



GROWTH AND CHALLENGES OF ORGANIZED RETAILING SECTOR IN INDIA

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Abstract

Retailing is a new emerging sector of the economy having a lot of potential to contribute maximum to GDP. The retail landscape in India is changing rapidly and is being scrutinized by large scale investments by foreign and domestic players. Market liberalization and changing consumer behavior have sown the seeds of a retail transformation. Indian retailing is growing fast and imparting the consumer preferences across the country. Traditionally, Indian retail sector has been characterized by the presence of large number of small unorganized retailers. However in the current decade there has been rapid development and penetration of organized retail which attracted large private players to invest huge sum in the sector. So, present study will make an endeavor the Organized retail formats and examine the growth and challenges of organized retailing in India.

Keywords: Retailing, Retail Sector, Organized Retailing, Retail Formats, Growth Driver.

1.1 INTRODUCTION

Retailing in India has been achieving a noticeable growth in the organized sector since the liberalization of our country's economy that began in the early nineties. The retail market in India is said to be fragmented with only around 5% of the sector organized, which means that only 5% of the retailers are registered under the regulations and licenses. The remaining part of the sector is unorganized. It is hence viewed as a big opportunity for the future for the organized retail firms to evolve and grow in India. In the last score of years, while many new retail firms like Shoppers Stop and Pantaloons have been formed, a few traditional formats of retailing in India like RPG's Spencer's have undergone transformation.

In the last five years Indian retailing has seen major players like Reliance, AV Birla, Tata, ITC and others venturing into retailing, opening their retail stores across the country. The apparel retail sector seems to be the first to evolve in India with the advent of many organizations like Shoppers Stop, Raymond and firms in the South with specialty retail formats, like Nallis, RMKV, etc. The total size of the retail market currently as estimated by various reports may be in the region of USD 400 billion currently in 2009. Growth in organized retailing in India has been said to be fuelled by various factors – social and consumer factors like social cultures being transformed by the influence of the Western world largely, increase in consumer awareness levels, the increase in the number of middle-class families, economic factors like the increase in the disposable income to spend, environmental factors like the development of infrastructure facilities not only in metros but in the tier two and three cities and towns and a host of other factors like the exposure to latest technologies to do business, development of communication network, etc.

1.2 RETAIL

Retailing is the final stage of any economic activity. It encompasses the business activities involved in selling goods and services to customers for their personal, family or household use. It includes every sale to final consumers ranging from cars to apparel to meals at restaurants to movie tickets.

The word 'retail' is derived from the French word 'retailleur' which means 'to cut a piece off' or 'to break bulk'. A retailer is a person, agent, agency, company or organization which is instrumental in reaching the goods, merchandise or services to the ultimate consumer.

Retailing is one of the most important industries in our country, India. Napoleon Bonaparte's jibe about 'a nation of shopkeepers' still has a ring of truth. The retail sector in India is witnessing a tremendous growth and generating huge employment.

Retailing can be distinguished in various ways from other businesses such as manufacturing. Retailing possess following characteristics which differs from manufacturing in following ways:-

- There is direct end-user interaction in retailing
- It is only point in the value chain to provide a platform for promotions.
- Sales at the retail level are generally in smaller unit sizes.



- Location is a critical factor in retail business.
- In most retail businesses services are as important as core products.

There are large numbers of retail units compare to other members of the value chain. This occurs primarily to meet the requirements of geographical coverage and population density.

1.3 RETAILING – AN EMERGING SECTOR AND A SUNRISE INDUSTRY

Retailing, one of the largest sectors in the global economy and is going through a transition phase not only in India but all over the world. For a long time, the corner grocery store was the only choice available to the consumer, especially in the urban areas. This is slowly giving way to international formats of retailing. The traditional food and grocery segment has seen the emergence of supermarkets/grocery chains (Food World, Nilgiris, Apna Bazaar), convenience stores (Convenio, HP Speed mart) and fast-food chains (McDonalds, Dominos). It is the non-food segment; however that foray has been made into a variety of new sectors. These include lifestyle/fashion segments (Shoppers' Stop, Globus, Life Style, Westside), apparel/accessories (Pantaloon, Levis, Reebok), books/music/gifts (Archives).

