

# Conceptual Analysis on Indian Retailing Sector

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**Abstract:** *The Indian retail market is one of the top five retail markets in the world in terms of economic value and one of the retail markets with the fastest growth. India's retail industry has experienced significant growth over the past few decades and has completed a number of noteworthy milestones. The most significant economic pillar in India is its retail sector, which accounts for about 10% of its GDP. In India, there are structured and unorganised sectors of the retail industry. Customers have moved from unorganised to organised sectors as a result of retailing's rapid expansion, mostly due to shifting customer tastes and behaviours. This change in consumer behaviour is brought on by rising wealth and modified lifestyles. The customer now has in-depth understanding about the goods and services. He is growing more picky and cautious when obtaining services from merchants. His standards are always growing. Customers want to be able to buy, dine, and have fun all under one roof, therefore Indian retail is growing quickly. This paper solely relies on secondary data. The function of the organised and unorganised sectors in India is covered in this article. It also includes information on the many types of retailing, the current environment, the expansion and difficulties of the industry, as well as the prospects for retailing in India going forward.*

**Keywords:** Market for retail, GDP, customers, and lifestyle.

## I. INTRODUCTION

The fifth-largest in the globe and one of India's sectors with the fastest growth rate is retail. For the past few decades, the retail industry in India has been one of the country's economic cornerstones and has achieved numerous amazing feats while expanding quickly. Only growing income, changing middle-class habits, and improved internet connectivity make this conceivable. To sustain and grow its business, each retail company has its unique strategies and products. Mega mall construction is also one of the most crucial aspects of India's expanding retail industry. Since it is challenging to endure the rivalry in this market as a result of the large number of major enterprises trying to survive, only a select few have succeeded.

A Customer is mostly to blame for this. He is in charge of the market. Customers are becoming far more knowledgeable about the goods, names, and services that companies offer. His expectations are rising daily, and he is becoming more picky and conscientious about getting the right services. It is crucial to ascertain their actual expectations as a result. The company's services must fall short of what customers actually expect. Merchants must locate this gap and attempt to close it. Customer satisfaction will rise as a result of this.

### Indian retail market: Current scenario

The retail market in India is increasing at an exponential rate, with big cities and metros joining tier II and tier III cities in the retail expansion. Numerous factors, including as changing demographics, rising incomes, urbanisation, and changed consumer tastes, have an impact on the retail industry's expansion. The Global Retail Development Index (GRDI) from AT Kearney (2017) places India #1 out of 30 rising countries in terms of retail development. India's 1.2 billion people and rapid economic expansion make it the country with the fastest growing retail market in the entire globe. Approximately 10% of the nation's GDP (Gross Domestic Product) and 8% of the work force are employed by it. One of the top five retail markets in the world is found in India.

The Indian retail market is expected to grow by 60% to USD 1.1 trillion by 2020 as a result of factors like rising earnings and changing middle-class lifestyles. Retail industry revenue reached 950 billion US dollars in 2017–18, growing at a CAGR (Compound Annual Growth Rate) of 13%. Indian retail market is divided into "Unorganised Retail

Market" and "Organised Retail Market," with the former accounting for 91% of the latter's overall sector and the latter having a value of USD 60 billion.

The need for retail space is expected to rise by 81% to 7.8 million square feet in 2018, according to the Indian Retail Industry Analysis Report (January 2019). The goods and services tax is put into place as a kind of unified tax system. The joint efforts of financial institutions, banks, and retailers helped the cumulative FDI (Foreign Direct Investment) inflow in retail reach USD 1.42 billion between April 2000 and June 2018. The cumulative FDI (Foreign Direct Investment) inflow in retail has reached USD 1.42 billion as a result of consumers being able to purchase durable items with credit. Aiming to facilitate 100% FDI in E-Commerce, the Indian government has approved 51% FDI in multi-brand retail and 100% FDI in single-brand retail via the automatic approach. These approvals are expected to promote Make in India and the convenience of doing business.

### **Retail Sector Categories -**

The retail industry is divided into two categories: organised retail and unorganised retail.

Retailers who hold business licences and are licenced to engage in organised retailing make up the organised retail sector. Under this roof, food, shopping, and entertainment are all together. Shopping malls, malls with many stores, and supermarkets that provide a large selection of goods, several brands of the same goods in terms of quality, price, and a pleasurable shopping experience are included in what is also referred to as modern retailing. Any retail chain with more than two sites that is professionally managed and characterised by organised supply chain management, transparent accounting, and centralised quality control is referred to as a "structured sector." It upholds the idea of unity.

B. Unorganised Retail – The term "unorganised retail" refers to unregistered tiny businesses like traditional kirana stores, general merchandise stores, and other diminutive retail establishments. Traditional retailing is another name for it, and although it only exists in local or regional places, these stores are fiercely competitive. Most of these merchants aren't even registered for sales tax or income tax, thus they typically don't pay taxes. Small retail establishments require little space, personnel, or financial investment and are easy to run. It is based on the idea of uniqueness and has a constrained range of products. On occasion, a product's price is influenced by the relationship with the consumer, which may be established by looking at their face. However, unorganised shops account for the vast majority of retail sales in many developing countries.

