

Overview of Retail Industry in India

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Abstract: *In terms of economic value, the Indian retail market is one of the top five retail markets in the world and also one of the retail markets with the quickest growth. During the previous few decades, India's retail industry has accomplished a number of notable feats and grown substantially. About 10% of India's GDP is accounted for by its retail sector, which is the most important economic pillar. The retail sector in India is divided into organised and unorganised sectors. Rapid growth in retailing has led to a migration of clients from unorganised to organised sectors, primarily as a result of changing consumer preferences and behaviour. This shift in consumer behaviour is a result of increased affluence and altered lifestyles. The customer is now extremely knowledgeable about the product and services. He is becoming increasingly particular and conscientious while acquiring services from retailers. His expectations are always rising. Customers desire shopping, eating, and entertainment all under one roof; hence, retailing in India is expanding rapidly. This is an entirely secondary-data based paper. This article discusses the role of organised and unorganised sectors in India. It also contains the various retailing forms, the existing situation, the growth and challenges of the retail business, and the future prospects of retailing in India.*

Keywords: Retail market, GDP, Customers, lifestyle

I. INTRODUCTION

The Indian Retail Industry is the fifth largest in the world and one of India's sectors with the highest growth rate. It has been one of the pillars of India's economy for the past few decades, and the retail sector in India has accomplished many remarkable feats and grown rapidly. This is only possible due to increased affluence, shifting middle-class lifestyles, and expanding internet connectedness. Each retail company has its own tactics and offerings in order to maintain and expand its business. In India, the development of mega malls is also one of the most essential parts of the developing retail sector. Numerous major firms are entering this industry and striving to survive in the market, but it is difficult to withstand the competition, and consequently, only a few have survived and achieved success.

This is primarily due to a Customer. He is the market's ruler. Customers are increasingly extremely aware of the products, brands, and services offered by businesses. He is growing more particular and conscientious about receiving appropriate services, and his expectations are rising daily. Therefore, it is essential to establish their true expectations. There must be a gap between the company's services and the customers' actual expectations. This gap must be identified and merchants must work to close it. This will contribute to an increase in consumer satisfaction.

II. INDIAN RETAIL SECTOR: CURRENT SCENARIO

The Indian retail sector is undergoing exponential growth, with retail development expanding to tier II and tier III cities in addition to big cities and metros. The growth of the retail industry is influenced by a number of factors, including shifting demographics, rising incomes, urbanisation, and shifting customer preferences. According to AT Kearney's (2017) Global Retail Development Index (GRDI), India ranks first among thirty emerging nations in the Retail Sector. Indian Retail is the fastest expanding market in the world because to its 1.2 billion inhabitants and economic growth. It accounts for around 10% of the country's GDP (Gross Domestic Product) and employs 8% of the labour force. Indian retail is one of the world's top five retail markets.

By 2020, it is anticipated that the Indian retail market would rise by 60 percent to reach USD 1.1 trillion due to reasons such as rising incomes and the changing lifestyles of the middle class. In 2017-18, the Retail Industry increased at a CAGR (Compound Annual Growth Rate) of 13% to reach 950 billion US dollars. Indian Retail market is separated into 'Organized Retail Market' with a value of USD 60 billion, which accounts for just 9% of the whole sector, and 'Unorganized Retail Market' which accounts for the remaining 91% of the overall sector.

The Indian Retail Industry Analysis Report (January 2019) projects that retail space demand will increase by 81% to 7.8 million square feet in 2018. As a sort of unified tax system, the goods and services tax is implemented. Between April 2000 and June 2018, the cumulative FDI (Foreign Direct Investment) inflow in retail reached USD 1.42 billion thanks to the combined efforts of financial houses, banks, and retailers. As a result, consumers are able to purchase durable goods with credit, and cumulative FDI (Foreign Direct Investment) inflow in retail has reached USD 1.42 billion. Government of India has approved 51% FDI in multi-brand retail and 100% FDI in single-brand retail via the automatic method, which is anticipated to increase ease of doing business and Make in India, and aims to enable 100% FDI in E-Commerce.

III. CATEGORIES OF RETAIL

There are two categories within the retail industry: organised and unorganised retail.

A. Organized Retail - Retailers licenced for trading activities and registered for organised retailing constitute the organised retail industry. Here, shopping, dining, and entertainment are consolidated under one roof. It is also referred to as modern retailing and includes shopping malls, multi-stored malls, and supermarkets that offer a wide selection of products, several brands of the same product in terms of quality, price, and a memorable shopping experience. Structured sector refers to any retail chain (with more than two locations) that is professionally managed and characterised by accounting transparency, organised supply chain management, and centralised quality control. It adheres to the notion of unity.

B. Unorganized Retail — The Unorganized Retail Industry refers to unlicensed small shops, such as conventional kirana stores, general merchandise stores, and other small retail outlets. It is also known as traditional retailing and is limited to local or regional locations, yet these stores are quite competitive. In general, these retailers do not pay taxes, and the majority of them are not even registered for sales tax or income tax. Small retail locations are simple to operate and necessitate minimal inputs in terms of space, labour, and money. It is founded on the notion of distinctiveness and offers a limited selection of goods. Occasionally, the pricing of a product depends on the relationship with the customer, which is determined by seeing their face. However, in many developing nations, the majority of retail sales are conducted by unorganised retailers.