In India retailing is receiving global recognition and attention and this is emerging market that is witnessing a significant change in its growth and investment pattern. As per Global Retail Development Index (GRDI) 2012 high saving and investment rates; fast labor force growth; and increased consumer spending-make India the 5th spot in the GRD and also for a very favorable retail environment .The current momentum in the Indian retail sector which has been growing at an annual compounded rate of 6.4 percent since 19981 and with a market size of USD 425 billion in 2010, has caught the world's attention. The Indian retail sector has grown too large to ignore, despite socio-political challenges and foreign direct investment ("FDI") in retail trading subject to certain restrictions. India's strong growth fundamentals, increased urbanization and consumerism provide immense scope for retail expansion both for domestic and foreign players.

1.4 EVOLUTION OF RETAIL FORMATS IN INDIA

Traditional formats

- Itinerant salesman
- Haats

Established formats

- Kirana shops
- Convenience/ Department stores
- Company/Multi Brand showrooms
- PDS/Fair Price Shop

Emerging formats

- Exclusive retail outlets
- Hypermarkets
- Internal retails
- Malls/Speciality Malls
- Multiplexes
- Rural oriented formats

1.5 TYPES OF RETAILING

Retailing is one of the pillars of the economy in India and accounts for 22% of GDP. The retail industry is divided into two parts- Organized Retail Sector and Unorganized Sector. Unorganized retailing refers to the traditional formats of low-cost retailing such as local kirana shops, owner manned general stores, chemists, footwear shops, apparel shops, paan & beedi shops, hand-cart hawkers, pavement vendors etc. Traditionally retailing has established in India for centuries. It is a low cost structure, mostly owner operated, has negligible real estate and labor costs and little or no taxes to pay. Consumer familiarity that runs from generation to generation is one big advantage for the traditional retailing sector.

Organized retailing refers to trading activities undertaken by licensed retailers, include the corporate-backed hypermarkets, currently have 14% of mall space are expected to witness high growth and retail chains, and also the privately owned large retail businesses. Unorganized retail is expected to grow at 5% and reach a size of US\$ 650 billion (76%), while organized retail is expected to grow at 25% and reach a size of US\$ 200 billion by 2020 as per the sector profile by Federation of Indian Chambers of Commerce and Industry (FICCI).



1.5.1 Unorganised Retailing

This refers to the traditional formats of low cost retailing. It is any retail outlet which is run locally by the owner or the caretaker of the shop. Such outlets lack technical and accounting standardization. The supply chain and the sourcing are also done locally to meet the local needs e.g. Local Kirana Stores, Convenience Stores etc. Indian retail is dominated by unorganized retail or traditional retail. The last 3-4 years have witnessed the entry of a number of organized retailers opening stores in various modern formats in metros and other important cities. Still, the overall share of organized retailing in total retail business has remained low. Major reason for such is the strength of unorganised retailing, getting practiced in India, as a part of culture, tradition and life style.

Strength of Unorganised Retailing

1. Widespread
2. Credit Facility
3. Auxiliary Services
4. Less Overheads
5. Bargaining Power

1.5.2 Organized Retailing

This refers to trading activities undertaken by the licensed retailers i.e. those are registered for sales tax, income tax etc. It is any retail outlet chain (not a one shop outlet) which is professionally managed (even if it is family run), has accounting transparency (with proper usage of MIS and accounting standards) and organised supply chain management with centralized quality control and sourcing (certain part of the sourcing can be locally made) can be termed as an organised retailing in India e.g. Retail Chains, Corporate backed hypermarket etc.

The Retail sector in India is highly fragmented with organized retail contributing to a very small share of total retail sales. At the beginning of the last century, the retail sector in developed countries was also highly fragmented but with the emergence of large chains like WalMart, Sears and McDonald's led to rapid growth of organized retail and growing consolidation of the rapid industry in the developed countries. The rapidly rising income levels and accompanying changes in lifestyle are contributing to the growth of organized retail in the West. Today in India, we see a rise in the purchasing power and growth of a middle class which follows the western lifestyle. Hence, conditions are conducive for the rapid growth of organized retail in India.

