

## RETAIL MARKET IN INDIA

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### ABSTRACT

*The objective here is to ensure a regular supply of real estate by ensuring transparency in dealings. It can be done by ensuring proper rent laws by linking rents to market value, making zoning laws more flexible and ensuring that usage norms take into account both demand and supply without affecting balance both in rural and urban areas and finally ensuring strict and fair enforcement of all the laws.*

*It is clear that consumers have changed and they are looking for something different. Understanding their evolving needs, aspirations and lifestyles is the underlying key to success for any retailer. The primary emphasis should be on access, experience and service and the secondary emphasis on product and price. There should be an effort to improve service by having better trained sales staff, better availability of products, and minor but important conveniences, e.g. delivery of goods either to the car or even home, collaborative advertising and promotion can then round off this effort.*

**Keywords:** - leverages, B2C, (PPP),

### INTRODUCTION

Retail, with total sales of \$ 6.6 trillion, is the world's largest private industry ahead of financial industries \$ 5.1 trillion. It is also home to a number of the world's largest enterprises. Over 50 of the Fortune 500 companies, and around 25 of the Asian top 500 companies, are retailers. The industry accounts for over 8 percent of the GDP in western economies.

A Study by Mc Kinsey states that organized retail accounts for just around 2 percent (out of which modern retail formats accounts for 7 percent of trade) presently is set to grow at exponential exceeding 35 percent. Fitch estimates the current share of organized retail to grow from 2 percent presently to around 15 to 20 percent by 2010.

**Table 1:**

Retail Consumption areas	US \$ billion	Existing Companies in the organized sector
Food Retailing	130	Spencer's, Subhiksha
Clothing & Apparel	12	Spencer's, Reliance Fresh
Jewelry, watches	7	Spencer's

Home Furnishing	5	Home store, Arcus(Spencer's)
Foot wear	1.7	Bata, Woodland
Beauty care	3.6	Health & Glow

Traditionally, most retailers have had very localized operations. This localized nature of the industry is changing as retailers face low rates of growth and threatened profitability at home. New geographies will help them sustain top-line growth as well as permit global sourcing. Profits in retail have steadily been rising and have generated 18 percent shareholder returns between 1994 and 1999. Significantly, retail is also one of the world's largest employers, accounting for instance 16 percent of the US workforce, Poland 12 percent, China 8 percent, India 10 percent and Brazil 6 percent. Factors such as scale in sourcing, merchandising, operational effectiveness and ambience have driven the spread of organized retail.

Grocery, electronics are an example of categories that compete on the strength of better pricing, which is turn, is driven by superior sourcing and merchandizing and cost-efficient operations. Wal-Mart, Home Depot and Kingfisher are bench mark retailers in this field.

In apparel, home furnishing and furniture and the advantage is driven by the marketers ability to provide better products in a comfortable ambience at affordable prices. In these cases sourcing capability has to be backed by strong design capability and store management. IKEA and GAP are good examples of this model of retailing.

Over the last few decades, retail format have change radically. The basic department store and cooperatives of the early 20<sup>th</sup> century have given way to mass merchandisers, hyper markets, warehouse clubs, category killers, discounters and convenience stores. Each of these formats has been driven by marketer's need to offer relevant, distinctive and economic propositions to an evolving consumer base. Global retailers have also reached a position of strength that enables their brand to be leveraged across a wide range of services. Many of them have expanded their offering, over the years to include fuel retail, car retail, convenience services and personal financial services. This has put them in a position where they are not only beginning to capture growth geographical expansions, but also entering large new areas of business. The recent evaluation of the internet has helped further broaden the scope of operation of large retailers. Further, a large number of retailers are pursuing innovative aggregation and supply chain- streamlining initiative using B 2 B technology.

By 2010, the list of India's top 10 retailers will have at least Indian corporate. Retail Marketing will go through a tremendous change in India millennium. It will change India's cities, its people, and its households. The Indian consumer is reportedly the largest spender in Singapore and London. It is, therefore, strange that there have, so far, been few efforts to present the product in the right kind of

environment in India. Indeed, the right shopping experience does induce Indian consumer to spend more. This is evident from the experience of retail-outlets like Reliance Fresh, 6 to 10, Subhiksha, Spencer's.

