

## UNIT-IV

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### RETAILING IN INDIA:

Retail is India's largest industry, accounting for over ten percent of the country's GDP and around eight percent of employment. Retail in India is at the crossroads. It has emerged as one of the most dynamic and fast paced industries with several players entering the market. However, the future is promising; the market is growing, government policies are becoming more favorable and emerging technologies are facilitating operations .

Retailing in its initial period was witnessed at the weekly haats or gatherings in a market place where vendors put on display their produce (goods). Of course, this practice is still prevalent in many towns and cities in India. Then the market saw the emergence of the local baniya and his neighborhood kirana shop. These were the common local mummy-daddy or multipurpose departmental stores, located in residential areas. Such shops stocked goods with multipurpose utility and were built with the vision of providing convenience at the doorsteps.

The changes in the organised retail industry is visible in the form of new retailing formats, modern techniques, exclusive retail outlets, emergence of retail chains, etc.,

### IMPORTANCE OF RETAILING:

Retailing has mirrored the increasing prominence of the retail industry. Retailing provides necessary service and a positive contribution to the economy. The importance of retailing is given below:

1. Retailing shapes the lifestyle of people
2. Retailing contributes to the economy.
3. Retailing dominates the supply chain
4. Retailing is interdisciplinary
5. Retailing offers itself as an academic course.
6. Retailers have status as employers.
7. Retailers are gate keepers within the channel of distribution.
8. Retailers have scope for expanding internationally.

#### **1. Retailing shapes the lifestyle of the people:**

Retailing is an integral part of the modern society. It shapes the way of life. In the past, trading of goods was a part of a traditional society. But in recent times, buying and selling of goods have become a brand dominated activity.

#### **2. Retailing contributes to the economy:**

The importance of retail sector is reflected in its contribution to the growth of an economy. Its contribution is much more visible in the modern era than it was in the past. As the retail sector is linked to the significant portion of the economy, its contribution to GDP is substantial. Retailing is the driving force of the economy. It aims at promoting its sustained growth.

### **3. Retailing dominates the supply chain:**

Goods and service flow from manufacturers or service providers to consumers. Where consumers are large in number and are widely distributed, the role of retailers becomes crucial. Retailers serve as a connecting link between the wholesalers and consumers. Due to its dominant position in the supply chain, the retail structure has steadily developed over the years. Now-a-days, retailing is characterised by large multiple chains rather than small scale independent retailers. The formalisation and growing importance of retailing has made it powerful in the distribution channel.

### **4 . Retailing is interdisciplinary:**

"The pace of growth within retailing is accelerating. Retailing has emerged from a number of interrelated disciplines Such as geography, economics, management and marketing.

### **5. Retailing is acknowledged as a subject area in its own right:**

Potter has described the academic study of retailing as the "Cinderella of the social sciences". Retailing is an accepted area of academic debate, such as marketing and management, developed fully as an area of study. University research centres focus on retailing and professional appointments in retailing have been made. Academic journals focusing on retailing are being published worldwide.

### **6. Retailers enjoy status as major employers:**

In today's society, retailers are the major employers. It is estimated in developed countries that retail industry employs one in nine of the workforce. Retailers employ a significant proportion of the overall workforce. More than two thirds of the retail force are women. Also, more than half of retailing employees are employed on a part-time basis. This highly flexible workforce is capable of adapting to the differing labour demands. In the past, retailing employees got lower pay and had longer working hours. But now, the retail sector is becoming more organised with better pay scale.

### **7. Retailers are gate keepers within the channel of distribution:**

Retailers are becoming increasingly important in their role as gate keepers within the channel of distribution. In the past, suppliers were dominant. Retailers supplied the merchandise that was on offer and consumers selected from them. As retailers have become significantly powerful, they are able to influence suppliers and stock only the brands they wish to sell. So, consumers are able to buy only what is stocked and offered to them by the retailers. Retailers are thus considered as shaping consumer demand.

### **8. Retailing has scope for expanding internationally:**

Retail internationalisation is defined as follows: "The management of retail operations in markets which are different from one another in their regulation, scope, social conditions, cultural environment and retail structure." Retailing offers scope for shifting retail operations outside the home market. Retailers who focus on luxury goods markets are expanding their business internationally. Retailers are moving into more geographically and culturally distant markets.