1.5.3 Organized V/S Unorganized Retailing

Retailing in India can be broadly categorized into organized and unorganized form of retailing. Organized retailers are registered under Income Tax and Sales Tax. However the chunk comprises of unorganized retailers like petty shops. Till today, unorganized players are predominantly occupied this sector. The major distinction between these two types of retailers are summarized in the table – 1

Table – 1, Comparison B/W Organised and Unorganised Retailing

Criteria	Organized Retailing	Unorganized Retailing
Ownership	Corporate Business	Household Business
Size of operation	Comparatively large	Small store
Nature of Employment	Hared persons	Generally family members
Product availability	Wide range of branded and non-branded products	Selective range of branded and non-branded products
Selling Price	MRP	Price less than MRP
Store ambience	Excellent	Poor
Promotions	Joint promotions	Company promotions only
Tax Payment	Greater enforcement of taxation mechanism	Evasion of taxes
Market Experience	Short Term	Long term
Locations	Distantly located	Round the corner located.



1.6 ORGANIZED RETAIL FORMATS

Disposable income of Indian consumers have increased significantly during the last decade, so they continue demanding better products and services, and a better shopping environment. As the income level increases, the consumer's choice for modern retail formats also changes. Due to significant product attributes like improved quality, variety of brands and assortment of merchandise and store attributes like parking facility, trained sales personnel and complete security etc.; consumers prefer modern retail formats. The major contributors for the growth of organised retailing are the retention strategies, promotional strategies, growth and improvement strategies, pricing strategies and competitive strategies of retailers that play an important role in enhancing the sales of retail formats. Several formats have been experimented by retailers. Some of them are:-

1.6.1 Malls: With the advent of malls the retail concept came as 'entertainment' to India. Mall passion has touched every part of Indian society. Malls make no distinction in proffering most-revered national and global brands, despite the income stratum of consumers. Malls are incorporated with a whole bank of lifts and escalators for smooth transit of shoppers. Malls are located in proximity to urban outskirts, and ranges from 60,000 sq ft to 70,000 sq ft and above. The future of organised retailing is largely in the hands of mall where the shoppers get quality, quantity, aspirational appeal, recreation facilities and ambience. Under one roof, the showy malls promises just everything from foreign gizmos to the very desi, virtually an airbus full of national and international brands, to say the least. Mall reveals six factors namely comfort, diversity, luxury, mall essence, entertainment, and convenience which are a source of cynosure e.g. Spencer Plaza in Chennai, Sahara Ganj Mall in Lucknow, Forum Mall in Bangalore etc.

Malls are here to stay with time, they will need to differentiate themselves and work towards building long lasting relationships with customers, ensuring repeatability of visits and purchases. Having a proper mall management system calls for looking into the following-

- Manage customers more efficiently by working out retention programmes.
- Retail space in a mall is a differentiating factor that provides value proposition to the consumer that can be achieved through proper mall management and the anchors in the mall.
- Make shopping in a mall a pleasurable experience by providing tangible as well as intangible benefits to customers.
- Malls need to provide the right mix of organised shopping stores, food courts and entertainment.

1.6.2 Departmental Store: A department store is a retail establishment which satisfies a wide range of durable goods and products to the consumer's personal and residential needs; and at the same time offering the consumer a choice of multiple merchandise lines, at variable price points, in different product categories. Department stores usually sell products including clothing, furniture, home appliances, toys, cosmetics, gardening, toiletries, sporting goods, do it yourself, paint and hardware and additionally select other lines of products such as food, books, jewelry, electronics, stationery, photographic equipment and baby and pet needs. Certain department stores are further classified as discount stores.

Most department stores commonly have central customer checkout areas, generally in the front area of the store. Department stores are usually part of a retail chain of many stores situated around a country or several countries. Some may be independent retailers, existing entirely independent or as licensed dealers. These are general merchandisers. A departmental store is a large store offering variety of goods and services.

They offer medium to high quality products to the customers. India has number of departmental stores. Being the seventh largest country in the world there are lot of companies like Big Bazaar, Shopper's Stop, Pantaloon, Ezone, Reliance Fresh and Dmart entering into retail. Small time department stores - or convenience stores as they are better known in most western countries - are also upcoming.

1.6.3 Convenience Stores

A Convenience store offers location advantage for the shoppers and provides an ease of shopping and customized service to the shoppers. They are open for an extended period of the day and have a limited variety of stock and convenience products. Prices are slightly higher due to the convenience given to customer. Convenience stores are expected to occupy 85 thousand square meter of selling space by 2010. A convenience store, corner store, corner shop, or bodega (in Spanish speaking areas of the United States), is a small store that stocks a range of everyday items such as groceries, toiletries, alcoholic and soft drinks, tobacco products, and newspapers. Such stores may also offer money order and wire transfer services. They differ



from general stores and village shops in that they are not in a rural location and are used as a convenient supplement to larger stores.

