

# **GROWTH AND CHALLENGES OF RETAIL MARKET IN INDIA**

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## **ABSTRACT**

The retail sector of India has come-forth as one of the most dynamic and second fastest growing industrial economy with several players entering the market. But all of them have not yet tasted success because of the heavy initial investment that are required to break even with other companies and compete with them. India is the country having the most unorganized retail market. India's huge middle class base and its untapped retail industry are the key attraction for global retail giants planning to enter into newer markets. This paper will includes growth of retail sector in India, strategies, strength and opportunities of retail stores, retail format in India, recent trends and opportunities and challenges. It examines consumers' awareness and brand consciousness among people across different socio-economic group in India and witnessing of significant growth in the urban and semi-urban retail markets.

Key Words: Indian Retail Sector, Growth, Challenges, Strategies.

## **INTRODUCTION**

In India the vast middle class and its almost untapped retail industry are the key attractive forces for global retail giants wanting to enter into newer markets, which in turn will help the Indian Retail Industry to grow faster. The industry was dominated by the un-organized sector. It was a seller's market, with a limited number of brands, and little choice available to customers. Lack of trained manpower, tax laws and government regulations all discouraged the growth of organized retailing in India during that period. Lack of consumer awareness and restrictions over entry of foreign players into the sector also contributed to the delay in the growth of organized retailing.

Modern retailing has entered into the Retail market in India as is observed in the form of bustling shopping centers, multi-storied malls and the huge complexes that offer shopping, entertainment and food all under one roof. A number of factors are driving India's retail market. These include: increase in the young working population, hefty pay-packets, nuclear families in urban areas, increasing working-women population, increase in disposable income and customer aspiration, increase in expenditure for luxury items, and low share of organized retailing. India's retail boom is manifested in sprawling shopping centers, multiplex- malls and huge complexes that offer shopping, entertainment and food all under one roof. The total concept and idea of shopping has undergone an attention drawing change in terms of format and consumer buying behavior, ushering in a revolution in shopping in India. A large young working population with median age of 24 years, nuclear families in urban areas, along with increasing working women population and emerging opportunities in the services sector are going to be the key factors in the growth of the organized Retail sector in India. The growth pattern in organized retailing and in the consumption made by the Indian population will follow a rising graph helping the newer businessmen to enter the India Retail Industry.

## **MARKETING STRATEGY IN INDIA**

Indian retail market is the largest Industry. It accounts for over ten per cent of the India's GDP and around eight per cent of the employment. Traditionally it is a family's livelihood, with their shop in the front and house at the back, while they run the retail business. More than 99% of the retailers work in less than 500 square feet of shopping space. The Indian retail sector is estimated at around Rs 900,000 crores, of which the organized sector accounts for a mere 2 percent indicating a huge potential market opportunity that is lying in the waiting for the consumer-savvy organized retailer. Purchasing power of Indian urban consumer is growing and branded merchandise in categories like Apparels, Cosmetics, Shoes, Watches, Beverages, Food and even Jewelry, are slowly becoming lifestyle products that are widely accepted by the urban Indian consumer.

Indian retailers need to take advantage of this growth and aiming to grow, diversify and introduce new formats has to pay more attention to the brand building process. The emphasis here is on retail as a brand rather than retailers selling brands. The focus should be on branding the retail business itself. In their preparation to face fierce competitive pressure, Indian retailers must come to recognize the value of building their own stores as brands to reinforce their marketing positioning, to communicate quality as well as value for money. Sustainable competitive advantage will be dependent on translating core values combining products, image and reputation into a coherent retail brand strategy.

## **GROWTH DRIVERS OF RETAIL SECTOR**

The Indian retailing sector is at an inflexion point where the growth of organized retailing and growth in the consumption by the Indian population is going to take a higher growth trajectory. The Indian population is witnessing a significant change in its demographics. A large young working population with median age of 24 years, nuclear families in urban areas, along with increasing working women population and emerging opportunities in the services sector are going to be the key growth drivers of the organized retail sector in India. Retailing in India is gradually inching its way towards becoming the next booming industry. The whole concept of shopping has altered in terms of format and consumer buying behavior, ushering in a revolution in shopping in India. Modern retail has entered India as seen in sprawling shopping centers, multi-storied malls and huge complexes offer shopping, entertainment and food all under one roof.

## **DEVELOPMENT OF RETAIL MARKET IN INDIA**

Retail and real estate are the two booming sectors of India in the present times. And if industry experts are to be believed, the prospects of both the sectors are mutually dependent on each other. Retail, one of India's largest industries, has presently emerged as one of the most dynamic and fast paced industries of our times with several players entering the market. Accounting for over 10 per cent of the country's GDP and around eight per cent of the employment retailing in India is gradually inching its way towards becoming the next booming industry.

As the contemporary retail sector in India is reflected in sprawling shopping centers, multiplex- malls and huge complexes offer shopping, entertainment and food all under one roof, the concept of shopping has altered in terms of format and consumer buying behavior, ushering in a revolution in shopping in India. This has also contributed to large-scale investments in the real estate sector with major national and global players investing in developing the infrastructure and construction of the retailing business. Another credible factor in the prospects of the retail sector in India is the increase in the young working population. In India, hefty pay packets, nuclear families in urban areas, along with increasing working-women population and emerging opportunities in the services sector. These key factors have been the growth drivers of the organized retail sector in India which now boast of retailing almost all the preferences of life - Apparel & Accessories, Appliances, Electronics, Cosmetics and Toiletries, Home & Office Products, Travel and Leisure and many more.

