
A THEORETICAL STUDY ON RECENT TRENDS AND CHALLENGES FACED BY THE ORGANISED RETAIL SECTOR IN INDIA

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ABSTRACT

Retailing today is the fastest growing sectors in the global economy and is under transition phase, not only in India, but throughout the world. While the retailing industry is the age old phenomena, it has witnessed so much dynamism only in the recent past. Retail trade has emerged as one of the largest industry contributing to employment generation, revenue generation, increased turn over and many more. India's retail market is expected to nearly double to US\$ 1 trillion by 2020 from US\$ 600 billion in 2015, and within this, modern trade would expand twice as fast at 20 per cent per annum, driven by income growth, urbanisation and attitudinal shifts. The organised retailing refers to the trading activities undertaken by a licensed retailer that is those who registered themselves for sales tax, income tax, etc., While there is so much optimism about organised retailing on one hand there are plenty of roadblocks for the organised retail formats in the country.

Keywords: Retailing, Organised retailing, Unorganised retailing, Kirana shops

1.INTRODUCTION:

The word retail is derived from the French word retailer, means to cut off a piece or to break bulk. Therefore, a retailer is a dealer or trader who sells goods in small quantities. "Retailing consists of the sale of goods or merchandise from a fixed location, such as a department store, boutique or kiosk, or by post, in small or individual lots for direct consumption by the purchaser"(Wikipedia). Retailing today is the fastest growing sectors in the global economy and is under transition phase, not only in India, but throughout the world. While the retailing industry is the age old phenomena, it has witnessed so much dynamism only in the recent past. It is the broad and latest commercial activity that attracts large number of players into it. Retailing is the only vast area that swiipe every human being, as each individual's needs and wants are met by this industry in one way or the other. Retail trade has emerged as one of the largest industry contributing to employment generation, revenue generation, increased turn over and many more. The future of the Indian retail industry looks promising with the growing of the market, with the government policies becoming more favourable and the emerging technologies facilitating operations. Retailing is the final step in the distribution of products, for consumption by the end consumers. It consists of all activities involved in the marketing of goods and services directly to the consumers, for their personal, family or household use.

1.1 RETAILING IN INDIA:

India's retail market is expected to nearly double to US\$ 1 trillion by 2020 from US\$ 600 billion in 2015, and within this, modern trade would expand twice as fast at 20 per cent per annum, driven by income growth, urbanisation and attitudinal shifts. India is rated as the fifth largest global destination in the world for retail – emerging as one of the most dynamic and fast paced endeavours, accounting for over 10 per cent of the country's gross domestic product (GDP) and a significant 8 to 10 per cent of the employment in India. IMF is projecting GDP growth of 7.5 per cent over the next two years for us. In fact, the total size of the Indian economy is now set to surpass Japan and Germany combined by 2019.

India's retail market is expected to nearly double to US\$ 1 trillion by 2020 from US\$ 600 billion in 2015, and within this, modern trade would expand twice as fast at 20 per cent per annum, driven by income growth, urbanisation and attitudinal shifts. "Favourable demographics, increasing urbanisation, nuclearisation of families, rising affluence amid consumers, growing preference for branded products and higher aspirations are other factors which will drive retail consumption in India," said DS Rawat, Assocham Secretary General. The emergence of retailing in India has more to do with the increasing purchasing power of buyers, especially post- liberalization, increase in product variety, and the increasing economies of scale, with the aid of modern supply and distribution management solutions. The Retail Sector is definitely witnessing a growth phase and everyone wants to make their presence felt in order to take their share of this huge pie.

2. Methodology

The study is based on secondary data obtained through scanning of available literature on the subject from various libraries and institutes. Various magazines, newspapers, journals etc., were referred. Interviews and group discussions with knowledgeable people in this field has been conducted.

3.OBJECTIVES

1. To study organised retailing on theoretical basis.
2. To study the emerging trends in organised retailing.
3. To study the challenges faced by organised retailers.
4. To offer suggestions to face the challenges.

