



Review of Opportunities and Challenges in the Indian Retail Industry

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ABSTRACT

Over the past decades, the Indian retail industry has seen significant change, with a noticeable move towards retailing as it has grown older. Prominent domestic companies have entered the retail market with long-term, ambitious goals to grow their operations throughout regions, cities, and formats. It compares different aspects of the retail sector. In the Indian economy, the retail sector is the one that is growing at the fastest pace. India is quickly becoming one of the most promising markets for domestic and international merchants, because of its expanding economy, improved income dynamics, increased awareness, and consumer base largely composed of young people. In this paper, the key drivers influencing the expansion of the Indian retail markets are identified, the key elements impacting the retail industry is examined, and a strategic analysis of opportunities and challenges of the retail sector is conducted. A retailer's success mostly depends on their retail location, managerial style, and use of appropriate promotional initiatives to increase the efficacy of their business.

Keywords: Retail Industry, organized retail, unorganized retail.

Introduction

Retail is when products and services are sold to customers. A retailer buys products in bulk from producers, either directly or via a wholesaler, and then makes money by selling them to customers in smaller quantities. Retailers are the last link in the supply chain that connects manufacturers and customers. The Indian organized retail market has grown significantly in the past several years. Over the past years, many corporate groupings have emerged, including some resurrected ones like Bharti Airtel, Reliance, and Aditya Birla to establish a grip, indicating future expansion in the times ahead. Additionally, Foreign businesses are also interested in the organized retail industry. (Dalwadi, R., Rathod, H. S., & Patel, A. 2010). The retail sector is one of India's main industries and a major employer of labour. As of 2021, there were 1.2 million e-commerce transactions every day. By 2030, there will be over 500 million e-commerce users in India, up from 350 million in 2020. The gross merchandise value (GMV) of the e-commerce sector is expected to reach US\$ 350 billion by 2030. With almost 14 million stores, the Indian retail market has the greatest number of retail locations worldwide. (Sinha and Uniyal 2005). Largely composed of independent, owner-managed small businesses, India's retail sector is highly disorganized. But, as new forms replace established shops, the Indian retail industry is undergoing a significant overhaul. These contemporary retail formats offer a great shopping experience by combining entertainment, merchandise, and services under one roof, giving shoppers access to a wide range of options. The modern Indian customer is looking for greater value in the form of competitive pricing, trial rooms for apparel, financing options, better availability, quality, pleasant shopping environments, and return and exchange policies. This has made it possible for organized, contemporary retail forms to develop quickly and emerge in recent years. The introduction of organized retail stores in various regions of India is one of the significant changes that occurred following liberalization. Many major Indian industrial houses, including Reliance and Tatas, opened large retail locations around the nation, although others, like Nilgiris and Spencer's, had been around for a long time before the liberalization period.

Evolution of retail in India

In India, the retail industry, one of the largest in the world, is undergoing drastic change. The entry of this new player in the Indian retail market indicates the start of a change in the industry. Throughout the coming years, India's retail market is anticipated to expand significantly. The inception of mom-and-pop stores and Kirana stores in India might be considered the birthplace of retailing in the country. In the past, the locals were served by these establishments. With the assistance of the Khadi & Village Industries Commission, numerous indigenous franchise businesses emerged and the government eventually backed rural retail. In the 1980s, when the economy opened up, retailing transformed. Retail chains were initially developed by a small number of textile enterprises, such as Bombay Dyeing, S Kumar's, Raymond's, etc. Afterward, Titan entered the organized retail space by opening showrooms. New competitors eventually transitioned from production to pure retailing.

Before 1995, the market was penetrated by stores like Food World in FMCG, Planet M and Music World in music, and Crossword in books. Urban areas saw the emergence of shopping malls, which provided consumers with an exclusive experience. Supermarkets and hypermarkets eventually appeared. The industry was evolving due to constant improvements in back-end operations, technology, supply chain management, distribution channels, and other areas. Eventually, this resulted in increased consolidation, mergers and acquisitions, and significant expenditures. The majority of the retail industry in India is unorganized. The organized sector's primary obstacle is the unorganized sector's rivalry. In India, unorganized retailing has existed for many years. Generational familiarity with consumers is the primary benefit of unorganized retailing. They are primarily run by proprietors, have very little labour and real estate costs, and pay little in taxes, making them a low-cost structure. India's organized retail industry is relatively tiny, but it has a lot of potential. Since the internet's inception, the retail sector has experienced remarkable growth as a result of economies of scale and the expansion of commerce at both the B2B (Business to Business) and B2C (Business to Consumer) levels across national borders.