## **FACTORS INFLUENCING GROWTH OF RETAILING**

The factors influencing the growth of retailing across India are examined. Economic growth, growing middle class, demographics, the changing family structure, consumption pattern, urbanization etc. are some dominant factors fuelling retail growth.

### **1. Economic Growth :**

The huge population in India has made it a large market. The low purchasing power of people from 1950 to 1980 was responsible for limited investments in industries. In the post liberalization period, the economic reforms implemented took consumerism to a new level. With restrictions on private companies lifted, in the 1990s economy gradually became market friendly. The potential of the country in terms of size of population and steady economic growth in the past decade is favourable to retailing.

### **2. Growing Middle Class:**

The building up of the Indian Middle Class and higher income echelons will step up the demand for niche and branded products. People spend a bulk of their income on food and convenience goods. For them, goods considered luxurious once are becoming necessities. Given their massive spend on food and non-food items new categories of goods have appeared in retail trade.

### **3. Demographics:**

Indian demographics have paid dividend to retail trade. India is a very young nation. 70 per cent of its population is below the age of 40. The young Indian youth are possibly venturesome buyers. They are the first to adopt innovative goods. This new wave of consumer demand coupled with economic liberalization Continues to generate trade opportunities.

### **4. Changing Family Structure:**

The increased women employment has redefined the buying behaviour. In addition to an increase in the family income, the economic independence of Women has increased. As a result, their social behavior has redefined family's Consumption and spending pattern. New kinds of products and services are much in demand. The purchasing habit of a working woman is different from that of a housewife. The former has lesser time to devote to the household chores. Working women prefer one-stop shops for buying regular products. The propensity for spending is higher for working women. This drives the need for convenience Modern retail formats in the country benefit from changing family structure.

### **5. Consumption Pattern:**

Expansion of media has made a significant change to the way the consumer lives and spends his money. Luxury goods gain easy acceptance. Today's youth have the spending power and they are willing to experiment with the mainstream fashion. As income rises, millions of deprived households move into the aspiring segment. They begin to afford products and services beyond food and clothing Consumers spend more on discretionary items than on necessities.

### **6. Urbanisation:**

Urbanisation has increased at rapid pace. The urban population is ever increasing. The pace of urbanization is expected to increase further. Urbanisation is characterised by

a growing portion of population living in cities. Towns and cities are ideal places for promoting consumer products and retail.

#### 7. **Changing Consumption Pattern:**

The way the consumer lives and spends his money has changed enormously. Increased services have made the new opportunities available to the youth. Today's youth have the spending power. Their willingness to experiment with the mainstream fashion and their easier acceptance of luxury have made a significant change to the consumer's spend. Marketing strategies are evolved in tune with changing aspirations and spending patterns of buyers.

#### 8. **Reasons for Urbanisation:**

Urbanisation is a process characterized by a growing portion of a living population in cities. The pace of urbanization is rapid. Movement of to urban in people from rural search of opportunities never ends. A new class of people living in "ruurban" have more disposable income than ever before. Nuclearization of families in urban culture has promoted discretionary spending. Taking advantage of these factors organized retail in the country augers well.

### **MAJOR RETAILING SEGMENTS INDIA**

The retail scenario in India is unique. Much of it is in the unorganized sector with over 12 million retail outlets of various sizes and formats. Almost 96% of these retail outlets are less than 500sq.ft. in size, the per capita retail space in India being 2sq.f. compared to the U.S. figure of 16sq.ft. India's per capita retail space is thus the lowest in the world. with more than a outlets per 1,000 people. India has the largest number in the world. Most of them are independent and contribute as much as 94% to total retail sales.