4.CLASSIFICATION OF RETAIL FORMATS

But, broadly speaking, retailing is studied under two heads:

1. Organised retailing
2. Unorganised retailing

4.1 ORGANISED RETAILING

The organised retailing refers to the trading activities undertaken by a licensed retailer that is those who registered themselves for sales tax, income tax, etc., These include the corporate-backed hypermarkets and retail chains and also the privately owned large businesses. Whereas, Indian retail is dominated by a large number of small retailers consisting of the local kirana shops, owner-manned general stores, chemists, footwear shops, apparel shops, paan and beedi shops, hand-cart hawkers, pavement vendors etc., Organised retailing is based on the principle of unity and unorganised retailing is based on the principle of singularity. Since the turn of 21st century, there have been certain factors that have contributed to the steady growth of organised retailing in India across all product categories. There are broadly four major factors that have bought an upswing in organised retailing in the country. They are young consuming class, growing urban population, higher disposable income and easier access to credit.

4.2 FACTORS REAPOSNIBLE FOR THE GROWTH OF ORGANISED RETAILING

- Growth of upper middle class consumers
- Increase in the number of working women
- Emerging rural market
- Entry of corporate sector
- Entry of foreign retailers

- Technological impact
- Higher disposable income
- Media explosion
- Rise in consumerism
- Healthy economic growth
- Changing demographic profile
- Changing consumer tastes and preferences

4.3 RECENT TRENDS IN ORGANISED RETAILING

1. Organised Retail is emerging as the new phenomenon in India and despite the slump, the market is growing exponentially. As economic growth brings more of India's people into the consuming classes and organized retail lures more and more existing shoppers, more number of shoppers is likely to patronize organized retail chains.
2. The growing middle class is an important factor contributing to the growth of retail in India. By 2030, it is estimated that 91 million households will be 'middle class', up from 21 million today. Also by 2030, 570 million people are expected to live in cities, nearly twice the population of the United States today. So the potential for organised retailers are bright.
3. With tremendous potential and huge population, India is set for high growth in consumer expenditure. With India's large 'young' population and high domestic consumption, the macro trends for the organised sector look favourable.
4. Incorporation of technology in the organised retail segment has been something to reckon with in the past few years. Use of computers for merchandise planning and management, control of inventory costs and supplies and replenishment of goods done electronically, internal store billing, etc has changed the face of product retailing.
5. Online retail business is the next gen format which has high potential for growth in the near future. After conquering physical stores, retailers are now foraying into the domain of e-retailing.
6. Indian parliament has given its nod to 'Shops and Establishment Bill 2016' which allows shops, malls and cinema halls among other establishments to remain open 24*7 throughout the year.
7. An emerging trend in this segment is the virtual formats where customer orders are taken online through web portals which are delivered at the door step the very same day or the following day. This trend has been catching up with most of the large sized retail chains that have their websites.
8. The last 3-4 years have witnessed the entry of a number of organised retailers, opening stores in various modern formats and other important cities.
9. The growth in organised retailing in recent years can also be gauged by the rise of shopping malls as well as the rising number of modern retail formats.
10. New retail formats and combinations are emerging and have opened a new world of opportunities for Indian youth. Due to huge amounts of new investments and decreasing charm for 'kirana' stores, the organised retail sector is expected to grow.
11. Specialty stores like 'Reliance Digital', 'Music World' 'Metal Junctions', 'Nokia World' and 'Pantaloons' have their presence in most of the malls in the country. Departmental stores have given way to malls, having a mixture of large and small retailers offering varied brands for each and every section of the society.