However, the development of organized retail is dependent on the efforts of several agencies and institutions. The first among these is the government. In a country as big as India and with as many states as ours, it is imperative that the Central Government and all state government bring in Value Added Taxation or a unified taxation system to ensure that the tax-regimes are the same across the country.

The laws governing retail real estate should also be looked into, so that it is possible to develop retail-estate beyond the city-limits. Apart from providing entertainment and retail opportunities, this will also decongest the city center and facilitate the development of suburbs. The relevant rules should also be amended to allow retail-stores to operate 7 days a week, 12 hours a day. Given the hours most urban consumers keep at work, and keeping in mind the increase in the number of nuclear families, this may, indeed, make sense. This will also help people enjoy their evenings, out at malls.

The second group, whose participation is essential in making retail a boom – sector in this millennium, comprises developers. Most properties are developed without considering the end user; thus, we sometimes find high-ceilinged offices and low-ceilinged retail stores. Often, the shopper's convenience is not taken into consideration while the property is constructed.

Another area of concern is the way in which developers sell their space. The only consideration is the price, not the usage pattern or the nature of the product that is to be sold. In contrast, internationally, mall-management is treated as a specialized discipline of retail management. This is what we have to focus on in this millennium.

The third constituency that has a role to play in the fortunes of organized retail this century is the education-sector. Retail is a people-intensive business, and there is a huge opportunity for retail institutes in India.

For manufacturers, retailing's will an attractive opportunity. Organized retail allows them to expose their products to a large volume of customers in an environment conducive to buying. Already, several transnational retail giants have established their presence in Hissar; others, notably Chinese retailers, have visited Hissar and studied the Hissar market. There's a lot at stake here; even so early in the 21<sup>st</sup> century, Hissar is too large a market to be ignored by transnational retail giants.

From the manufacturing company's perspective, the focus should be on producing good products, and forging relationships with organized retail. Manufacturers need to draw a plan of producing quality products and tie in with retailers. Indeed, the birth of organized retail will also engender the creation of private labels and store-brands. Thus, if a manufacturing company lacks the resources to build a brand, it can supply to a retail-chain that has the resources to create a brand of its own.

A glimpse of the last 2 decades of the previous century proves illuminating. Large-format retailing started with outlets like Vivek's and Nalli's in Chennai and Kids Kemp in Bangalore, and, at another level, with manufacturers-retail brands like Bata, Bombay Dyeing, and Titan. The last decade of the millennium witnessed the emergence of lifestyle brands and the plastic culture. Liberalization and increasing awareness of the world around us created the Indian Rupee, who aspired to own everything we saw on TV or in shops during jaunts abroad. New lifestyle brands offered traditional retail-outlets an opportunity to convert themselves into exclusive stores, franchised or otherwise. And even as these developments were taking place, the Indian consumer became more mature. Customer-expectations zoomed.

Thus, at the beginning of the New Millennium, retailers have to deal with a customer who is extremely demanding. Not just in terms of the product-quality, but also in terms of services, and the entire shopping experience. Today, the typical customer who shops in a retail outlet compares the time spent at the check-out counter with that at an efficient petrol station, and the smile of the counter-person to that decorating the face of a Jet Airways crew member. To cope with the new customer, manufacturers have to focus on product quality and brand building. And retailers, in turn, have to focus on the quality of the shopping experience.

## **MATERIALS & METHODS**

There are many factors that affect the flow of visitors to organized retailing outlets and to attract a consistent volume of traffic, it is imperative that the retailer consider them and to ensure that it works. In order to understand what consumers feel about the same a study was conducted among different age group, sex and income? This gave an insight in to the mind of the shoppers.

The data revealed that a holistic approach that gives due importance to each of these factors would be helpful in making these ventures successful.

### **Research Design:**

To know the factors that attract walk-ins to organized retail outlets and to make the best use of that to increase the flow of walk-ins, it was necessary to get the feedback from shoppers too. For this it was decided that the right mode of approach could be a combination surveys which are a mix of exploratory and descriptive research.