Table : Major retailing segments in India

Segment	Composition	Size(Rs)	Key players
Food and grocery	Fresh groceries,branded Food packaged foods, personal hygiene products and   Fresh toiletries, unprocessed groceries	Total- 12,00,000 crore Organized - 5,000crore	Food Bazaar, Subhiksha, Reliance Fresh
Food Services	Fast food cafes, Services restaurants locations offering catering services	Total 57,000 crore Organized -3,940 crore	McDonald's, KFC, Jumbo King, Barista,Café Coffee Day
Clothing and Textiles	Fabric manufacturers and readymade garments	Total- 1,13,500 crore Organized-21,400 crore	Arvind Brands, crore Madura Garments, Raymond's, Park Avenue
Consumer Durables	Televisions, refrigerators, washing	Total- 41,500 crore Organized - 4,300	Strong regional players,-Videocon Plaza, BPL Gallery,

	machines,air conditioners and microwaves		Vijay sales
Footwear	Footwear for men, women, and children	Total 13,750 crore, Organized - 5,200 crore	Bata, Metro Shoes, Lakhani, Adidas, Reebok
Jewellery	Mainly, Gold Jewellery and Diamonds	Total - 52,000 crore Organized - 1,450 crore	Tanishq, Gili
Books, Music, and Gifts	Various books, music, and gifts	Total 11,500 crore Organized- 1,450 crore	Land Mark, crore crossword, Higginbothams, crore Oxford Bookstore

Because of the increasing number women of nuclear families, growing size of the working segment, greater work pressure and increased convenience has commuting time, become a priority for Indian consumers. They want under one roof for everything easy access and multiplicity of choice.

The growth and development of organized retailing in India is driven by two main factors lower prices and benefits the consumers cannot resist. According to experts. economies of scale drive down the cost of the supply chain, allowing retailers to offer more benefits to the customer. India is evolving rapidly into a competitive marketplace with potential target consumers in the niche and middle class segments. The market trends indicate tremendous growth opportunities. Global majors too are showing a keen interest in the Indian retail market. Over the years, international brands like Marks & Spencer, Samsonite, Lacoste, McDonald's, Swarovski, Domino's, Shoprite, LeMarche, among a host of others have come into India through the franchise route consequent to Foreign Direct Investment (FDI) restrictions in the retail sector in India. Large Indian companies like Reliance Retail, A.V. Birla Retail, Essar Telecom Retail, Future Group, Shoppers' Stop Group, Tata, Goenka among many others like Wadhawan, DLF, etc., are investing heavily in this industry.

Organizations ready to take on the challenge can leverage the opportunities offered by a population of more than 1.2 billion. The prospects are very encouraging Buying behavior and lifestyles in India too are changing and the concept of "Value for Money" is fast catching on in Indian retailing. This is evident from the expansion of the Pantaloons chain earlier into a large value format, Big Bazaar, and the entry of new discount stores in food and grocery retailing, Subhiksha and in value apparel retailing, Vishal Megamart. India's large rural population has also attracted the attention of large organizations which are on a diversification mode.

## **RETAIL AS A CAREER:**

Retailing offers many choices in terms of a career. Chief among them are outlined below.

### **1. Buying and Merchandising**

Merchandising and buying is a combination of art and statistics. The merchandise to be sold in the store is to be sourced from vendors and manufacturers. This career involves selection of vendors, costing of merchandise procured allocation of merchandise to the stores, developing distribution plans and calculating gross margins. Extensive travelling is needed to locate vendors and exclusive merchandise for the retail stores.

### **2. Marketing**

Marketing functions may be centralized in retailing. There are different departments like advertising, sales promotion, and public relations. Customer buying patterns are to be understood to develop strategies for marketing components like advertisements, websites, store signage etc. Depending upon the size of the retail unit, various functions may be concentrated by one department or would be divided into various combinations.

### **3. Store Operations**

Retail positions include Head of store operations, Regional manager and District manager. Responsibilities include managing staff functions like loss prevention and human resources. Professionals are responsible for a department, floor, the entire store or group of stores. Stores managers should be capable of leading and motivating employees.

### **4. Sales**

Sales are considered as a part of store operations. Sales positions include sales associate, cashier, store stock associate and stock receiver. A sales staff is to serve customers on the selling floor. Front end sales staff may receive to serve merchandise into the store, count it and display it on the store shelf. They need the ability to deal with people, flexibility and the ability to work in teams.

### **5. Finance**

All accounting and treasury functions like accounting for income, paying expenses, compiling and maintaining financial records, money management and cash flow control, banking, Investment and credit lines are the finance retail career area. The responsibilities of this department also include auditing of stores for merchandise and money.

### **6. Human Resources**

In retail, human resource functions range from recruiting and hiring employees to identifying training needs at various levels within the organization and then designing and implementing the programmes.

