

Changing Retail Trends: Emerging Opportunities and Challenges of Indian Retail Industry

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Abstract: The Indian Retail industry is currently growing at a great pace and is expected to go up to US\$ 833 billion by the year 2015. It is further expected to reach US\$ 1.3 trillion by the year 2018 at a CAGR of 10%. As the country India has got a high growth rate where the consumer spending has also gone up and is also expected to go up further in the future by 2020. The Indian retail sector is highly fragmented and the unorganized sector has around 13 million retail outlets that account for around 95-96% of the total Indian retail industry. However, on moving forward, the organized sector's growth potential will increase due to globalizations, high economic growth, and changing lifestyle. By the year 2015, the organized sector is also expected to grow at a CAGR of 40%. India retail industry is progressing well and for this to continue retailers as well as the Indian government will have to make a combined effort. This Conceptual Paper completely focuses on the fact findings related to emerging challenges and opportunities in Indian Retail Industry.

Keyword: Retailing, Retail Challenges and Opportunities, Organized Retailing

Date of Submission: 16-12-2017 Date of acceptance: 11-01-2018

I. INTRODUCTION

The Indian retail industry has been seen as a potential goldmine for investors from all over the world and a latest research has rated India as the top destination for retailers for an attractive emerging retail market. India's vast middle class and its most an untapped retail industries 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. Parallel to the growth of economy and consumerism, development of retail in India may witness the same phases as witnessed by developed countries. So, Retailers in India can learn a few things from their global counterparts. But at the same time, with no legacy of assets to carry forward, there is ample opportunity to leapfrog for retailers in India. Most of the Indian retailers such as Reliance Retail, Subhiksha, and Aditya Birla Retail started from scratch.

II. SIGNIFICANCE OF RETAIL INDUSTRY

In today's competitive business environment, retailers have redefined their role in general, and in the value chain in particular. Retailers are acting as gatekeepers who decide on which new products should find their way to the shelves of their stores. As a result, they have a strong say in the success of the product or services launched by a business firm. A product manager of household appliances claimed, 'Marketers have to sell the new products several times, first within the company, then to the retailer and finally to the user of the product'. It is known truth that now a day's Manufactures are forced to identify and find the suitable retail format in order to sell their manufactured products, and also such retail formats needed to be matched according to their business strategy, which in turn helps in building and maintaining their core competencies. The role of retailers in the present competitive environment has gained attention from manufacturers by external parties such as market intermediaries and supplying partners are becoming increasingly powerful. It is necessary for marketers of consumer products to identify the needs and motivations of their partners in the marketing channel. This is especially true in the case of new products. Consumer companies might improve their new product success rate if they put more effort in creating retail value as well as consumer differential advantages. If the objectives of a manufacturer, are incompatible with those of the market intermediary such is the retailer, the success of a product is jeopardized.

III. GROWTH DRIVERS OF RETAILING IN INDIA

Indian Retailing is not waiting for the size of the business **Banerjee, Arindam and Bibek Banerjee, (2000)**. The challenge lies in identifying the key drivers that steers the Indian consumer's perception and shopping behaviour. The reality is that every retailer has to understand his customers more discerningly than ever before and make strategic choices to pursue the right target customer with the right preposition **Banerjee, Arindam and Bibek Banerjee, (2000)**. The key drivers of these values are as follows:

1. Changing Spending Pattern
2. Changing Customer Expectation
3. Changing Consumer Lifestyle
4. Changing Consumer Attitudes
5. Increased Spending On Rural Consumers
6. Changing Demographics And Industry Structure
7. Expanding Computer Technology
8. Emphasis On Lower Costs And Prices
9. Emphasis On Convenience And Service
10. Focus On Productivity
11. Continues Growth Of Non-Store Retailing

3.1 Changing Trends in Indian Retail Formats

Retail Industry is continually going through changes on account of liberalization, globalization, and consumer preferences. While multi-national retail chains are looking for new markets, manufacturers are identifying, redefining or evolving new retail formats. In the recent times, Even the emerging and existing retail players has geared themselves in order to face the upcoming strong and major competition in the organized retail sector, wherein these changed the outlook among the consumers perception towards retail players. Now a day's consumers are not only looking for the core products or functional benefits from the retailers, but also they expect the non-functional benefit, which needs to be compatible with their lifestyles.

3.2 Mom-And-Pop Stores and Traditional Kirana Stores

The retail sector is drastically changed due to the emergence of new store categories and such emergence created a stiff competition among the marketplace. Mass Merchandisers (Big Bazaar), Discount Clubs (Subhiksha), so called Category Killers (Vishal Chain), and Specialty retailers (Time Zone, Tanishq) have all developed successful retail models. Thus the emerging and booming organized retail outlet which in turn competes with traditional retail on all aspects by offering superior convenience and better shopping environment to their Target consumer.