A convenience store may be part of a gas/petrol station that may be located alongside a busy road, in an urban area, or near a railway or railroad station or other transport hub. In some countries, convenience stores have long shopping hours, some being open for 24 hours. Convenience stores usually charge higher prices than ordinary grocery stores or supermarkets because they serve more locations and have shorter cashier lines. Typically junk food (sweets, ice-cream, soft drinks), lottery tickets, newspapers and magazines are sold. Unless the outlet is a liquor store, the range of alcohol beverages is likely to be limited (i.e. beer and wine) or non-existent.

Convenience stores may be combined with other services, such as a train station ticket counter, post office counter or a petrol pumps. In Asian countries, like Japan or Taiwan, convenience stores are more common because of the higher population density. They are found with gas and train stations, but also can be stand-alone stores. Here, items like soft drinks or snacks are sold. Non-food products like magazines are also sold, but at a lesser extent. Many convenience stores also have a fountain that offers a variety of beverages such as coffee, soft drinks and frozen beverages. As such products with a long shelf life are the rule unless a product is specifically aimed at attracting customers on the chance they may buy something profitable too.

1.6.4 Hypermarkets

Hypermarkets have emerged as the biggest crowd pullers due to the fact regular purchases are a norm at such outlets. These are generally large self-service outlets offering a variety of categories with deep assortments. Hypermarkets not only offer consumers the most extensive merchandise mix, product and brand choices under one roof, but also create superior value for money advantages of hypermarket shopping. These stores contribute 30% of all food and grocery organised retail sales. Number of players operating hypermarket format are increasing day by day. One of the leading players in this format is Pantaloon Retail India Limited which operates 32 Big Bazaars in twenty cities. In early 2006, the K. Raheja Corp (C.L. Raheja Group) has introduced its value retail concept hyper city which is the country's largest hypermarket at 118000 sq ft. hyper city. Retail plans is to open 55 hypermarkets by 2015. As the market is expanding and consumers are in a mood to accept changes, hypermarkets are getting overwhelming response from consumer. Currently there are about 40 odd hypermarkets in India but this format holds a great potential for growth.

1.6.5 Super Market

These are self-service, low cost, low margin and high volume operators. A Super market normally sells grocery, fresh vegetables, fruits, frozen foods, toiletries, cosmetics, small utensils, cutlery, stationary and gift items. Unlike western countries where supermarkets are prominently visible, in ours this is lacking. In India Food World, Food Bazaar, Nilgiri and Adani are the leading supermarket operators. A supermarket, a large form of the traditional grocery store, is a self-service shop offering a wide variety of food and household products, organized into aisles. It is larger in size and has a wider selection than a traditional grocery store, but is smaller and more limited in the range of merchandise than a hypermarket or big-box market.

The supermarket typically comprises meat, fresh produce, dairy, and baked goods aisles, along with shelf space reserved for canned and packaged goods as well as for various non-food items such as household cleaners, pharmacy products and pet supplies. Most supermarkets also sell a variety of other household products that are consumed regularly, such as alcohol (where permitted), medicine, and clothes, and some stores sell a much wider range of non-food products.

The traditional supermarket occupies a large amount of floor space, usually on a single level. It is usually situated near a residential area in order to be convenient to consumers. The basic appeal is the availability of a broad selection of goods under a single roof, at relatively low prices. Other advantages include ease of parking and frequently the convenience of shopping hours that extend far into the evening or even 24 hours a day. Supermarkets usually allocate large budgets to advertising, typically through newspapers.

Supermarkets typically are supplied by the distribution centres of their parent companies, usually in the largest city in the area. Supermarkets usually offer products at low prices by using their buying power to buy goods from manufacturers at lower prices than smaller stores can. They also minimize financing costs by paying for goods at least 30 days after receipt and some extract credit terms of 90 days or more from vendors. Certain products (typically staple foods such as bread, milk and sugar) are very occasionally sold as loss leaders, that is, with negative profit margins so as to attract shoppers to their



store. There is some debate as to the effectiveness of this tactic. To maintain a profit, supermarkets make up for the lower margins by a higher overall volume of sales, and with the sale of higher-margin items bought by the intended higher volume of shoppers. At present, many supermarket chains are attempting to further reduce labor costs by shifting to self-service check-out machines, where a single employee can oversee a group of four or five machines at once, assisting multiple customers at a time.

