



Theoretical Insights and Value Orientation on Growth and Challenges of Retailing Prospects in India

Jemson John Vaz

Assistant Professor, Jain College of MCA and MBA, Belagavi

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ABSTRACT:

India's retail industry has done a lot of great things and grown a lot in the last few decades. The Indian retail market is one of the five most valuable retail markets in the world, and it is also one of the retail markets that are growing the fastest. Retailing is the most important part of India's economy, and about 10% of its GDP comes from it. There are organized and unorganized parts of the Indian retail industry. Retailing is growing quickly, which means that customers are moving from unorganized to organized sectors. This is mostly because consumers' habits and tastes are changing. This is because people's incomes have gone up and their lives have changed. The customer knows a lot about the product and services now. He is getting more and pickier about the services he wants from retailers. The more he thinks about it, the more he wants. Customers want to be able to shop, eat, and have fun all in one place. Because of this, retailing in India is growing very quickly. This paper is based on information from other sources. This paper talks about the roles of India's organized and unorganized sectors. It also talks about the current situation, the growth and challenges of the retail industry, as well as the future of retailing in India.

Keywords: Retailing, retail markets, organized sectors, unorganized sectors, consumers' habits

Introduction:

The Indian Retail Industry is the fifth largest in the world, and it is one of the fastest growing industries in India. Retailing in India has done a lot of great things and grown a lot in the last few decades. It is one of the most important parts of India's economy. This is only happening because people are making more money, the middle class is changing how they live, and there are more ways to connect digitally. Each retail company has its own unique strategies and products to keep the business going and help it grow. One of the most important parts of the retail sector's growth in India is the building of mega malls. There are a lot of big players getting into this field and competing to stay in the market. It's not easy to stay in the market, though, so only a few have been able to do so and taste success. Customer is the main reason for this. He rules over the market. Customers now know a lot about how to get some of the products, brands, or services that companies offer. He is getting pickier and more aware about getting the right services, and his expectations are going up every day. So, it is very important to figure out what they really want. There must be a difference between what the company offers and what customers really want. This gap needs to be found, and retailers need to find ways to close it. This will make customers happier, which will lead to more sales. With a share of employment in the country's gross domestic product ranging from 8% to over 10%, the retail sector is India's largest industry. Strong economic growth, changing lifestyles, and positive demographic trends are predicted to drive the retail industry in India to increase by 25% annually. By 2023, it's anticipated that India's contemporary retail sector will be worth between US\$179 billion and US\$302 billion. The retail sector in India is one of the fastest expanding, with revenues estimated to reach US\$ 420 billion and an annual growth rate of 5%. The retail sector in India is predicted to grow by another 7-8% as a result of increasing urban consumerism, rising earnings, and a sharp increase in rural consumption.

India's retail sector is expected to increase at a 9% rate between 2019 and 2030, from US\$ 779 billion in 2019 to US\$ 1,407 billion by 2026, and more than US\$ 1.8 trillion by 2030, according to Kearney Research. In FY20, offline retailers in India, commonly referred to as brick and mortar (B&M) merchants, are anticipated to raise their revenue by Rs. 10,000-12,000 crore (US\$ 1.39-2.77 billion). By the end of 2021, the direct selling sector in India is anticipated to be worth US\$2.14 billion. E-retail has benefited from the pandemic, and a report by Bain & Company in collaboration with Flipkart titled "How India Shops Online 2021" predicts that the market would reach US\$ 120-140 billion by FY26, growing at a rate of about 25-30% per year over the following five years. The third-largest country in terms of e-retailers is India (only behind China, the US). By 2030, it is anticipated that Direct-to-Consumer (D2C) shipments will total 2.5 billion. In the next ten years, the penetration of online used automobile transactions is anticipated to increase by 9x.

