



REASONS FOR THE GROWTH OF ORGANISED RETAILING IN INDIA

Dr A. Prasad

*Professor in Business Management, Dept. of Humanities and Social Sciences,
Andhra University College of Engineering, Andhra University, Visakhapatnam,
Andhra Pradesh, India.*

Abstract

Retail sector is growing very rapidly in the Indian Economy. The retail sector in India is classified into two categories namely, organized retail and unorganized retail. Unorganised retailers are smaller in size, deal with a few varieties of goods and are in the form of Kirana Shops, convenience stores, peddlers and pavement vendors. Almost ninety percent of the retail business in India is handled by unorganized retail. . Organized retailers are big in size, selling a variety of goods and are professionally managed. Organised retail is expanding at 20 per cent a year. New formats of retailing are emerging. A number of factors are responsible for the growth of organized retailing in India. In this paper the reasons for the growth of organised retailing in India are presented.

KeyWords:*Organised Retail, Unorganised Retail, Kirana Shops, Supermarkets, Hypermarkets.*

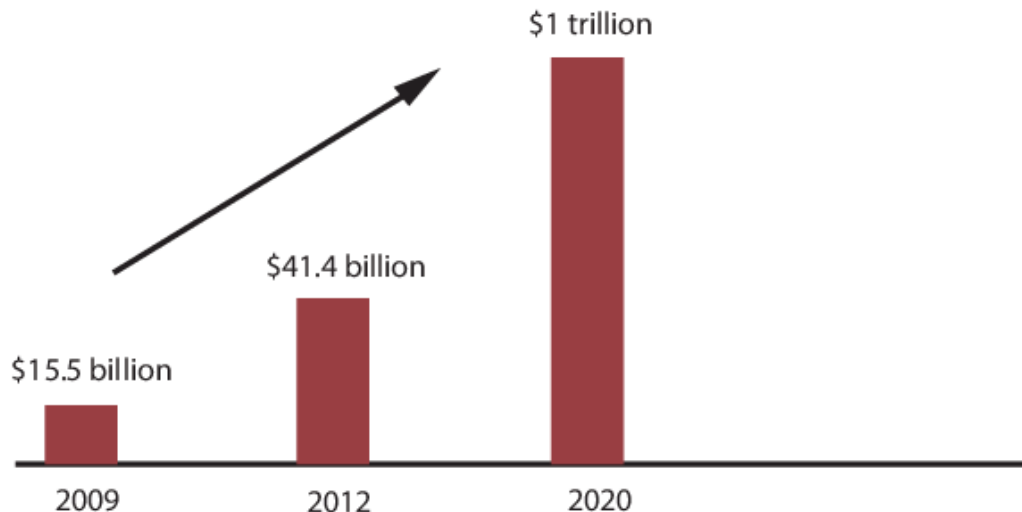
Retail sector is growing very rapidly in the Indian Economy. Indian retail industry is classified into two categories namely organized retail and unorganized retail. Organized retailers are big in size, selling a variety of goods and are professionally managed. Unorganized retailers are smaller in size, cater to limited needs of the consumers which are mainly traditional formats like kirana shops, convenience stores, peddlers and pavement vendors. Traditional retailers are transforming their way of doing business. Organized retailers are giving a new shopping experience to the consumers in metros and cities. Almost ninety percent of the retail business in India is handled by unorganized retail. On the other hand the organized retail is slowly expanding to smaller towns also and are trying to attract the consumes to their stores to change their attitude towards large shopping malls and thereby increase their market share.

Big Indian players like Reliance, Rahejas, Bharati Airtel, ITC and many others are making significant investments in retail sector. These big organized retailers are able to bargain with suppliers and gain economies of large scale and pass on the benefits to the ultimate consumers.

Huge investments in organized retailing would help to modernize India and facilitate rapid economic growth. They would help in the efficient delivery of goods and value-added services to the consumers making a higher constitution to the GDP. The factors responsible for the growth of organized retailing in India are discussed below :



Growth of Organized Retail in India



Source: <https://www.theaims.ac.in>

1. Rise in the number middle class consumers

In India the number of middle class consumers is rapidly increasing leading to increased consumer demand and growth of retail industry. The middle class is expected to constitute around 25 per cent of the total households and account for 44 per cent of the total disposable income. The growing middle class population and the increase in the income levels have created a favorable environment for the growth of retailing in India. More middle class households are getting added to the consuming class with the growth in income levels.