### **Construction of Questionnaire:**

Questionnaire with closed ended question was used as the respondents had to give a specific answer to the question. This also made it easier for the respondent to give their opinion without too much time.

### **Sampling procedure:**

The questionnaire was distributed among 100 respondents who were from different age group and income brackets. The procedure for the sampling involved convenience and judgment. The former when the researcher select the most accessible population for e.g. here it could be the college going youths and the latter means members who are good prospects for accurate information which for this study could be visitors at a store.

### **Research Methodology:**

#### **Objective of the study:**

1. To understand the factors that influence shoppers to visit organized retail outlets.
2. To find out ways to leverage factors so that there is an increased flow of walk-ins into these organized retail outlets.

### **Pilot Study**

Pilot study is the preliminary study which is a prelude to the main work undertaken to have an understanding of the overall business scenario. This is done by studying the available literature related to retailing in Hissar.

### **List of the information and secondary data used:**

Various articles on retailing in Hissar published in magazines, newspaper supplements and editorials were used to provide a basis for this study.

## **RESULTS & DISCUSSION**

### **RECIPE FOR SUCCESS (For Retailers) Focus on the consumer:**

It is clear that consumers have changed and they are looking for something different. Understanding their evolving needs, aspirations and lifestyles is the underlying key to success for any retailer. The primary emphasis should be on access, experience and service and the secondary emphasis on product and price. There should be an effort to improve service by having better trained sales staff, better availability of products, and minor but important conveniences, e.g. delivery of goods either to the car or even home, collaborative advertising and promotion can then round off this effort.

### **Brand the store:**

Branding the store will increase volume and enhance customer loyalty. Branding is critical to maintaining competitive differentiation in an increasingly challenging retail environment. However, the brand needs to be clearly communicated to the customer.

### **Develop private label brand:**

Private labels act as margin generators, increasing sales volume by positioning the label as providing higher perceived value to consumers. In the long run, they also increase the retailers bargaining power with national brand suppliers. Private labels generate customer loyalty by providing exclusive products, which works towards differentiation strategy, much sought after by the retailers.

### **In terms of Geography**

Some entrepreneurs should put efforts in creating custom-developed solutions for the rural and semi-urban spending potential. Even in non-metro urban centers, there are very good opportunities in looking at starting or expanding operations. Some cities that should see greater organized retail action in the future would be Ludhiana, Chandigarh, Lucknow, Nagpur, Ahmadabad, Surat, Pune, Kochi, Thiruvananthapuram, Guwahati, Bhubaneswar and Hissar.

### **In terms of format**

Malls have a sustainable competitive advantage over other formats. Consumer preferences are shifting towards malls from traditional markets. As a result of consumer shifts, retailers also prefer to be located in malls in anticipation of higher footfall. KSA Consumer Outlook 2000 shows that increasingly consumers prefer "All under One Roof" destination for shopping as well as eating out and entertainment. These findings together indicate an excellent potential for a mall with the following features:

1. a superior well-managed leisure experience
2. targeted at all members of the household
3. comprising of shopping, dining and entertainment, all under one roof
4. a wide range of products and services
5. proximity to homes

### **Recipe for success (for government) Permit FDI in retail:**

FDI has played a key role in rapid development of high quality retail in development of several other developing countries. Allowing retail global retailers to invest in this sector would attract the best practices as several retailers (such as Tesco, Toy'R', Wal-Mart etc) have already evinced interest in building business here. Though a strong united lobby is against introduction of FDI in retail but if broad based reforms are executed we are likely to see both employment and growth in retail.

### **Remove bottlenecks in the supply chain:**

To adequately develop the upstream, policy makers need to do away with the constraints on processing, manufacturing and distribution. Especially distribution part has to be focused more as every year according to some industry estimates a whopping amount of Rs 50000 crores is in

transferring, storage and distribution. Also government should stress building better infrastructure such as of roads, rail and ports etc so that delivery time could be reduced and spoilage; breakage could be reduced to minimum.