With this the retail sector in India is witnessing rejuvenation as traditional markets make way for new formats such as departmental stores, hypermarkets, supermarkets and specialty stores. The retailing configuration in India is fast developing as shopping malls are increasingly becoming familiar in large cities. When it comes to development of retail space specially the malls, the Tier II cities are no longer behind in the race. If development plans till 2007 is studied it shows the projection of 220 shopping malls, with 139 malls in metros and the remaining 81 in the Tier II cities. The government of states like Delhi and National Capital Region (NCR) are very upbeat about permitting the use of land for commercial development thus increasing the availability of land for retail space; thus making NCR render to 50% of the malls in India. India is being seen as a potential goldmine for retail investors from over the world and latest research has rated India as the top destination for retailers for an attractive emerging retail market.

India's vast middle class and its almost untapped retail industry are key attractions for global retail giants wanting to enter newer markets. Even though India has well over 5 million retail outlets, the country sorely lacks anything that can resemble a retailing

industry in the modern sense of the term. This presents international retailing specialists with a great opportunity. The organized retail sector is expected to grow stronger than GDP growth in the next five years driven by changing lifestyles, burgeoning income and favorable demographic outline.

## **RECENT TREND IN RETAIL MARKET**

### **Malls**

The largest form of organized retailing today is located mainly in metro cities, in proximity to urban outskirts ranging from 60,000 to 700,000 sq ft and above. They lend an ideal shopping experience with an amalgamation of product, service and entertainment, all under a common roof. Examples include Shoppers Stop, Pyramid, and Pantaloon.

### **Discount Stores**

As the name suggests, discount stores or factory outlets, offer discounts on the MRP through selling in bulk reaching economies of scale or excess stock left over at the season. The product category can range from a variety of perishable/ non-perishable goods.

### **Department Stores**

Large stores ranging from 20000-50000 sq. ft, catering to a variety of consumer needs. These are further classified into localized departments such as clothing, toys, home, groceries, etc. Departmental Stores are expected to take over the apparel business from exclusive brand showrooms. Among these, the biggest success is K Raheja's Shoppers Stop, which started in Mumbai and now has more than seven large stores (over 30,000 sq. ft) across India and even has its own in store brand for clothes called Stop.

### **Hyper Marts/Supermarkets**

Large self-service outlets, catering to varied shopper needs are termed as Supermarkets. These are located in or near residential high streets. These stores today contribute to 30% of all food & grocery organized retail sales. Super Markets can further be classified in to mini supermarkets typically 1,000 sq ft to 2,000 sq ft and large supermarkets ranging from 500 sq ft to 5,000 sq ft. having a strong focus on food & grocery and personal sales.

## **RECENT TRENDS OF MARKETING**

Retailing in India is witnessing a huge revamping exercise as can be seen in the graph. India is rated the fifth most attractive emerging retail market: a potential goldmine.

Multiple drivers leading to a consumption boom:

- Favorable demographics
- Growth in income
- Increasing population of earning women
- Value added goods sales
- Food and Apparel retailing
- Organized retailing in India has been largely an urban Phenomenon with affluent classes and growing number of double-income households.
- More successful in cities in the south and west of India. Reasons range from differences in consumer buying behavior to cost of real estate and taxation laws.
- Rural markets emerging as a huge opportunity for retailers reflected in the share of the rural market across most categories of consumption
- It is a tool that has been used by retailers ranging from Amazon.com to eBay to radically change buying behavior across the globe.

## **CHALLENGES IN RETAIL MARKETING**

Retail today has changed from selling a product or a service to selling a hope, an aspiration and above all an experience that a consumer would like to repeat. Retailing has seen such a transformation over the past decade that its very definition has undergone a sea change. No longer can a manufacturer rely on sales to take place by ensuring mere availability of his product. Today, retailing is about so much more than mere merchandising. It's about casting customers in a story, reflecting their desires and aspirations, and forging long-lasting relationships. As the Indian consumer evolves they expect more and more at each and every time when they steps into a store.

For manufacturers and service providers the emerging opportunities in urban markets seem to lie in capturing and delivering better value to the customers through retail. For instance, in Chennai Cavinkare's LimeLite, Marico's Kaya Skin Clinic and Apollo Hospital's Apollo Pharmacies are examples, to name a few, where manufacturers/service providers combine their own manufactured products and services with those of others to generate value hitherto unknown. The last mile connect seems to be increasingly lively and experiential. Also, manufacturers and service providers face an exploding rural market yet only marginally tapped due to difficulties in rural retailing. Only innovative concepts and models may survive the test of time and investments.

The manufacturers and service providers will also increasingly face a host of specialist retailers, who are characterized by use of modern management techniques, backed with seemingly unlimited financial resources. Organized retail appears inevitable. Retailing in India is currently estimated to be a US\$ 200 billion industry, of which organized retailing makes up a paltry 3 percent or US\$ 6.4 billion. By 2010, organized retail is projected to reach US\$ 23 billion. For retail industry in India, things have never looked better and brighter. Challenges to the manufacturers and service providers would abound when market power shifts to organized retail.

### **CONCLUSION**

The retail sector has played a phenomenal role throughout the world in increasing productivity of consumer goods and services. It is also the second largest industry in US in terms of numbers of employees and establishments. There is no denying the fact that most of the developed economies are very much relying on their retail sector as a locomotive of growth. The Indian Retail Industry is the largest among all the industries, accounting for over 10 per cent of the country's GDP and around 8 per cent of the employment.

The Retail Industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. But all of them have not yet tasted success because of the heavy initial investments that are required to break even with other companies and compete with them. The India Retail Industry is gradually inching its way towards becoming the next booming industry.

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