The country's e-commerce market is steadily growing. Customers have a wide variety of things to choose from at competitive prices. The retail business is currently experiencing the biggest change ever thanks to e-commerce, and this trend is expected to last for many years to come. Retailers could use digital retail channels to increase customer reach in tier II and tier III cities while spending less on physical estate. Due to an increase in online shoppers in the nation, the online retail business in India is predicted to grow from an anticipated US\$ 55 billion in 2021 to US\$ 350 billion by

2030. By 2024, retail's online penetration is predicted to increase from 4.7% to 10.7%. However, the industry's long-term prospects appears promising, supported by increasing income, favorable demographics, the entry of foreign competitors, and increased urbanization.

Objectives of the study:

1. To understand the concept of retailing in Indian context
2. To study the growth trends of Indian retail sector
3. To identify the challenges faced by Indian retail industry
4. To know the future prospects of retailing in India

Research Methodology:

This paper is based on secondary data

Indian Retail Sector: Current scenario:

The Indian retail sector is growing at a very fast rate, and not just in the big cities and metros, but also in tier II and tier III cities. Changing demographics, rising incomes, more people living in cities, and changing consumer tastes and preferences are all things that affect the growth of the retail market. AT Kearney's 2017 Global Retail Development Index (GRDI) says that India is at the top of the list of 30 developing countries in the Retail Sector and got the first place. Indian retail is the fastest-growing market in the world because of the country's 1.2 billion people and its growing economy. It makes up about 10% of its Gross Domestic Product (GDP) and employs 8% of the people who work there. The retail market in India is one of the top five in the world. By 2020, the Indian retail market is expected to grow by 60% and reach USD 1.1 trillion, thanks to factors like rising incomes and changes in the way the middle class lives. In 2017-18, the Retail Industry grew at a compound annual growth rate (CAGR) of 13%, reaching USD 950 billion. The Indian retail market is split into the "Organized Retail Market," which is worth USD 60 billion and makes up only 9% of the whole market, and the "Unorganized Retail Market," which makes up the other 90% of the market. The Indian Retail Industry Analysis Report (January 2019) predicts that the demand for retail space will rise by 81% to 7.8 million sq. ft. in 2018. As a kind of single, unified tax system, goods and services tax is being put in place. With the help of financial houses, banks, and retailers, financial development is allowing consumers to buy durable goods with credit, and the total amount of foreign direct investment (FDI) in retail has reached USD 1.42 billion from April 2000 to June 2018. The Indian government has approved 51% FDI in multi-brand retail and 100% FDI in single-brand retail under the automatic route. This is expected to help ease of doing business and Make in India, and the government also plans to allow 100% FDI in E-Commerce.

Retail Classification:

Retail Industry is classified into two categories namely Organized and Unorganized Retail:

- **Organized Retail:** Retailers who want to be part of an organized retail industry need to get a license to do business and sign up for organized retailing. Here, things like shopping, eating, and having fun are all in one place. It is also called "modern retailing," and it includes shopping malls, malls with multiple floors, and supermarkets that offer a wide range of products and different brands of the same product that vary in quality, price, and shopping experience. Organized sector refers to any retail chain with more than two stores that is run by professionals and has clear accounting, a well-run supply chain, and centralized quality control. It is built on the idea of unity.
- **Unorganized Retail:** Unorganized Retail Industry is a term for small shops that aren't supposed to be there, like kirana stores, general stores, and other small shops. It is also called "traditional retailing," and its stores are only in local or regional areas. However, these stores are very competitive. Most of the time, these stores don't pay taxes, and most of them aren't even set up to pay sales tax or income tax. Small stores are easy to run and don't need a lot of space, people, or money to get started. It is based on the idea of a single product and has a small number of products. Sometimes, the price of a product is set by looking at the customer's face and how well they know the business. But in many developing countries, most of the retail business is done in a way that isn't organized.

Various Retail Formats in India:

- Supermarket/Hypermarket – It is self-service shop that offers a wide variety of food, beverages and household Products.
- Shopping Malls – It is a modern form of shopping, a large retail complex containing a variety of stores.
- Departmental Stores – It is a retail establishment offering a wider range of consumer goods in different product categories known as department.
- Convenience Stores – It is a small retail business that stocks a range of everyday items.
- Mom and Pop Stores – It is family owned business – a small independent and controlled by family with minimum amount of employees.