- **Diverse Retail Formats in India Supermarket/Hypermarket** - This is a self-service store that offers a vast selection of food, beverages, and household goods.
- **Shopping Malls** - This is a modern style of shopping, consisting of a vast retail complex with numerous retailers.
- **Department Stores** - A department store is a retail institution that offers a broader selection of consumer items in many product categories.
- **Convenience Stores** - A modest retail establishment that carries a variety of everyday things.
- **Mom-And-Pop Shops** - It is a family-owned business - a tiny, independent, family-run establishment with few employees.
- **E-tailing** — Electronic Retailing for any business-to-consumer transaction that occurs online
- **Discount Stores** — Retail establishments where goods are sold for less than the average market price.
- **Specialty Stores** - A store that caters to a particular retail market or concentrates on selling a certain product line.
- **Vending Machine** - A vending machine that dispenses snacks, beverages, lottery tickets, etc.
- **Area Killer Store** - A retail chain that is dominant in its product category and typically offers low prices.

IV. GROWTH OF INDIA'S RETAIL INDUSTRY

As the Indian Retail market contributes for approximately 10% of its GDP and 8% of its jobs, it is anticipated to rise by 60% to USD 1.1 trillion by 2020. The modern retail market in India is predicted to double in size over the next three years, reaching USD 111.25 billion in 2019. According to a survey by T. Kearney, India ranks first on the 2017 Global Retail Development Index, the retail market is projected to rise to USD 1,3 trillion by 2020, and the luxury sector is projected to grow to USD 30 billion by the same year.

According to a survey by IBEF (India Brand Equity Foundation), the Indian E-commerce sector is anticipated to reach USD 200 billion by 2026. The sector's revenue is projected to climb from USD 39 billion in 2017 to USD 120 billion in 2020, a growth rate of 51% annually, the highest in the world. The survey also indicates that the Indian E-commerce business is likely to surpass the United States by 2034 to become the second largest E-commerce market in the world. It is anticipated that online buying in India will expand from 9 percent in 2017 to 18 percent in 2021. Global retailers such as Wal-Mart, GAP, Tesco, and JC Penn are boosting their sourcing from India, which is anticipated to become the world's third-largest consuming economy by 2025, with consumption reaching \$400 billion USD. Due to the rising engagement of foreign and private firms, the Indian retail market is expanding and achieving exceptional results.

Challenges confronting India's Retail Industry

- **Indian Consumer** - Historically, Indian consumers were not as knowledgeable about products and companies. He was accustomed to saving his cash and purchasing only the necessities. However, he is now well knowledgeable about the items, brands, luxury products, and services. His tastes and preferences are continuously evolving, and as a result of his increased quality of life, so are his expectations.
- **Youthful Shoppers** - Over fifty percent of India's population is young. Students generate income at a very young age. Internet and television usage is increasing.
- They are willing to pay a premium for premium things. They spend the majority of their income on fashion, electronics, and accessories.
- **Greater Income** — As a result of liberalisation, the majority of the population has entered the service sector, and as the number of multinational corporations grows, employment prospects are expanding. Increased rates of consumption result in a gain in income.
- **Urbanization** - Urbanization results in altered consumer behaviour. Also, the local populace is growing more spendthrift than saver.
- **Flexible Financial Options** - Previously, it was challenging to obtain a loan or credit card. Short-term loans and credit cards are now readily available, which encourages Indian consumers to shop.
- **Human Resource** - Retail has not yet become a popular profession. The majority of India's educated class opts for IT, BPO, and financial services. In light of this, the retail business has a dearth of trained personnel.
- **Inadequate Infrastructure** — Inadequate infrastructure in terms of roads, energy, and cold chains impede the pan-Indian supplier network.
- **Tax Rates** — The government is attempting to implement a consistent value-added tax across the states, however several states still have variable tax rates. This makes network establishments more complicated.
- **Lack of Government Land** — Demand for retail market space is becoming a severe issue. It is challenging to discover a property that is desirable in terms of location and size.
- **International Standards** - India has more than 5 million retail outlets, but it has a long way to go before it reaches international standards.
- **Ineffective Supply Chain Management** - despite the fact that 91% of the sector is unorganised, there is a lack of supply chain management. Effective supply chain management reduces inventory costs, which are then passed on to customers in the form of lower prices.
- **Cultural Diversity** - India does not have a unified consumption pattern throughout the nation. It shifts from state to state. Therefore, merchants must have distinct strategies for various sectors and markets.
- **Retail Frauds** — These include vendor fraud, theft, shoplifting, and inadequate supervision. These are the key difficulties that are difficult to address despite the application of adequate security measures.

V. FUTURE OUTLOOK OF RETAIL BUSINESS

According to the research 'Retail 2020: Retrospect, Reinvent, Rewrite' by Boston Consulting Group and Retailer's Association of India, Retail market size is predicted to double to USD 1.3 trillion by 2020, driven by income growth. The future of the Indian retail market is heavily dependent on the retail industry's capacity to adapt to changing times and technological advancements. In addition, the retail sector will grow in small towns and cities. The Indian populace

is cognizant of domestic and international brands and is learning to be discerning consumers. Consequently, the Indian retail market will expand more rapidly.

VI. CONCLUSION

The Indian Retail Market is the largest of all industries. It is increasing in value. There are several new entrants in this sector, but only select handfuls have survived to enjoy success. Several factors, including government laws, real estate costs, and customer demand, influence the retail industry's condition. However, despite the fact that there are obstacles, the growth is still outstanding. By seizing the available chances, India's retail sector may overcome its obstacles.

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