3.3 E-Commerce

Due to rise in the usage of Smart phones and its related penetration with the launch of High Speed 4G Networks, it been found that the Indian online market is expected to grow very fast and rapidly reaches close to US\$ 190 billion by 2025. Due to this impact, E-commerce Platform attracts more number of customers predominately from major metropolitan cities of India. With the increasing awareness of e-commerce, the customers started to understand the benefits and there by focused on towards using it in an significant manner.

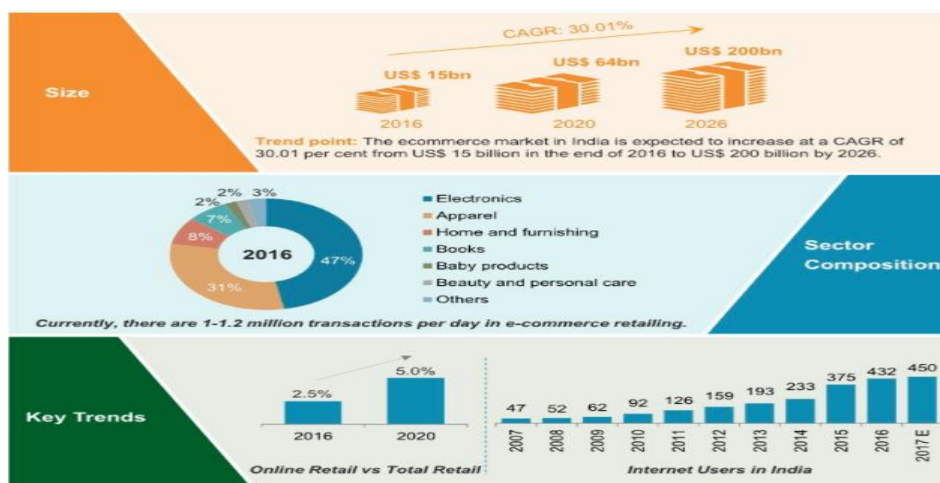


Fig.No.1: Source:<https://www.ibef.org/uploads/industry/Infographics/large/Ecommerce-infographic-November-2017.jpg>

IV. DEPARTMENT STORES

Over the Past decade and so on, however, these department stores have suffered badly due to the result of changing demographics of the customers, shopping orientations, pattern and in addition to that due to huge increase in the competition from that of the discount retail stores format. It has also come from financial burdens incurred by companies that acquired competing companies and grew too fast. It is unlikely that these players will disappear from the market. However, they should be ready to expect more bumps as they get stronger and the weak get absorbed.

4.1 Discount Stores

With half of the country's population fewer than 25 and two-thirds under 35, the knowledge and aspiration for international brands is on the rise as is the quest for bargains. Even as branded retail itself is starting to take off, there is already a surge in branded discount outlets in India. In the recent few years of time, we to find a sudden rise of discount retail stores because of the rising expectations of the consumers and dense opportunities available in this retail sector in India. **Deepti Chaudhary (2008)**. The Following are the major players in the discount retail chain formats, where in they are Arvind Mills Limited - Mega mart, Pantaloon's Retail (India) Limited – Brand Factory, Provogue (India) Limited, the discount store chain of Vishal Retail Limited, and Vishal Megamart and Promart have been the most prominent players in the field. A number of relatively newer players, such as The Loot (India) Pvt. Ltd, which operates The LOOT outlets, Krishna Group's The Grab Store and Prateek Apparels Pvt. Ltd's Coupon have started their retail discount stores in the last few months.

4.2 Category Killers

There are the some retail giant players who dominate in the area of specific merchandise which more focuses on Sports Authority, Tower records and Office Depot Services. They are able to buy bathroom tiles, file cabinets, electronic goods, or pet foods in such huge volume that they can sell them at prices even fairly that large competitors cannot match. The future of this category is better than that of many of the general discounters, but the same employment caveats apply.

4.3 Specialty Stores

This kind of Specialty stores focuses on one kind of merchandise and where in turn they offer it to their valuable customer in a most appropriate manner in order makes it a special one. Customers are very much aware to be in high-end while other caters to the price conscious masses. Many of the major retailers of this format are so successful that department stores have started to percept and formulate their customer buying, and providing marketing styles accordingly and do they follow effective merchandise display strategies in order to remain competent among their competitors. Experts from the retail Industry predict growing trends of retail industry and they focus more on to the success of retailer in this segment, especially focusing on to the home improvement and home furnishings it seems to be like there is ambitious opportunity for them to attract many of the best customers. Promotion and Taking Responsibility are two key predominant factors which come quickly to those willing to do smart hard and in many of these stores the hand of bureaucracy is not heavy.