Indian Retail Formats with a Variety A large variety of foods, drinks, and household goods are available in this self-service supermarket/hypermarket.

- Shopping malls: This contemporary method of retail therapy consists of a sizable complex of stores.
- Department Stores: A department store is a type of retail establishment that carries a wide range of consumer goods across numerous product categories.
- Convenience Stores: A small retail space that sells a range of necessities.
- Mom-and-Pop Shops: A small, independent, family-run business with few employees that is family-owned.
- E-tailing, or electronic retailing, refers to any online business-to-consumer transaction.
- Discount stores are retail locations where products are offered for less than the going rate in the market.
- Specialty Stores: A business that specialises in selling a particular product line or serving a specific retail market.
- A vending machine that sells lottery tickets, snacks, drinks, and other items.
- Area Killer Store: A retail chain that dominates its industry and frequently has affordable prices.

### **Evolution of Indian retail industry**

The Indian retail market is expected to grow by 60% to USD 1.1 trillion by 2020, accounting for 10% of the country's GDP and 8% of all jobs. Over the following three years, it is expected that India's contemporary retail industry would quadruple in size, reaching USD 111.25 billion in 2019. In a T. Kearney study, India came out on top in the global retail development index for 2017. By 2020, the retail market is expected to reach USD 1,3 trillion, and the luxury market is expected to reach USD 30 billion.

IBEF (India Brand Equity Foundation) research indicates that by 2026, the Indian e-commerce market is expected to be worth \$200 billion. The sector is expected to generate USD 120 billion in revenue by 2020, up from USD 39 billion in 2017, representing the greatest annual growth rate in the world at 51%. According to the survey, India's e-commerce market will probably overtake that of the United States by 2034 and take second place globally.

Online purchases in India are predicted to increase from 9% in 2017 to 18% in 2021. Global retailers including Wal-Mart, GAP, Tesco, and JC Penn are increasing their sourcing from India because it is predicted that by 2025, when consumption is expected to exceed \$400 billion USD, India would be the third-largest consumer economy in the world. The Indian retail market is growing and producing extraordinary achievements as a result of the increasing involvement of foreign and private companies.

### **Issues of the Indian Retail Industry**

**Indian Consumer** - In the past, Indian consumers lacked a generalised understanding of goods and businesses. He was used to saving his money and only making purchases for needs. But he now has extensive knowledge of the things, names, expensive goods, and services. His preferences and tastes are always changing, and as his quality of life has improved, so have his expectations.

**Young consumers** - India has a population that is younger than fifty percent. At a very young age, students start making money. Usage of the internet and television is rising. For premium items, they are prepared to spend more. The majority of their money is spent on accessories, electronics, and clothing.

**Greater Income** – As a result of liberalisation, the majority of the population is now employed in the service sector, and job opportunities are growing as a result of the rise of international firms. Increased consumption leads to an increase in income.

**Urbanisation** – Consumer behaviour changes as a result of urbanisation. Additionally, the local population is becoming less thrifty and more wasteful.

**Flexible Financial Options** - In the past, getting a loan or credit card was difficult. The ease with which short-term loans and credit cards are now accessible encourages Indian customers to shop.

**Retail human resources** is not yet a well-liked career. India's educated class largely chooses IT, BPO, and financial services. Because of this, there is a shortage of trained workers in the retail industry.

**Poor Infrastructure** – The pan-Indian supplier network is hampered by poor infrastructure in the areas of highways, energy, and cold chains.

**Tax Rates** – Although the federal government is working to impose a uniform value-added tax on all 50 states, some still have varying tax rates. As a result, network infrastructure becomes more difficult.

**Government Land Shortage** – The need for retail market space is becoming a major problem. Finding a property that is suitable in terms of location and size is difficult.

Indian retail outlets number more than 5 million, yet the country is still far from meeting international norms.

A lack of effective supply chain management exists despite the fact that 91% of the industry is not organised. Reduced inventory costs are subsequently passed on to customers in the form of lower prices by effective supply chain management.

**Cultural diversity**: There is no single national consumption trend in India. It changes from one state to another. Consequently, merchants need to have unique plans for a variety of industries and markets.

Vendor fraud, theft, shoplifting, and insufficient monitoring fall under the category of retail frauds. These are the main issues that, despite the use of sufficient security measures, remain challenging to resolve.

### **Future prospects for the retail industry**

The retail market size is expected to double to USD 1.3 trillion by 2020, led by income growth, according to the study "Retail 2020: Retrospect, Reinvent, Rewrite" by Boston Consulting Group and Retailer's Association of India. The ability of the retail sector to change with the times and adopt new technologies will have a significant impact on the future of the Indian retail market. In small towns and cities, the retail industry will also expand. Indians are becoming more discriminating consumers and are aware of both native and foreign brands. As a result, the retail market in India will grow more quickly.

## II. CONCLUSION

Of all the industries, the Indian retail market is the biggest. Its value is rising. There are many new players in this market, but only a small number have made it to the point of success. The state of the retail industry is influenced by a number of variables, including governmental regulations, the cost of real estate, and consumer demand. Nevertheless, despite the challenges, the increase is still remarkable. India's retail sector may get past its challenges by taking use of the opportunities that are present.

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