyle, and attitude towards spending and increasing availability in the smallest of the towns will spur consumption and drive the growth of the retail market during the next 10 years," according to a report titled "The Indian Retail Medley" by Confederation of Indian Industry (CII) and Wazir Advisors. In this period, organized retail is expected to grow seven times and online retail 26 times. However, the unorganized retail is expected to still dominate with about 80 per cent share even by then. Also, 10-12 million jobs (direct and indirect) are expected to be created. It has been expected that the organised segment is to grow at a compounded annual growth rate (CAGR) of 22 per cent, much faster than traditional retail, which will grow at a CAGR of 13 per cent. However, even with high growth, the organised sector will capture just about 15 per centshare of retail market by 2025, up from 8 per cent now.

V. UNORGANIZED RETAILING

Unorganized retailing refers to the traditional formats of low cost retailing for example, the local kirana shops, owner manned general stores, convenience store, hand cart and pavement vendors. Traditional or unorganized retailing continuous to be the back bone of the Indian retail industry, with traditional retailing contributing to over 95% of total retail revenues. The prototypical 'banyan' outlets or the corner store comprise a key part of Indian retail store formats mostly run as small family business. The unorganized retailing comprises of 'mom and pop' stores or 'kirana' stores. These are very small shops located near the residential areas, popularly known as kirana shops. The unique marketing preposition of this store is location advantage. These shop owners in order to retain their customer can even go their customer's house to get orders. Trading hours are flexible and the retailer to consumer ratio is very low due to the presence of several kirana stores in the locality. Credit facility varies from store to store and customer to customer. Customers' reliability and relation with the shopkeeper is enough to avail credit facility. Branding is not a criterion to attract the customers, as customers prefer low-priced products. More than 99% customers are price sensitive and not quality or brand sensitive at the same time they are brand conscious also. Further retailer's suggestions and recommendation regarding any product or service plays a significant role in the customer's purchase decision. More than 99% of retailers function in less than 500 Sq. Ft of area. The pricing was done on ad hock basis or by seeing the face of customer. More than 99% customers are price sensitive and not quality or brand sensitive at the same time they are brand conscious also. Traditionally, retailers procure merchandise from whole seller in bulk and sell in small quantities to the ultimate customer. All the merchandise was purchased as per the test & fancies of the proprietor.

Advantages of Unorganized Retailer

Convenient Location Lower investment

Advantage pass on to customer Flexibility in operation

Credit period Personal touch

Disadvantages of unorganized retailer:-

Non availability of quantitative discount Non availability of new arrival

Lack of specialty products In attractive ambiance

VI. CONCLUSION

Unorganized retail sector through some tough challenges exist such as inefficient supply chain management, getting approvals from government, adoption of new technologies and E-commerce. Some of the main concerns of the unorganized retail sector were variety, special offers, home delivery, ambience and price. So finally we can say that there is growth for retail sector though some tough challenges exist. Retail can overcome these challenges by grabbing the opportunities available.

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