1.6.5.1 Food world

Food world, previously known as Spencer's Daily, is a chain of supermarket stores. It was started in May 1996 as a division of Spencer & Co, a part of the RPG Group. In August 1999 it became a separate company. Currently it operates 73 stores in Bangalore, Hyderabad, Coimbatore & Chennai as Food world Supermarket store. Food World Supermarket store is the main format store with 3000-5000 sq ft size. It operates as a regular supermarket.

1.6.6 Category Killers

It is a new concept imported from U.S. The category killer concept originated in the U.S. due to abundance of cheap land and the dominant car culture. Category Killer is a kind of discount specialty store that offers less variety but deep assortment of merchandise. By offering a deep assortment in a category at comparative low prices, category specialist can be able to "kill" that specific category of merchandise for other retailers. Generally such kind of retailers uses a self service approach. They use their buying power to negotiate low prices, excellent terms and assured supply when items are scarce. For few categories, such as electronics the products are displayed at the centre of the store and salesperson will be available to address customer queries and give suggestions when required. Other retail format stores are forced to reduce the prices if a category specialist store is present in the vicinity e.g. Pai Electronics Store in Bangalore. In India this kind of retail stores are not prevalent at this point of time. But there is scope for such kind of format In India, Mega-Mart is one sort of category killer which sells apparel products.

1.6.7 e-tailers

The customer can shop and order through internet and merchandise are dropped at the customer's door step. Here the retailers use drop shipping technique. They accept payment for the product but the customer receives the product directly from the manufacturer or a wholesaler. This format is ideal for customers who do not want to travel to retail stores and are interested in home shopping. However it is important for the customer to be wary about defective products and non-secure credit card transactions e.g. Amazon.com and ebay.com etc.

1.6.7.1 ebay

ebay Inc. is an American multinational internet consumer-to-consumer corporation, headquartered in San Jose, California. It was founded in 1995, and became a notable success story of the dot-com bubble. It is now a multi-billion dollar business with operations localized in over thirty countries. The company manages ebay.com, an online auction and shopping website in which people and businesses buy and sell a broad variety of goods and services worldwide. Millions of collectibles, decor, appliances, computers, furnishings, equipment, domain names, vehicles, and other miscellaneous items are listed, bought, or sold daily on ebay. In 2006, ebay launched its Business & Industrial category, breaking into the industrial surplus business.

Generally, anything can be auctioned on the site as long as it is not illegal and does not violate the ebay Prohibited and Restricted Items policy. Services and intangibles can be sold, too. Large international companies, such as IBM, sell their newest products and offer services on ebay using competitive auctions and fixed-priced storefronts. Separate ebay sites such as ebay US and ebay UK allow the users to trade using the local currency.

In April 2006, ebay opened its new ebay Express site, which was designed to work like a standard Internet shopping site for consumers with United States addresses. It was closed in 2008. Selected ebay items were mirrored on ebay Express, where buyers shopped using a shopping cart to purchase from multiple sellers. ebay maintains a number of specialty sites including the discussion boards, groups, answer center, chat rooms, and reviews and guides. ebay has a robust mobile offering, including SMS alerts, a WAP site, Java ME clients, an Android OS application and an Apple iPhone application available in certain markets.

1.6.7.2 Amazon.com

Amazon.com, Inc. is an American multinational electronic commerce company with headquarters in Seattle, Washington, United States. It is the world's largest online retailer. Amazon.com started as an online bookstore, but soon diversified, selling



DVDs, CDs, MP3 downloads, software, video games, electronics, apparel, furniture, food, toys, and jewelry. The company also produces consumer electronics-notably the Amazon Kindle e-book reader and the Kindle Fire tablet computer-and is a major provider of cloud computing services. Jeff Bezos incorporated the company (as Cadabra) in July 1994, and the site went online as Amazon.com in 1995. The company was renamed after the Amazon River, one of the largest rivers in the world, which in turn was named after the Amazons, the legendary nation of female warriors in Greek mythology.