4.4 CHALLENGES FACED BY THE ORGANISED RETAIL SECTOR

The retail sector in India comprises of two sectors viz the organised and the unorganised sector. But the penetration enjoyed by the organised retail in India is only 6% while the rest 94% is dominated by the unorganised retail sector. Within this 94% , it is chiefly the kiranas that are ruling the most. Strong backup of convenience shopkeepers, retail is not being recognized as an industry in India, blooming costs of real estate, improper infrastructure, high stamp duties, price discrimination, shortage of skilled manpower etc., are the challenges faced by the organised retail stores from time immemorial. But now the organised retail formats face challenges in different swing. Still dominating unorganised retailers, blooming online retail marketing and from emerging mall and hyper marts are the threatening factor that have to be immediately solved by the organised retailers.

1. Internet age, increased computer awareness and shrinking usage charges have made people enabled buy things online resulting in growth of non-store retailing.
2. One of the formidable challenges facing the organised retail sector is the high rise in real estate prices. Retailers have been found to spend 25%-30% of their revenues in rentals for operating in metropolitan areas.
3. Inefficient supply chain management is another major hurdle. This is especially enhanced in the case of fresh farm products where the manufacturer of the product is the poor, illiterate farmer who is extremely cheated by the intermediaries in the supply chain.
4. Today is the day of consumers. So understanding the consumer behaviour of the Indian shopper is another extremely crucial hurdle for the organised retail sector.
5. Securing quality manpower and dedicated manpower has also been one of the challenges to the organised retail sector in the recent years.
6. Various regulatory and political issues, 51% FDI in single brand retailing, strong opposition voiced by the communist leaders against entry of international retailers in India are the some of other challenges posing serious threat to organised retail sector.
7. Biggest challenge for organised retailing is to create a “customer-pull” environment that increases the amount of impulse shopping.
8. To meet the challenges of organised retailing such as large cineplexes and malls which are backed by the corporate house the unorganised sector is getting organised. This is great challenge to the organised sector.

4.5 SUGGESTIVE MEASURES

Undoubtedly, retailing in India is still in nascent stage. The success of organized retailing is yet to be proved. The success will be felt once an equitable stage is achieved. This requires enough store size, traffic flow, and revenue earned, but besides these factors, retailers have started concentrating on recruiting qualified and trained retail staff.

1. Emerging rural markets provides a huge opportunity for organised retailers. These rural markets provide huge potential. Organised retailers can prove their worth in these areas.
2. The wastage occurs because of multiple points of manual handling, poor packaging, and lack of availability of temperature controlled vans. The most important part of retailing business is to find a balance between investing in front-end and back-end operations Effective supply chain management can be implemented in order to make the goods available to consumers at the right time.
4. Organised retailers can frame a strategy to compete the unorganised, online retailing and from the modern upcoming formats. Value for money, shopping experience, variety, quality, discounts and advanced systems and technology in the back-end, change in the equilibrium with

manufacturers and a thorough understanding of the consumer behaviour are some of the good strategies that can be concentrated

5. 24*7 strategy approved by the cabinet can be used to the maximum best of the organised retailers.
6. The organised retailers must keep update themselves about changing preference of consumers, their change in the disposable income etc.,
7. The country also possesses a rapidly growing cadre of promising professional managers, a large educational system, and there is a cultural willingness among employees to work cooperatively with management. If, we use these resources properly we can develop a large talent pool to fulfil the growing demand for various positions in the retail organization.
8. The country is expecting a strong economic growth of about 8-10% per year and this can be achieved by raising the rate of investments as well as by generating demand for the increased goods and services produced.

The infusion of much-needed foreign investment would result in: (1) increase in the share of the organized retail sector (2) increase in employment (3) increase supply chain efficiency (4) lower prices, superior quality for consumers, (5) enhanced opportunity for domestic operators (6) making shoppers feel international shopping experience.

5. CONCLUSION

Retailing, as is at a nascent stage in our country. If we carefully consider the overall retailing scenario in India, it can be safely stated that organised retailing in India has miles to go before it can catch up with its western counterparts. In the days ahead, its rate of progress will depend upon the effectiveness with which the organised retail entities are able to counter the various operational roadblocks. In short, organised retailing in India has arrived but it has to develop in a big way so as to really make a mark in this country.

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