Objective of the Study

As was previously noted, organized and unorganized retailing make up the majority of the Indian retail market. The term "organized retailing" describes the trade activities carried out by licensed retailers, or those that are registered for income tax, sales tax, and other taxes. These retailers include major retail firms that are privately held as well as corporately supported hypermarkets and retail chains. Conversely, unorganized retailing describes the conventional low-cost retailing formats, such as neighbourhood grocers, convenience stores, owner-manned general stores, hand carts, and pavement sellers, etc. As of 2019, the unorganized sector held an 88% share of the retail industry in India. This was true even though organized and online retailing had both experienced recent substantial growths. With a larger percentage of organized retail and a rise in online retail, this share was predicted to drop to 75% by 2021. (A. Minhas, 2022) Therefore, this study aims to review the opportunities and challenges that are faced by traditional and unorganized shops.

Review of Literature

Kumar Ravi and Devi Anita (2016) This study aimed to assess consumer attitudes regarding organized and conventional retail outlets and the efficacy of point-of-purchase displays and advertisements in these types of establishments. The authors used stratified random sampling to choose 200 respondents for their sample. They used the z test to examine the efficacy of point-of-purchase displays and advertisements in organized and conventional retail stores, and they used descriptive analysis to examine how customers felt about these types of establishments. It was discovered that there is little distinction between how consumers view organized and traditional retail stores. They also concluded that organized retail establishments had better point-of-sale displays and advertisements than regular retail establishments.

R Shashikalar and J Gangatkar (2015) In this study, the authors made an effort to contrast and compare how customers view grocery stores and improvised shops. They conducted research on grocery stores and supermarkets in India, especially in Bangalore city. They put the theory in words. A sample of one hundred respondents was selected. Techniques for convenience sampling were used. They discovered that more crucial variables than services, ambiance, shop image, variety, and availability are grocery quality, affordability, closeness, and hygiene.

Hameed (2015) In this study, the author aimed to find the factors that influence consumer satisfaction in organized retail establishments. Accessing consumer attitudes, loyalty, contentment, and behaviour towards retail stores and the future of organized retail outlets was the other goal of the study. A sample of 52 customers was collected, using convenience sampling methods. To gather primary data, a closed-ended structured questionnaire was employed. The authors used the z-test and statistical mean to analyze the data and then they presented the theory. They discovered that a high degree of happiness requires a favourable store layout, and a high degree of loyalty requires a brand that prioritizes building relationships with customers. They also discovered that friendly employees and shorter lines have a positive impact on the accuracy and quality of services.

Muhammad Arslan, Rashid Zaman GRIN Verlag, (2015) The purpose of this study was to ascertain how consumer purchase intention is influenced by brand image, service quality, and pricing. Purchase intention among consumers is indirectly impacted by normative and informative susceptibility. The data for this empirical analysis was collected from 301 large retail store customers. The results of the study show that customer purchase intention is positively impacted by brand image and service quality. The findings of the study show that there is little correlation between price and consumer intention to buy. The results also showed that customers don't mind paying high costs in big-box retailers since they think the pricing is fair. The majority of consumer purchases are influenced by the quality of the services and the brand. Positive effects on brand image are attributed to normative and informative susceptibility.

Mehra, S. and Moonis, S. (2014) In this study, the author tried to identify consumers in their survey, while store preference has been the focus of a lot of research in developed markets. According to the study, the Indian retail industry was quite disorganized and fragmented until the last ten years. Numerous international merchants ventured into the Indian market, setting up shop all around the nation alongside Indian retailers. With different retail dimensions, such as merchandise offerings, variety of services offered, value for money, problem-solving attitude, visual merchandising of the store, the glossy ambiance of the store, proximity, and overall feel, both organized and unorganized retail formats aim to attract customers.

Prof. Singh, Kalpana. (2014) In this study, the author examined the long-running discussion around the government's proposal to permit 51% foreign direct investment (FDI) in multi-brand retail. This has drawn interest in Indian retailing from a variety of sectors, including academia, business, and research institutions. In light of recent policy changes by the Indian government, the report also discusses the prospects and new challenges that are faced

by the Indian retail industry. There may also be some macroeconomic effects on the prospects of the Indian retail market. Increased employment is also anticipated as India's retail sector grows in the future.