### **Organized market for real estate:**

The objective here is to ensure a regular supply of real estate by ensuring transparency in dealings. It can be done by ensuring proper rent laws by linking rents to market value, making zoning laws more flexible and ensuring that usage norms take into account both demand and supply without affecting balance both in rural and urban areas and finally ensuring strict and fair enforcement of all the laws.

### **Simplify the tax structure:**

Government should ensure adoption of a uniform sales tax rate across country and introduce VAT, also wherever Octroi is levied that should also be withdrawn.

### **Flexibility of labour laws:**

Permitting flexibility in the use of labour without doing away with the benefits accruing to them will permit retailers to better organize operations and improve capacity utilization; it will include permitting retail businesses to stay open all days of week, encouraging use of part time labour etc.

### **Ensure single window clearance for retail chains:**

State Governments should make all licenses and permits available through a single agency at least at the city level. Providing one time licenses for multiple stores in a chain will ease the bureaucratic hurdle experienced by modern retailers.

## **APPENDIX**

### **Questionnaire**

Dear respondent,

I am an M.Phil Student of Madurai Kamraj University, Madurai undertaking a detailed study on the factors considered by the shoppers while making a visit to a shopping mall or a departmental store. Kindly respond to the questions given below:

Walk-in could be defined as anyone entering a shopping mall alone or with others, for purchase or for personal experience.

1. Which shopping malls in Hissar are you aware of?  
\_\_\_\_\_

2. How frequently do you visit a shopping mall?

- Once in two months
  - Once a month
  - Twice a month
  - Once a week or more
  - Your own pattern of visits
3. Which days in a week normally do you prefer going to a mall?
- Sunday
  - Monday
  - Tuesday
  - Wednesday
  - Thursday
  - Friday
  - Saturday
4. When you visit a mall , you go
- Alone
  - With family
  - With friends
5. What are the timings during which you usually make these visits?  
Between
- 10am-12pm
  - 12pm-3pm
  - 3pm-6pm
  - 9pm-10pm
6. What do you generally purchase from malls?
- Apparel
  - Accessories

- Utility
- Shoes
- Jewellery
- Grocery
- Cosmetics
- Books
- Consumer durables (TV, Audio etc.)

7. What else would you like to buy from a shopping mall?  
\_\_\_\_\_

8. Please rate the factors given below on the scale of 0-4, that influence your visit to a shopping mall, Not at all important, Somewhat important, Important, extremely important. Most preferred been rated higher.

	Not at all Important	Somewhat Important	Important	Extremely Important
<b>Discount</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Display</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Location</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Parking space</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Food joints</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Ambience</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Service</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Personnel</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Referrals</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Live</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Entertainment</b>				
<b>Shows</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Face to face</b>	<input type="checkbox"/>			
<b>With celebrities</b>			<input type="checkbox"/>	<input type="checkbox"/>
<b>Playing arena for kids</b>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>
<b>Membership Privilege</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

9. Given below are the names of well known shopping malls in Hissar. Rate them in a scale of 1-4 according to the factors that influence your visit there.

1- Unsatisfactory    2- Satisfactory    3- Good    4- Very good

	6 to 10	Reliance Fresh	Spencer's	Subhiksha
<b>Discount</b>				
<b>Display</b>				
<b>Location</b>				
<b>ParkingSpace</b>				
<b>Food joint</b>				
<b>Ambience</b>				
<b>Service</b>				
<b>Personnel</b>				
<b>Referrals</b>				

Age (in years)    15-25     25-35     35-45     45 and above

Sex:    M/F

Family Income (per month in rupees)    up to 5000     15000-30000   
 30000-50000     50000 and above

Hissar has sometimes been called a city of shopkeepers. This epithet has its root in the huge number of retail enterprises in the country totaling 12 million, about 78 percent of these are small country owned business utilizing only household labour. Even among Retail enterprises that hire workers the bulk of them hire less than 3 workers. Hissar's retail sector appears backwards not only by standards of industrialized cities but also in comparison to several other emerging markets in India. There are only 14 companies that run departmental stores and mere two with hypermarket operations. While the number of businesses operating supermarkets is higher (425 in 2004) most of these had only 1 outlet, the number of companies with supermarkets chain was less than 10.

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