4.4 E-Tailing

There is a Huge Potential and scope for E-Tailing in India wherein it will grow more than that of thousand fold in the next upcoming years with a huge reach of USD 78 billion by 2020. And this country has a high emerging Internet-habituated consumer base, which will comprise of 180 million online users by end of 2020, along with increasing mobile Internet customers which in turns will drive the e-tailing to the next level and The Concept of rise in E-tailing can provide large number of employment opportunities over 1.45 million people by 2020. E-tailing is a completely different one from the concept of retail and therefore it requires a major different mindset and fresh thinking from the policy makers as well as the private sector.

4.5 Major Challenges Faced By the Indian Retail Industry

Despite of the retail boom in the country, large scale retailers seems to be having to indulge in all sorts of promotions to attract store traffic (A and M, 2001). The main challenges faced by them are as follows:

4.6 The Traditional Kirana Stores

The Kirana practices Customer Relationship Management (CRM) diligently. The Shopkeeper knows about the customers' families, their purchase history and their needs. Consumer familiarity runs down from generation to generation. There is no major dissatisfaction with these stores. They are open to long hours; stock most of the goods required by the residents in a given area, provide credit and home delivery and in many cases, supply

products that they do not stock without any extra cost. Consequently, a large number of customers are not willing to pay a premium for the shopping experience promised by large format retailers.

4.7 High Costs for the Organized Retail Sector

Traditional Retailing has been established in India for some centuries. It has a low cost structure, is mostly neither own operated and has negligible real estate and labour cost and little nor taxes to pay. In contrast, players in the organized sector have high expenses to meet and yet have to keep prices low enough to be able to compete with the traditional sector.

4.8 Specialization

According to Retail Experts view and Opinion that it's been found that there is a sudden boom and rise in organized retailing will happen only when the supermarkets start to sell their daily needed Products at 90 percentage of the regular price, as like how Carrefour a retail giant is performing in the country of China **Subramanian, Nithya, (2000)**. The Key will be to plan a national scale presence, build strong sourcing networks that connect the business directly to the farms and sell fresh food at attractive prices. Subhiksha a Chennai-based grocer-cum-chemist, started out with low prices, proximity, quality and range. It sells at a mark down of 7% to 8% on the market price. It's not a self service store. With more than 200 stores in many cities, it sources products directly from the manufacturers and uses the information technology to manage the information gaps. Although Indian consumers have started buying from the other retail formats, they are buying mainly from the store-based retailers only.

4.9 Correct Merchandise Mix

Getting the right product mix is critical to retailing. Food World started with 6000 Stock Keeping Units (SKU's) but has cut it down to 3500. Every retailer wants to have high value, high margin, and fast moving products. However, this isn't always possible. Attention has to be paid to gross margin return on investment. One of the indices that retailers use to check volumes is sales density, which shows the amount of sales per sq.ft of shop space. Specifically Shoppers Stop is reputed to have touched sales density of Rs.25000 at one of its stores, which has become an aspiration figure for non-grocery retailers. This again could depend not only on margins but also on how briskly products move. Keeping Inventory low is a challenge, and this is achieved by a good number of 'stock turns' per year.

4.10 Strong Information Technology Support

The backbone of retailing is IT. It would require large investments that connect every aspect of the operations seamlessly, from the supplier to the cash counters. For Instance, a store like Food World generates about a million bills every month. Similarly, Other Stores like Pantaloons, and Shoppers Stop can track sales and place orders based on specific demand projections.

4.11 Poor Infrastructure

In India, infrastructure as cold-chain infrastructure is primitive, affecting the modernization of the food sector. In order to succeed supermarkets would require volumes to be cost competitive, which would require operations with hubs all over India. Indian infrastructure is not fully developed yet. Roads and rail infrastructure needs to be developed. The Efficiency in the supply chain is far below the International Benchmarks. A Strict Quality control increases the prices of the merchandise and the gap between the Demand and Supply.

V. CONCLUSIONS

The Retail Industry is growing at a rapid pace due to the changes in the consumption culture of the Indian consumers. With a very young population and a rapidly growing economy, the retail industry is witnessing the entry of Indian as well as Multinational Organized Players. However, they face some very daunting tasks and challenges before they can achieve success. The most important of these are the changes in the attitude of the customers, their expectations, high level of value delivery by Kirana and other traditional stores, and the state of infrastructure support. Hence the retailers need to focus more in order to better understand their customers and sell their products accordingly.

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International Journal of Business and Management Invention (IJBMI) is UGC approved Journal with Sl. No. 4485, Journal no. 46889.

VP Sriram, Suresh Chandra Padhy, Sumit Agarwal, Niranjana Diwan "Changing Retail Trends: Emerging Opportunities and Challenges of Indian Retail Industry." *International Journal of Business and Management Invention (IJBMI)*, vol. 07, no. 01, 2018, pp. 25–29.