Amazon has separate retail websites for the following countries: United States, Canada, United Kingdom, France, Germany, Austria, Italy, Spain, Brazil, Japan, and China, with international shipping to certain other countries for some of its products. It is also expected to launch its websites in Poland, Netherlands, and Sweden.

1.6.8 Speciality Stores

A typical speciality stores gives attention to a particular category and provides high level of service to the customer. A pet store that specializes in selling dog food would be regarded as a speciality store. However branded stores also come under this format. However branded stores also come under this format e.g.-: If a customer visits a Reebok or Gap store then they find just Reebok and Gap products in the respective stores.

1.6.9 Discount Stores

Discount Stores sell their goods at reduced rate with an aim of drawing bargain shoppers. This format offer no frills such as spacious well-lit and air conditioned retail space e.g. Subhiksha-the product category can range from a variety of perishable/non-perishable goods.

1.6.9.1 Subhiksha

Subhiksha was an Indian retail chain with 1600 outlets selling groceries, fruits, vegetables, medicines and mobile phones. It began operations in 1997, and was closed down in 2009 owing to financial mismanagement and a severe cash crunch. The name *Subhiksha* means prosperity in Sanskrit. It opened its first store in Thiruvannamiyur in Chennai in March, 1997 with an investment of about Rs. 50 Lakh. It was started and managed by R Subramaniam, an IIM Ahmedabad alumnus. Subhiksha planned to open 1000 outlets by December 2008. Subramaniam also planned to invest Rs.500 crore to increase the number of outlets to 2000 across the country by 2009.

Trouble for Subhiksha began in late 2008 when the company ran out of cash, bringing its operations to a standstill. Subhiksha faced severe financial crisis pertaining to liquidity. The cash shortage eventually resulted in Subhiksha closing its nationwide network of 1,600 supermarket stores, and defaulting on loans, vendor payments and staff salaries. The overextended chain imploded and all stores across the country were shut down, most likely never to open again in March 2010, Mr. Azim Premji, a well-known Indian business magnate, who had invested in Subhiksha through his private investment vehicle only a few months prior to its downfall, said that Subhiksha was a retail equivalent of Satyam - India's largest corporate fraud. He said, "There was an overstatement of accounts, fake inventory, fake bills, fake companies that money was transferred to."

1.6.10 Vending Machines

Vending machine is a retailing format involving the coin or card operated dispensing of goods (such as beverages) and services (such as life insurance sales at airports). It eliminates the use of sales personnel and allows for round the clock sales. Machines can be placed wherever they are most convenient to the consumers –inside or outside a store, in a hotel corridor, at a station, airport or a street corner. Although many attempts have been made to ‘vend’ other products, beverages and food items remain the largest category. Hotels, restaurants and at train stations are highly visible spots for vending but they account for a small proportion of sales. Higher priced items have not sold well in vending machines because too many coins are required for each transaction and many vending machines are not equipped with currency note changers. Many consumers are reluctant to purchase more expensive items - they cannot see them displayed or have them explained and there is the difficulty of returning unsatisfactory merchandise.

Employment growth has been limited and the largest growth in the work-force is white and pink collar employees rather than the blue-collar workers who buy most heavily from vending machines. To improve productivity and customer relations, vending machine retailers use microprocessors to track consumer preferences, trace malfunctions and record receipts. Video kiosks enable consumers to assess the merchandise and also use their credit cards to make a purchase. In India vending machines are at a very nascent stage. Almost all of them are operated by an attendant. Even coffee machines are operated with assistance. Companies like Cadbury's and Malayalam Manorma (newspaper publishing house) have installed them at



places that attract a lot of traffic, such as the airport. But the sales from these are limited. This kind of retailing is making incursions into the industry.

1.7 EMERGENCE AND GROWTH OF ORGANISED RETAIL

Organised retail appeared in India in 1999 with the launch of the “first malls”- ‘Ansal Plaza’ in Delhi and ‘Crossroads’ in Mumbai. They are held as spark that led to explosion of organized retail in the country and transformed the retail landscape. The transformation stage of the retail sector started in late 1990’s. The emergence of pure retailer has started at this stage as it has been perceived as a beginner and the organized retailing is getting more attractive.