2. Demographics

When compared to several advanced countries where the overall population is aging, India is a very young nation, with more than 70 percent of its population below the age of 40, and 47 per cent below the age of 20. This young group spends money not only in the purchase of necessities but also comforts and luxuries. They are also one of the factors responsible for the growth of organised retailing in India. Marketers are interested in this age group to market their goods. The projected increase in the economically active population of young Indians holds the key to India's prosperity and its economic potential over the next twenty years.

3. Increase women workforce

The increase in the number of working women has led to economic independence of women and change in the kind of products and services which are demanded. Since the working women have lesser time to devote to the household tasks, they prefer a one-stop shop for purchasing their regular products. Modern organized retailers offer the convenience of availability of all goods under one roof.



4. Occupational changes

The growth in the service sector in India has created a number of job opportunities for the youth. The Indian population today is characterized by youth who have the spending power. The youth are more willing to buy luxury goods like apparels, cars, mobile phones and consumer durables. The changes in income has brought about changes in the aspirations and spending patterns of the consumers. Occupational changes and the expansion of media have also made a significant change in the way the consumer lives and spends his money paying the way for organized retailing.

5. Opening up of the Economy

With the opening up of the economy, retailing in India saw a huge change in terms of its size and functioning. Many multinationals have entered India through joint ventures and franchising. Malls emerged in metros and big cities giving a world-class experience to customers under one roof. Supermarkets and Hypermarkets have emerged with improvement in the distribution channels, supply chain management back-end and technology operations providing customers variety, value and volume.

6. Spurt in urban population

Around 30 per cent of the total population lives in cities and towns. There is a speedy migration of population into major Tier-I and Tier-II cities, in anticipation of higher income opportunities provided by these cities. This has led to rapid growth in urbanization and has facilitated the growth of organized retailing in India. Initially the large retailers started their operations in the big Tier-I cities, however, as Tier-I cities have saturated they are finding their way to smaller Tier-II and Tier-III cities

7. Increase in Issuance credit cards and loans

The Indian and foreign banks are issuing more and more credit cards and loans to consumers. The Banks are luring their customers to take credit cards and loans and this has boosted the growth of organised retailing. The young population's increasing fancy for plastic money has fueled their purchasing power leading to the rapid growth of organized retail sector.

8. Advances in Technology

Increased use of Technology is one of the factors responsible for the growth of organized retailing. Introduction of computerization, electronic media and marketing information system have changed the face of retailing. With the arrival of Internet there is a substantial increase in the number of Indians who use the Internet for increasing awareness and online purchases. Companies like Amazon, Flipcart, Snapdeal etc. are delivering the products at the door step of the consumers. Online retailers are providing the consumers the convenience of shopping from home. Internet has made it possible for business to develop across geographies at both business-to-business and business-to-consumer levels.

9. Value for Money: A traditional supply chain in India compresses 5-6 levels from wholesaler to sub-wholesaler to the distributor to the local Mom and Pop stores to the consumers. Two major disadvantages of these supply chain are 1. Cost of the product increases at every stage of the supply chain resulting in increase in the price of the products due to cascading effect and 2. Increase in shrinkage at every stage of the supply chain resulting in loss of goods for consumption.

Organized retailers deal in high volume and are able to enjoy economies of large scale production and distribution. They eliminate intermediaries in the distribution channel. Large organized retailers are able to buy directly from producers at most competitive prices and they are able to pass on the economies of large scale to the consumers.



10. Increase in disposable income of middle-class: There is an increase in the working population among the middle class which has resulted in rising disposable income. The Indian middle-class population and their growing disposable income levels are driving the growth of organized retailing in India. By 2025, the middle class is expected to constitute around 46 per cent of the total households and account for 58 per cent of the total disposable income.

Increase in disposable income of middle class and rising consumer demand has given opportunity for retail industry to grow and prosper. Middle class consumers expect quality products at decent prices. Modern retailers offer a wide range of products and value added services to the customers. Hence this has resulted in the growth of organized retailing in India.

Conclusion

Organised retailing in India is growing at 20 per cent a year. New formats of retailing are emerging. A variety of factors seem to influence the growth of organized retailing. Change in life style, increase in awareness of quality products, increase in disposable income, the unique experience that the shopping malls offer in the form of ambience, availability of several product categories under one roof, air conditioning system, car parking etc. are promoting the growth of organised retailing. It is expected that there will be an outburst of organised retailing in India in the years to come.

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