## 7. E-commerce

Retailing is technology aided. Careers in this department may include data processing within the chain, systems design, programming, computer operations and information systems. Systems development would be responsible for programming one segment of the business such as merchandising, finance or logistics. In e-commerce segment, individuals are responsible for strategy development, procurement of merchandise and the fulfillment of orders and payments as specified areas.

## 8. Visual Merchandising

Visual merchandising involves creating a look of the store. Visual merchandisers take care of the total merchandise, service presentation, the overall business image and the placement of design elements. The competition has forced the retailers to differentiate them from competitors.

## 9. Supply Chain Management and Logistics

. A career in supply chain management involves analyzing and negotiating contracts With suppliers manufacturers and distributors, capacity and production planning, resource allocation and scheduling the transportation of product or service to its final destination.

### **CHALLENGES TO RETAIL DEVELOPMENTS IN INDIA:**

The growth of organized retail is still slow. Reasons for this slow growth are given below

#### **(i) Lack of recognition as an industry:**

Retail in India is not yet recognized as an industry. Existing and new players need financial support for their growth plans. Since they lack recognition, finance available to them is highly inadequate.

#### **(ii) Exorbitant cost of real estate:**

Real estate prices in Indian cities are high. The lease or rent of the property is a major expenditure. High lease rental eat into the profitability of retail projects.

#### **(iii) Legal hurdles:**

Indian retail faces legal hurdles in many respects. For example, very high stamp duties on transfer of property. Tenancy laws are pro-tenant. Eviction of tenant is difficult. Land use conversion is not easy. The legal process for settling property disputes is time consuming.

#### **(iv) Inadequate infrastructure:**

Countries with adequate infrastructure are considered as good investment destination. Poor roads, lack of cold chain infrastructure affect food and fresh grocery retail.

#### **(v) Complex taxation system:**

Taxation system prevailing in India is highly complex. Multiple taxes levied and absence of uniform rates across states are viewed unfavorably. Stringent tax procedures and penalization drive tax payers to the extent of calling it tax terrorism. However, with the introduction of VAT in 2005, certain anomalies are likely to get corrected. A uniform GST(Goods and Service Tax) is believed to be a panacea for tax evils.

#### **FDI IN RETAIL ITS BENEFITS:**

The benefit of a large organized retail sector are many. To foster the development. of organized retail, many India has opened its economy to foreign direct investment in retail. In this section, the pros and cons. of FDI in the Indian retail are considered.

##### **1. Farmers can get better prices for their products:**

Lack of adequate storage facilities cause heavy losses to farmers in terms of wastage in quality and quantity of produce. Post harvest losses of farm produce, especially of fruits, vegetables and other perishables are estimated to be substantial. FDI permitted in cold storages would help avoid avoidable wastage. Perishable horticultural commodities can reach distant and overseas markets. Ultimately, farmers will get better prices for their produce.

##### **2. Unnecessary middlemen can be avoided:**

There exists multiplicity of middlemen in the value chain especially in food and vegetables. In organized retail. goods can be procured at farms gate at cheap cost. Benefits of effective procurement may be passed on to consumers.

##### **3. Foreign companies would source most of their items domestically:**

FDI is permitted with preconditions. Foreign companies operating in India would source their items from Indian manufacturers. In a way, both manufacturing and export will get a fillip.

##### **4. FDI can be a powerful catalyst to spur competition in the retail industry:**

Competition is the beauty of market. Consumers gain an upper hand in a competitive market place.

##### **5. Government benefits from greater GDP:**

Improvements in the supply chain, investment in technology, skill development, employment generation, tax income and the like would strengthen the Indian economy. A strong economy always enjoys greater GDP.

#### **Arguments are also put forth against opening up the retail sector to FDI.**

1. It would be unfair without providing a level playing field to the domestic retail trade. FDI in retailing would lead to unfair competition. Being unable to withstand competition, domestic retailers would quit the market. Particularly small family-managed outlets would suffer.

2. Global retail chains would use India as a dumping ground for sub-standard and outdated products.



3. Global players come with deep pockets as it is argued. Initial lower prices would get them competitive edge. After ousting small traders, foreign companies would gain monopoly in the market. They would fix higher prices with their monopoly power.

Benefits of FDI are not automatic. They would not accrue evenly across sectors. FDI benefits could be reaped only through a policy framework and its effective implementation in a transparent manner.