In India, the retail business contributes 15% of GDP. Of this, the organized retail sector accounts only for 5% share and the remaining share is contributed by the unorganized sector. The main challenge facing the organized sector is the competition from unorganized sector. The Indian market is currently witnessing a retail boom with organized retailers.

1.8 FACTORS RESPONSIBLE FOR THE GROWTH OF ORGANISED RETAIL IN INDIA

- **Rising incomes and purchasing power:** The per capita income in 2009–2010 has more than doubled to US\$ 849 from US\$ 348 in 2000–01.
- **Real estate development:** Real estate development in the country, for example, the construction of mega malls and shopping malls, is augmenting the growth of organised retail business.
- **Changing consumer mindset:** The mindsets of the Indian consumer are changing dramatically, with their focus shifting from low price to convenience, value and a superior shopping experience.
- **Brand consciousness:** There is high brand consciousness among the youth — 60 percent of India’s population is below the age of 30.
- **Easy consumer credit-:** With the emergence of concepts such as quick and easy loans, EMI, loan through credit cards and loan over phone, it has become easy for Indian consumers to afford expensive products.
- **Increase in consumer class-:** It is estimated that India’s consumer class will grow nearly twelvefold (from 50 million at present to 583 million) by 2025, with more than 23 million people taking their place among the world’s wealthiest citizens.

1.9 GROWTH DRIVERS FOR ORGANIZED RETAIL INDUSTRY

Now it is well known fact that organized retailing is buzz word in India. Organized retailing is spreading in every part of the country i.e. urban, semi-urban and rural area also. Here some reasons are discussed which are drivers of this growth of organized retail industry:

- Rising incomes and improvement in infrastructure are enlarging consumer markets and accelerating the convergence of consumer tastes.
- Liberalization of the Indian economy.
- Increase in spending per capita income.
- Advent of dual income families also helps in the growth of organized retail industry.
- Shift in consumer demand to foreign brands like McDonalds, Sony and Panasonic etc.
- Consumer preference for shopping in new environs. The internet revolution is making the Indian consumer more accessible to the growing influences of domestic and foreign retail chains. Reach of satellite T.V. channels is helping in creating awareness about global products for local markets.
- About 47% of India’s population is under the age of 20; and this will increase to 55% by 2015. This young population, which is technology-savvy, watch more than 50 TV satellite channels, and display the highest propensity to spend, will immensely contribute to the growth of the organized retail industry in the country.

1.10 CHALLENGES FACED BY ORGANIZED RETAIL SECTOR IN INDIA

Although the organized retail market does offer a vast untapped potential, it should also be recognized that it is not that easy to operate in retail market because of several problems. Retailers need to address the following challenges in order to become successful on long term.

1. The organized retail sector in India is still at a developmental stage, characterized by a very small number of players trying to create a new paradigm. To become a flourishing industry, the Indian retail sector has to attract leading Indian and foreign players to make substantial investments.
2. Technology is one of the major challenges faced by organized retailers for efficient management.



3. Shortage of skilled workforce in retail sector.
4. Distribution is an integral part of any retail organization. Delivering the right goods to the right place at the right time is main task of distribution. Retail majors are under serious pressure to improve their supply chain systems and distribution channels and reach the levels of quality and service desired by customers. The lack of proper infrastructure and distribution channels in the country results in inefficient processes.
6. The retailers in India are paying very high cost for real estate. This increases the maintenance cost and reduce profit margins
7. Competition from unorganized sector is another challenge facing the organized retail industry in India.
8. As more and more organized retail outlets are dotting the Indian topography, competition is no more restricted between organized and unorganized retailing. It is now quite evident between organized retailers as well. Efficient and effective Loyalty programs, home delivery of goods, customer retention strategies, offers, discounts etc are the order of the day.

1.11 CONCLUSION

Indian retailing industry is significantly contributing towards the GDP and employment generation. Unorganized retailing has a predominant chunk of retailing in India. Organized retailing has its growth because of the propensity to consume behaviour of Indian middle class segment. Government of India has also opened the door for the retailing giants to enter into the markets. Many foreign investors are also showing keen interest to enter into the Indian market. If FDI in retail sector sees the light of the day it will see many changes in the coming years. As more and more organized retail outlets are dotting the Indian topography, competition is no more restricted between organized and unorganized retailing, it is now quite evident between organized retailers as well.

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