- E-tailing – Electronic Retailing for any business to consumer transaction that takes place over the internet
- Discount Stores – Retail shops in which products are sold at lower prices as compared to typical market price.
- Specialty Stores – It is a shop that caters to one specific retail market or it focuses on selling particular product range
- Vending – An automated vending machine provides items such as snacks, beverages and lottery tickets etc.
- Category Killer Store – It is retail chain store that is dominant in its product category and generally offers low prices.

Growth of Retail Industry in India:

The Indian retail market makes up about 10% of the country's GDP and 8% of its jobs. By 2023, it is expected to grow by 6% and reach USD 1.9 trillion. India's modern retail market is expected to grow by USD 133.25 billion in 2021 and double in size over the next three years. According to a T. Kearney report, India is number one on the Global Retail Development Index for 2017. The retail market is expected to grow by USD 1.6 trillion by 2024, and the luxury market is expected to grow to USD 50 billion by the same year. The Indian E-commerce market is expected to reach USD 200 billion by 2026, according to a report from the India Brand Equity Foundation (IBEF). The sector's income went from USD 39 billion in 2017 to USD 120 billion in 2020, which is a growth rate of 51%, the highest in the world. The report also shows that the Indian E-commerce industry is growing quickly, and that by 2034, it is likely to be bigger than the US E-commerce market. In India, online shopping is expected to grow from 9% in 2017 to 18% in 2021. Global retailers like Wal-Mart, GAP, Tesco, and JC Penny are getting more of their goods from India. By 2025, India is expected to be the third largest consumer economy in the world, with USD 400 billion in consumption. The growing number of foreign and private players in the Indian retail market has helped it grow and do great things.

Government Initiatives:

The Indian government has launched a number of efforts to boost the country's retail sector.

Following is a list of some of them:

- The PLI scheme for textile products was approved by the government in April 2022 with an approved financial outlay of Rs. 10,683 crore (US\$ 1.37 billion) over a five-year period with the goal of improving India's manufacturing capabilities and promoting exports.
- To hasten the implementation of digital payments in the nation, the RBI announced plans for a new framework for retail digital payments in offline mode in October 2021.
- The Andhra Pradesh government released its retail parks policy 2021-26 in July 2021, expecting to seek an investment in retail of Rs. 5,000 crore (US\$ 674.89 million) during the following five years.
- In an effort to allow E-commerce businesses and overseas retailers to offer Made in India consumer goods, the government may relax the Foreign Direct Investment (FDI) laws in the food processing industry.
- The Government of India has made it clear what the current operations of E-commerce companies functioning in India are by allowing 100% FDI in online retail of products and services via the automated route.
- The retail and wholesale trades were declared MSMEs by the MSME Minister.
- Under the RBI's recommendations, lending to the retail and wholesale sectors would henceforth be prioritized.

Challenges faced by Retail Industry in India:

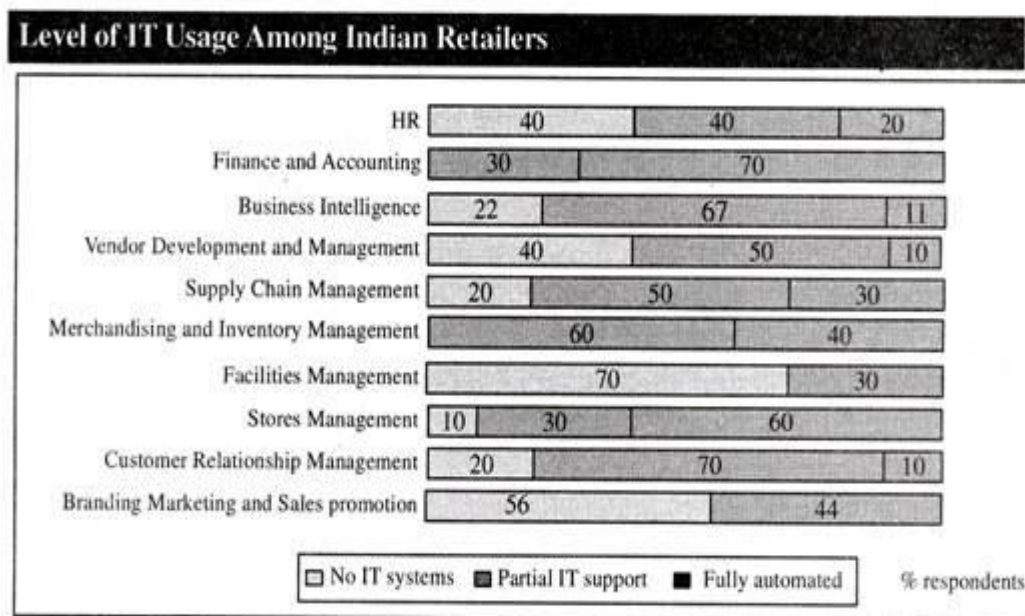
To prevent store loss, a lot of big stores have set up centralized control structures. Most centralized systems have only a few investigators on each floor, who are usually hired on a contract basis. The retail store's loss prevention manager comes next. This person is in charge of the loss prevention department. Most of the time, these managers are former workers who have enough experience in the same field. In centralized stores, the head office prefers to hire ex-military or ex-police officers with a lot of experience preventing theft to work as regional security officers. The Indian retail industry is having trouble with loss investigation because, first, state governments don't have clear rules and, second, there aren't enough qualified people to do the job. Some stores have changed the name of their "Loss Prevention" department to "Asset Protection" Asset protection departments usually hire private security companies that use more obvious ways to keep an eye on things, like security guards in uniform standing outside of retail stores.

Following are the common challenges faced by Indian retail industry:

- i. Lack of experienced personnel
- ii. Lack of support from government machinery
- iii. Shortage of training to security guards
- iv. Wage associated with entry level investigators is insufficient

- v. Even compensation scale at manager level is not sufficient as retailers consider loss prevention department as an expenditure rather than human asset.
- vi. Loss prevention staff sees themselves as being pro-active, whereas security agencies are usually reactive in nature.
- vii. The use of IT applications in managing retail activities is quite negligible. The level of bar-code usage is also largely due to retailers' initiatives of printing these codes at their warehouses, unlike in developed countries where all the suppliers print bar codes.

Figure 15.3
IT Usage in Indian Retailing



Above image showing IT usage in Indian retailing

Because of this, there aren't enough people to investigate and catch shoplifters safely. Also, security guards think that the possible consequences of an investigation and detention are not worth their near-minimum wage, so they sometimes ignore, quit, or don't want to make a detention, or, even worse, they do something dishonest themselves.

Future prospect of retail industry:

A report by the Boston Consulting Group and the Retailer's Association of India called "Retail 2020: Retrospect, Reinvent, Rewrite" shows that the retail market is expected to double in size to USD 2.7 trillion by 2023. This growth will be caused by rising incomes, more people living in cities, and changing tastes. The future of the Indian retail market depends a lot on how well retailers can adapt to changing times and new technologies. And the retail business will grow in cities and small towns. People in India know about both national and international brands and are learning how to be good consumers. And because of this, the Indian Retail Market will grow faster.

Conclusion:

The Indian Retail Market is the biggest of all industries. It's getting better. A lot of people are getting into this market, but only a few have been able to stay and do well. The state of the retail industry depends on things like government rules, the price of real estate, and what customers want. But even though there are problems, there is still a lot of growth. The challenges in India's retail sector can be overcome by taking advantage of the opportunities that are there. The entire shopping experience has undergone a transformation in India as a result of the shift in consumer purchasing habits. Given the abundance of multi-story malls, enormous shopping malls, and expansive complexes that provide dining, shopping, and entertainment all under one roof, it is clear that India's retail industry has advanced. A significant demand for real estate is being produced as a result of the aggressive expansion of the Indian retail sector. Expanding into new areas and increasing the number of their stores in a city are the favored methods of expansion for Indian retailers.

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