Sushma Rani (2013) According to this study, around the world, the retail industry has significantly increased the production of consumer goods and services. The current projected valuation of the Indian retail industry is \$500 billion. India has enormous potential for growth and opportunity in the retail sector, since it is home to one of the top five retail markets globally. In this booming economy, organized merchants have a lot of space to grow. The author also found that according to a recent study, India is the top destination for retailers looking to enter an attractive emerging retail market, making it a potential goldmine for retail investors from all over the world. Several businesses are entering the Indian retail market, making it one of the fastest-growing and most dynamic sectors. With each passing day, the retail sector in India is getting closer to being the next big thing.

Rajesh Faldu (2012) According to this study, fashion drives the retail industry, so a participant must closely monitor teen fashion since they establish the trends. It was necessary to create a profile of retail customers based on the growing number of people, particularly males, who are fashion-conscious and who view shopping as a leisure activity rather than a place to purchase. Malls and megastores are becoming popular hangouts. Measuring consumer satisfaction in organized sector retailers is becoming increasingly relevant due to the proliferation of these stores. Customers place more value on the retail setting of a formal merchandise business than they do on a casual merchandise store. The purpose of this study was also to determine the characteristics of retail consumers and gauge their degree of satisfaction with current retail establishments, with a particular focus on the Indian retail industry.

Arun Kumar, G, Shivashankar, K.C and Dr. S.J. Manjunath (2012) According to this study, Historically, the retail industry in India has been unorganized, with shopkeepers lacking the resources and motivation to grow or change. Indian consumers, who view shopping as a leisure activity and take pleasure in the excitement of finding discounts and bargains at their own pace, would likewise never support retail. Organized retailing has emerged as a result of the Western mindset of indulgence, splurging, and shopping till you drop. About 94% of the market share in India is held by unorganized retailers, while Organised retailers control the majority of the market in most of the other nations.

Deepika Jhamb and Ravi Kiran (2011) According to this study, in India, the retail sector is one of the most important industries and a major job creator. The analysis demonstrates that the main forces behind organized retail in India are changes in customer demography, economic growth, and infrastructure. The author has also demonstrated the potential and strengths of organized retail in India, including the younger demographic, innovative retail formats, growing consumer awareness, and product innovation. However, some of the dangers and vulnerabilities facing the Indian retail business include changing demographics, declining markets, expensive real estate costs, and rising pricing competition among retailers. For the retail sector in India to succeed, retailers must act quickly to neutralize threats and exploit weaknesses.

Anil Kumar, Piyali Ghosh, and Vibhuti Tripathi (2010) According to this study, the astonishing rise in supermarkets, departmental stores, and hypermarkets throughout India is indicative of the retail industry's amazing expansion. However, the shadow of the present economic downturn has cast doubt on this unexpected development trajectory, raising concerns about a decline in consumer spending and a slowdown in the expansion of Indian organized shops. Retailers who can meet the needs of the discriminating consumer and foster client loyalty will be successful. Retailers should design their stores with features that will satisfy customers' expectations and encourage them to make in-store purchases.

Pratibha Goyal, Mini Goyal, and Sukhjeet K. Saran (2009) According to this study, in recent years, the retail sector in India has provided youth with a plethora of career prospects. In some product categories, such as food and groceries, cosmetics, kid's products, jewellery, home décor, and clothing, women employees are the preferred choice. Since women can stay in the service business longer than men, young, intelligent women with excellent communication skills are seen to make superior employees. Because standing all day at the mall is so exhausting, the majority of them hope to pursue occupations that involve desk work in the future.

Conclusion

The retail industry has a lot of unrealized potential, but it also requires a significant financial commitment from newcomers to the nation. India is predicted to rank among the top retail economies in the world by 2050. Thanks to its larger market, skilled labour pool, and reasonably priced raw material supply. This industry shall contribute to significant employment in the future. With several competitors joining the market, the retail sector in India has become the fastest-growing business in the country. However, because other start-up investments must compete with other businesses that have a break, none of this has yet proven profitable. The retail sector in India is gradually rising to the position of the next fastest-growing sector. The government and retail industry must take a balanced stand. It must have a significant impact on how the future is shaped. Even while tradition is significant to the retail industry, its flaws and inefficiencies must be addressed, and that is precisely what is taking place.

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